

الرياض ريت
Riyad Reit

Annual

Report

2022



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Riyad Capital

About the REIT Manager



200+
Professionals



Managers
Experienced
local/international



Presence
local/international



SAR +225 Bn
Assets under
custody



SAR +82 Bn
AuM

Riyad Capital

A leading investment bank in Saudi Arabia, licensed by Saudi Arabia's Capital Market Authority ("CMA") and authorised 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 owned by 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 maximising cash flow and value of property assets.



Riyad REIT

Fund Manager Statement



In 2022, we witnessed several political and economic events including the rise of interest rates to levels not seen during the past years, contributing to fears of an "economic recession" in many countries of the world. In spite of this, the Saudi economy registered GDP growth of up to 8.7%, while the inflation rate, which is measured by the CPI in KSA, rose to 2.5% in January. The main driver of the post-pandemic recovery was the increased demand for housing and tourist accommodation and higher government spending on infrastructure projects and other real estate sectors. And based on the Fund Manager's active vision and strategy, by evaluating political and economic events and financial market developments and keeping pace with the real estate sector, the Fund continued its active endeavor to expand the range of tenants and their categories as well as the sectoral and geographical diversity in its real estate investment portfolio locally and internationally with the aim of contributing to the enhancement of cash flows and the performance of the Fund in general. In order to limit the effects of increasing interest rates, the Fund Manager has worked on a number of initiatives to reduce the resulting impact, with effort on several aspects, including: increasing the Fund's capital and working on hedge contracts for a portion of the Fund's existing loans against interest rate fluctuations. At the local level, and in line with the Fund's continuous focus on the development and progress of the Saudi market, we have invested SAR 61.8 million in a Shariah-compliant closed-ended, income-generating private real estate investment fund, which is managed by Riyadh Capital. The Fund aims to achieve stable rental income and capital growth in the medium to long term by acquiring high-quality, income-generating institutional real estate assets with a diversified rental base in various vital locations within Saudi Arabia.



The Fund's management was also keen to design a balanced investment portfolio through which it is possible to monitor the risks that existing assets or new assets may be exposed to, while taking into consideration the interests of the Fund unit holders. At the beginning of the second half of 2022, the Fund announced the opening of JW Marriott Hotel in Riyadh, which is the first hotel of its class to be opened in the Kingdom of Saudi Arabia and is one of the largest properties owned by the Fund. The hotel went through several stages of development to become one of Riyadh's landmarks by opening a range of international restaurants and Spa that make it a unique experience for guests and visitors. Out of the Fund manager's concern in achieving the best returns for unit holders, the contract of STC Academy as to the commercial part of JW Marriott Tower was renewed for 5 years with an increase in leasing space from 3,568 square meters to 4,018 square meters. It is noteworthy that the increase in the rental area occurred due to the quality of the property's construction and its geographical location. Globally, the Fund exited from a real estate asset investment in the United States of America in the first half of 2022 (350 Rhode Island in San Francisco, California), which has an area of 11,808 square meters. The real estate investment was exited by selling the asset to Lincoln Property Company and Korea Assets Investment. With this exit, the Fund generated a total return (ROI) of 57% and an internal rate of return (IRR) of 27% for unit holders in the Fund. The logistics sector is also one of the key sectors of the Fund's strategy and goals, as Riyadh REIT invested in a logistics portfolio located in the U.S., consisting of five (Class A) real estate assets that are fully leased to high-quality tenants of investment grade and with an average lease period of up to 15 years in four different locations (Missouri, Texas, South Carolina, and Alabama). It is expected that the investment will generate an average distribution of 7.5% for the Fund during a four-year investment period. This active movement that took place during the year was an opportunity for our real estate portfolio to engage with a number of the world's largest companies and keep pace with the economic changes, which contributed to enhancing the security and stability of long-term cash flows and reducing the risk of the Fund's concentration.

Riyad Reit

Fund Manager Statement



In line with Riyadh REIT strategy, the Fund's Board of Directors has recommended taking the necessary measures to start increasing the Fund's capital to reduce the rising costs as a result of higher interest rates, and to enable the Fund Manager to take advantage of current real estate opportunities to enhance the Fund's performance and distributions in the coming period, especially with changes in the real estate environment, and the exceptional opportunities this may create, which is in progress by the Fund Manager. Riyadh REIT Fund has invested in a number of domestic and international investments, which reflected positively on the Fund's performance. Due to the Fund's efforts and diversification of its investments, it received several awards in 2022, including: The Global Business Outlook Award as the most innovative acquisitions and the most diversified in real estate sectors and the most active and widespread fund, as well as SANADEQ award as the most profitable fund for its investors. Despite all the economic challenges expected globally and locally in 2023, Riyadh REIT Fund always seizes investment opportunities that are aligned with the Fund's strategy. With the Fund's capital increase, it is expected that it will grow its real estate portfolio through more acquisitions targeting real estate assets with investment returns. The Fund is always dedicated to diversify its investments, reducing concentration risks in certain real estate sectors. Furthermore, our insight and international experience enable us to evaluate market shifts globally, allowing us to adapt our investment strategies with a more comprehensive view of real estate markets. The Fund will continue to seek new investment opportunities in the market to achieve and improve the Fund's investment objectives.



Summary

of Board Meetings

Below are the most important topics discussed by fund's board of directors' and the Fund Manager:



Regular evaluation of the Fund's business development and strategy



Updates regarding the fund's capital increase procedures



The latest developments in fund's properties



Discussing the status of the development and renewal projects



Follow-up on the collection of rentals due



Review and approval of the fund's annual report



Approval of the appointment of Al Bassam (PKF) as the Fund's external auditor



Approval of the appointment of Abaad Valuation Company as a real estate valuator for the Fund

Milestones

2022



Riyad REIT

Acquire the Most Innovative Fund Award

2022

- ✓ The Most Diversified in Real Estate Asset Sectors
- ✓ The Most Innovative Acquisitions
- ✓ The Most Widespread
- ✓ The Most Active



January

- Investing SAR 233 million in a U.S. logistics portfolio
- The board of directors' recommendation to start the fund's capital increase procedures

February

- Dividend distribution of SAR 0.47 per unit to the unit-holders for the second half of 2021

March

- Making a Profit from the sale of "350 Rhode Island Building" in San Francisco, California, USA with a total return (ROI) of %57

May

- Renewing the lease agreement of STC Academy, with an increase in the rental area

June

- Opening and flagging of the JW Marriott Hotel Riyadh as Saudi Arabia's first JW Marriott

August

- Dividend distribution of SAR 0.44 per unit to the unit-holders for the first half of 2022

September

- Investing SAR 61.8 million in a private closed-end Real Estate Fund, managed by Riyad Capital

Financial Highlights

Fund Performance

	December 2022	December 2021	December 2020
Net Asset Value	1,531,307,324	1,598,624,597	1,591,356,925
Net Asset Value Per Unit (Book Value)	8.92	9.31	9.27
Issued Units	171,697,101	171,697,101	171,697,101
Funds From Operations	119,890,839	127,513,923	69,709,545
Income Distribution Per Unit	0.69	0.74	0.45
Percentage of uncollected revenue from Total Revenue *	28.46%	34.25%	28.36%
Total Expense Ratio (Fund Level)	2.60%	3.48%	1.86%
Ratio of non-cash expenditures from fund's net profit	34.82%	32.07%	54.72%
Highest NAV (Fair Value)	11.34	10.20	9.73
Lowest NAV (Fair Value)	8.92	9.96	9.59

* contains operational income, i.e. hotels.

■ All numbers are in SAR

Financial Highlights

Fund Leverage

	December 2022	December 2021	December 2020
Debt to AUM Ratio *	43.61%	45.63%	34.04%
Debt Fulfillments Period	6 Years	6 Years	6 Years
Debt Due Date	2029	2029	2028

* Based on fair value

Financial Highlights

Fund Returns

		2021	2020	2019	2018	2017	2016
Annual Return	302,161,365	267,476,819	186,020,615	181,201,243	149,113,651	38,521,974	23,668,833

	One Year	Three Years	Five Years
Cumulative return	302,161,365	755,658,799	1,085,973,693

Financial Highlights

Fund Fees and Expenses to Third Parties

	December 2022	December 2021	December 2020
Custodian Fees	100,000	100,000	100,000
Property Management Fee	1,209,013	1,293,029	853,659
Maintenance, Utilities, Security Charge	1,994,131	1,518,484	1,196,137
Legal Expenses	106,032	1,002,252	1,139,671
External Audit Fees	205,000	213,250	132,435
Other	4,086,075	3,576,512	4,307,814
Total Fees and Expenses	7,700,251	7,703,528	7,729,716
Percentage of total fees and expenses	0.25%	0.25%	0.31%

- Fund Manager did not receive any special commission during the financial year 2022
- There were no circumstances in which the Fund Manager may decide to waive or rebate any fees
- All numbers are in SAR



Share Price

and Shareholder Information

On 13th of November 2016, Riyadh REIT listed its units on Tadawul Stock Exchange with a paid-up capital of SAR **500,000,000**, and the fund's capital was raised in 2018 to become SAR **1,633,000,010**.

Number of Units



171,697,101

Fund Capital



SAR 1.633 billion

Share price (as of Dec. 31, 2022)



SAR 9.88

NAV per unit



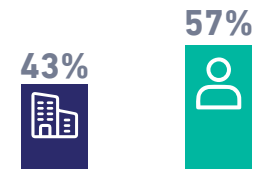
SAR 11.34

Fund Size



SAR 3.07 billion

Investors by type



Institutional / Individual

Portfolio Highlights

Snapshot of Riyadh REIT



Rental Properties	Operating Properties	Local Investments	International Investments	Value-add and Development Projects
11	3	2	11	1
Total number of Portfolio Assets				28

	Debt	Net Leasable Area (m2)	Number of Tenants	WAULT	Portfolio Occupancy (of Rental Properties)	Portfolio Vacancy (of Rental Properties)	Fund size
	46.8%	812,569	162	11.29	92%	8%	3.07B
	Equity	Total Revenue					210.4M
	53.2%						

* Includes allocated net leasable area on local and international portfolio

** Percentage of Leased Asset Value to Total Leasable Assets Value

*** Percentage of Unleased Asset Value to Total Leasable Assets Value

Portfolio's Geographic Distribution

Saudi Arabia



Riyadh

Vivienda Hotel Villas
Mousa bin Nusair

Altamyouz Center

Fursan Plaza

Braira Villa Hotel

Alizdihar Center

JW Marriott Hotel Riyadh

Olaya Tower

The Academy (STC)

The Residence

Saudi Electronic University

Alraed Building

The Roofs

Eastern Province

Al Shatea Towers - Dammam

Ascott - Corniche Alkhobar

Al Rakah - Alkhobar

Jeddah

Ascott Hotel Tahlia

Omnia Center



Portfolio's Geographic Distribution

USA



Texas

Pioneer Headquarters

FedEx Headquarters

Lowe's Regional Distribution
Center

Washington, D.C.

1111 Pennsylvania Avenue

California

Broadcom Corporation HQ

Alabama

Lowe's Regional Distribution
Center

Pennsylvania

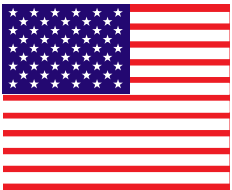
Amerisource Bergen Global HQ

Missouri

Amazon Last Mile Distribution
Station

South Carolina

Techtronic Industries Regional
Distribution Center



Portfolio's Geographic Distribution

Europe



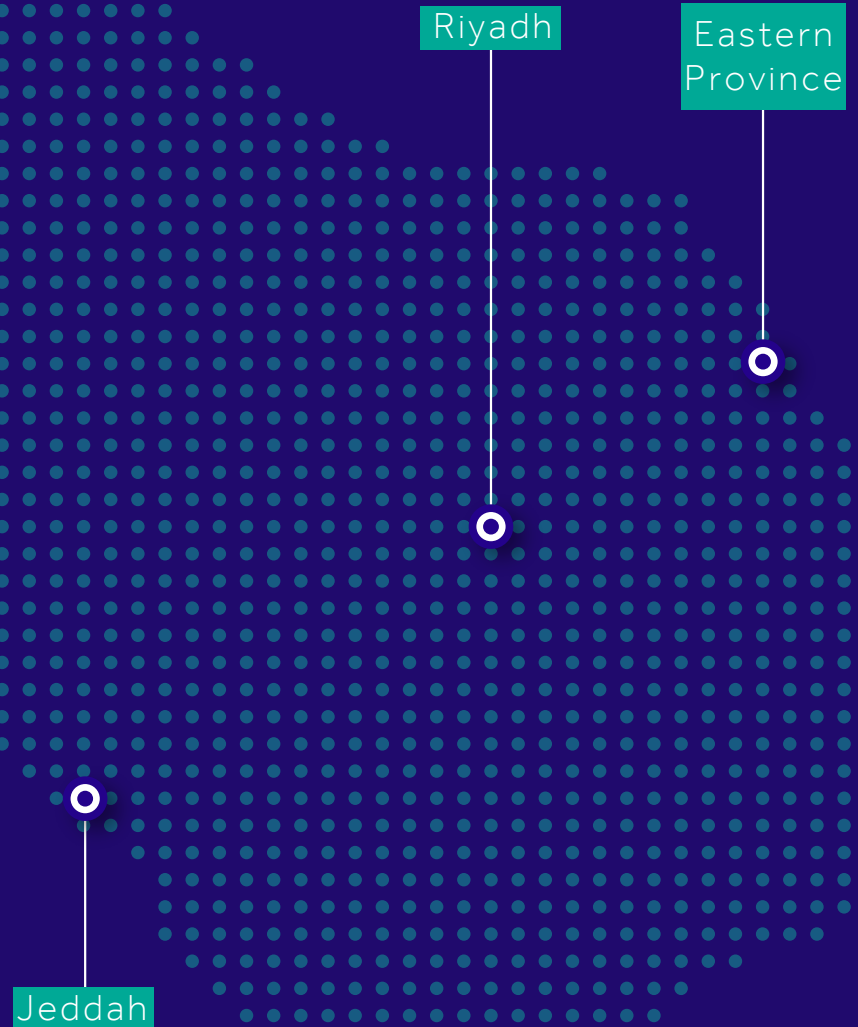
Belgium

PwC Belgium, Brussels



Market Snapshot

Saudi Market Overview



Market Snapshot

Saudi Market Overview



Deloitte.



CBRE

- According to General Authority for Statistics (GASTAT), the real GDP during the fourth quarter of 2022 grew 5.4%. Employment forecasts by Oxford Economics indicates that the financial and business services sector registered a year-over-year growth of 12% in KSA. (Deloitte)
- The hospitality sector performance has improved in 2022. From the beginning of the year through September 2022, occupancy in KSA averaged 53%, compared to 39% for the same period in 2021. (Deloitte)
- With the easing of COVID -19 restrictions in China and a shallower slowdown expected in global growth during 2023, we may see the oil sector recording a more elevated growth rate during the year, which will in turn lift the headline growth rate. (CBRE)
- Both average daily rate (ADR) and occupancy rate improved from the previous year as a market wide recovery was supported by the ease of travel and faster visa processing for tourists. The first three months of the year were the strongest performance for occupancy rate in Riyadh, reaching 76% in March. Meanwhile, Jeddah hotels recorded the highest occupancy rate in May reaching 59%. (Deloitte)
- Saudi Tourism Authority reported in November 2022 that the country welcomed 62 million visitors in 2021, with visitation estimated to reach 70 million in 2022. (Deloitte)
- One of the goals of the Kingdom's Vision 2030 program is to raise home ownership among Saudi nationals to 70% by 2030, from around 62% currently. In support of this objective, a total of 117,484 families moved into units provided under the Sakani program in the first eight months of 2022. With another important target which is increasing the population of Riyadh to 15-20 million by 2030. (JLL)
- The Saudi Ministry of Foreign Affairs has launched in Jan 2023 the service of issuing (a Transit Visa for Stop-over electronically), in coordination with the relevant authorities and cooperation with national airlines, that will allow the visitors to stay in the country for up to 96 hours. Which will enhance the number of visitors to the Kingdom.

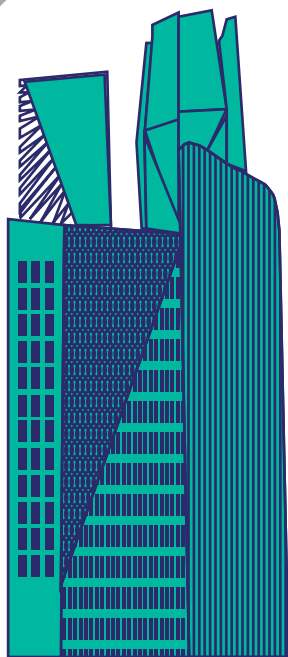


Market Snapshot

Riyadh



- Class A offices in Riyadh saw average rental rates reach SAR 1,711 per square meter in Q4 2022, representing a year-over-year increase of 5.8%. Although Class B rents also saw an increase over this period, it was more marginal at 1.5%. With the average rent now standing at SAR 1,286 per square meter. (CBRE)
- Average rent prices for warehouses registered an increase of 3.7% in Q4 2022 compared to Q4 2021. Currently, average warehouse rents across the capital sit at SAR 171 per square meter, where average rents range from SAR 147 per square meter in Western Riyadh to highs of SAR 196 per square meter in Eastern Riyadh. (CBRE)
- In the hospitality sector, Riyadh's ADR and occupancy rates increased 10.9% and 2.1%, respectively, compared with same period in 2019. (CBRE)
- One of the announced targets, is to increase Riyadh's population to 15-20 million by 2030 – which points to demand for homes continuing to trend up in the long run. (JLL)
- Retail & entertainment activities in Riyadh in September 2022 was 21% above the baseline (which represents the average footfall for the first five weeks of 2020). (JLL)
- The opening of Mansard Hotel and Residences in the third quarter raised the total hotel inventory to 20,000 keys in Riyadh by the end of Q3 2022., there are around 3,000 keys scheduled to be delivered in Q4 2022. (JLL)
- There have been 290,000 sqm completed in projects of retails led by restaurants, including 275 new restaurants, spread across 16 retail projects, since the launch of the National Transformation Plan in 2016, ushering in a thriving food scene in the capital. (Knight Frank)



Market Snapshot

Jeddah



- In Jeddah, Class A office rents increased by 7.4% by December 2022, reaching an average of SAR 1,175 per square meter. Whereas over the same period, Class B rents remained unchanged at SAR 700 per square meter. **(CBRE)**
- Occupancy rates for both Class A and Class B offices have risen over the year of 2022, to reach 90.6% and 76.0% up from 87.8% and 74.6% in 2021. **(CBRE)**
- Jeddah and Makkah were the two major cities which sit below their 2019 levels across all KPIs, and as a result their RevPAR are 18.8% and 9.0% below their 2019 levels. For both cities, although occupancy rates are only marginally lower than 2019, the lack of recovery in ADRs have significantly impacted RevPAR. **(CBRE)**
- Average rents in Q4 2022 reached SAR 179 per square meter, down 9.4% from a year earlier. Warehouses inventory in Northern Jeddah recorded the highest average rents at SAR 196 per square meter **(CBRE)**
- The office sector in Jeddah showed significant improvements during 2022, albeit at a slower pace. This recovery is being underpinned by new public sector entities (many linked to new real estate projects), establishing a presence in the Red Sea coastal city. This includes ROSHN, Uptown Jeddah, Al Ballad Development Company, and Jeddah Central Development Company, all of whom have recently opened new offices in Jeddah. **(Knight Frank)**



Market Snapshot

Eastern Province

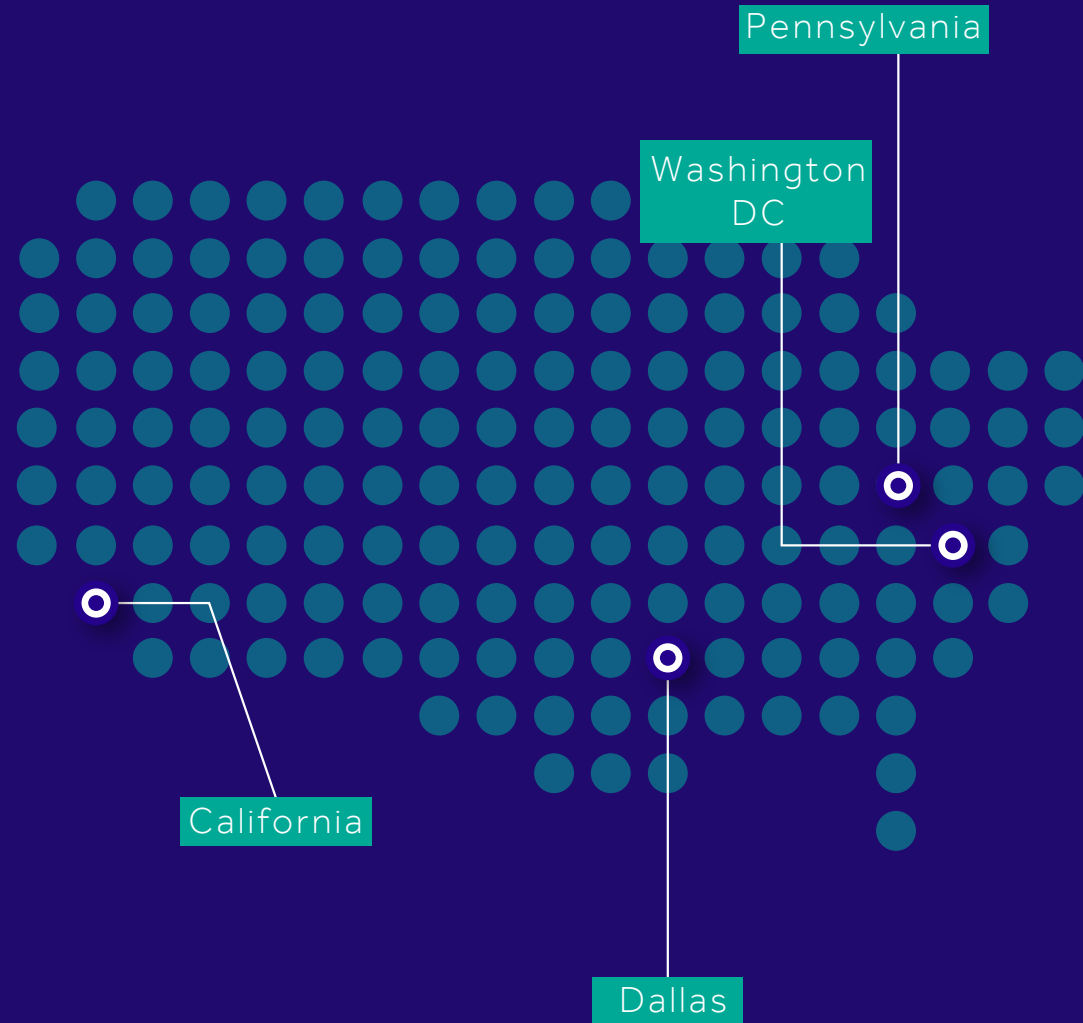


- Dammam and Khobar's office markets saw Class A rents increase over the year in 2022 by 7.9% and 6.2%, respectively. However, Class B rents in Dammam have continued to remain flat during this period. Grade A occupancy levels in Dammam and Khobar at the end of 2022 stood at 81.2% and 78.7% respectively.
- As for Hospitality sector, the negative trend expected to ADRs in Khobar which fell by 3.6%, whereas Dammam's ADRs increased by 4.1%. Overall, in Dammam and Khobar this has resulted in RevPARs decreasing by 10.8% and 7.8% respectively. **(CBRE)**
- On the supply front, a small commercial project at Prince Mohammed Bin Fahad Road was delivered to the market, adding 6,000 sqm to the DMA's office supply. With this small addition, the total office inventory in the DMA now stands at 1.26 million sqm. A further 18% increase to 1.62 million sqm is forecasted by 2024. **(Knight Frank)**
- Rental rate performance for industrial and logistics in Dammam and Khobar has been fragmented over the year to Q4 2022, with average rents increasing by 6.1% in Dammam and declining by 21.1% in Khobar. Average rents in Q4 2022 stand at SAR 194 and SAR 150 per square meter, respectively. **(CBRE)**



Market Snapshot

US Market Outlook



Market Snapshot

US Real Estate Office Market Outlook



- The U.S. office market faced high demand for office space in Q4 2022. With more employers demanding a return to the office, net absorption turned positive again, mostly due to stronger demand for Class A office space. (NAR)
- The U.S. labor market ended 2022 with a record-high number of jobs and historically low unemployment rate of 3.5%. The U.S. economy was able to recover all the jobs that were lost in the pandemic. Within a year, the U.S. economy added about 4.5 million jobs. Office-using employment grew by 3.1% year-over-year in November 2022 and was 6.3% above its pre-pandemic (Q1 2020) level. (CBRE) (NAR)
- The office market remains heavily bifurcated, even amid recent volatility, and contrary to overall figures, the Trophy and high-quality Class A segments continue to defy overall trends. (JLL)
- Office usage increased in the fall, and heading into 2023 more employers are encouraging office workers to be in the office several days a week. However, there is only so much space that organizations can shed, and there is an expectation that office usage will continue to creep higher in 2023 as individuals, teams and companies experience the benefits of proximity and connection. (Cushman & Wakefield)
- Declining inflation in 2023 will provide a tailwind for the economy toward the end of the year. While the drop will be gradual and bumpy, CBRE forecasts that a slowdown in consumer demand, the easing of global supply chain bottlenecks and a weaker housing market will push inflation down to around 3% by year's end. (CBRE)

Market Snapshot

US Real Estate Office Market Outlook

Dallas



- The total employment in November 2022 ended at an all-time historical high, the unemployment rate decreased by 60 basis points YOY. The Dallas-Fort Worth's (DFW) strong labor market fundamentals will continue to help buffer the economic activity impacts. The region has again exceeded previous employment levels and hit an all-time high record of 4.2 million people employed in the metroplex. **(Cushman & Wakefield) (Newmark)**
- Annual absorption was positive again at over 1.8 million sf, marking the 16th year out of the past 20 years of positive absorption. The DFW's office market is back on track as more companies are moving to higher-quality space to attract talents and employees. As a result, Class A space led the market this year with over 1.5 million sf of absorption. **(Colliers)**
- Leasing activity in Q4 2022 saw around 3.7 million sf across nearly 1,000 transactions totaling over 20 million sf for the year dominated by high-quality suburban and urban offices. **(Cresa)**
- At the end of the year, overall asking rental rates of \$30.44 continue to be driven up by record Class A rates of \$34.62. This demand for Class A space continues to push rental rates up in what was already record territory. **(Colliers)**
- Despite office market fundamentals softening nationally, the DFW office market is well-poised to remain positive in the long run due to strong market fundamentals. Compared with other large metros, the DFW office market remains an attractive option for companies due to long-term demand drivers. **(Newmark)**





Market Snapshot

US Real Estate Office Market Outlook

Philadelphia MSA, Pennsylvania

- Philadelphia MSA's labor market has been recovering, adding over 20,000 jobs along the way. The unemployment rate declined to 3.4% in the fourth quarter of 2022, down from 4.5% in the third quarter, and 7.7% in the beginning of the year. This is the lowest unemployment rate in the Philadelphia MSA since the second quarter of 2019. **(Newmark) (Cushman & Wakefield)**
- The regional Philadelphia office markets continued to be impacted by the shift to fully remote, office optional or hybrid work models, which have resulted in a lasting shift in office demand. The annual occupancy loss was not deep as in 2021. **(Colliers)**
- Asking rents continue to trend upwards increasing 150 bps from where they stood at 2021-year-end, adding 84 bps in the last quarter of 2022. **(Avison Young)**
- Philadelphia's office market showed signs of tipping into recovery at the end of 2022. The suburban portion of the market not only posted a decline in availability during the past quarters, but vacancy fell in Q4 2022, the first time since the start of the pandemic. **(CBRE)**
- Average sale price per square foot rose 5.36% from \$149 in Q4 2021 to \$157 in Q4 2022. The largest deal in the fourth quarter was CHUBB's movement to 438,000 sf of rentable space in a build-to-suit tower, it is one of the largest office leases nationwide in 2022. **(Avison Young) (JLL)**



US Real Estate Office Market Outlook

- The Washington D.C. Metropolitan added 73,800 jobs from Nov 2021-Nov 2022, representing a 1.9% growth YOY. In Q4 of 2022, Washington D.C.'s MSA unemployment rate was 3.1%, outpacing the national unemployment rate.
- Washington D.C. occupancy gains remain heavily wide by classes; Class A gaining almost all the positive quarterly occupancy gains, where it has been expanding in the last five quarters. (Newmark)
- The DC market totaled 6,943,445 square feet of leasing by the end of 2022. Sales transaction volume totaled \$1.5 billion in 2022. (Lincoln)
- 345 new deals were signed in 2022. Tenants continued to show a preference for high-quality office space, which recorded 66% of the new deals in 2022. (Cushman & Wakefield)
- The gap between Class A Trophy office buildings and the other classes will continue to widen in 2023. It is expected that Trophy buildings will continue achieving healthy levels of absorption in the coming year. (JLL)
- Washington DC's Office investment dollar volume in 2022 was \$2.14 B. Office investors have generally favored core asset profiles as opposed to value-add asset profiles. Generally, this has resulted in more investment being concentrated in the trophy segment of the market. (Avison Young)



Market Snapshot

US Real Estate
Office Market
Outlook

Orange County,
California



- The unemployment rate in Orange County was 3.0% in November 2022, below the year-ago estimate of 4.1%, with a total employment of 73,100 and a growth of 4.5% YOY from November 2021 through November 2022. (Avison Young) (Cushman & Wakefield)
- The Orange County office market ended the year with 1.5 msf of leasing volume reported in Q4. In comparison, full year 2022 total leasing activity of 6.5 msf was up slightly from 6.3 msf reported in 2021. (Savills)
- The pace of new leasing activity has risen steadily as businesses switch from remote to hybrid work schedules, with many tenants looking for high-end office property in convenient locations near amenities. (Kidder Mathews)
- Two major projects are underway, both of which are expected to deliver early next year: The Press (449,206 sf) on Costa Mesa will be fully occupied by Anduril, while Innovation Office Park (258,395 square feet across seven buildings) in the Irvine Spectrum is 8.0% preleased to two tenants. (Newmark)
- Since Q4 2022, more companies started to require consistent office attendance, which might help stabilize demand. Moreover, Orange County's job market has fully recovered to the pre-pandemic level since October. (JLL)



Market Snapshot

US Industrial Market Outlook

- 2022 is the second strongest year for industrial demand ever, net absorption totaled 536.6 msf in 2022, down from the all-time high record of 608.0 msf seen in 2021. The fourth quarter of 2022 marked the ninth straight quarter in which absorption surpassed the 100 msf mark and indicates that demand for industrial space remains strong going into the new year. **(Savills) (Cushman & Wakefield)**
- In the fourth quarter of 2022, average asking rents rose 3.2% quarter-over-quarter and 13.0% year-over-year to \$9.63 psf. Annual asking rent growth should remain robust for the foreseeable future. **(CBRE)**
- For the third year in a row, the U.S. industrial market inked more than 700 msf of new leasing volume, with 757 msf signed throughout 2022. This was the second-best year in history. **(Cushman & Wakefield)**
- While industrial leasing activity is winding down from the historic highs witnessed in early 2022, the market remains strong and appears to have a positive outlook heading into 2023, industrial activity was 50% higher in Q4 2022 than the same period in Q4 2019. **(Cresa)**
- In the last quarter of 2022, the U.S. industrial vacancy rate ticked to 3.3%, 20 bps higher than the prior quarter. Despite the uptick, vacancy is still 140 bps lower than it was pre-pandemic and remains more than 300 bps lower than its 10-year average of 6.5%. **(Cushman & Wakefield)**
- Sales and cap rates held up remarkably well through 2022, even as commercial mortgage rates essentially doubled. Property sales by owners/users and sale-leaseback deals have continued to close in large volumes. **(Cresa)**



Market Snapshot

European
Real Estate
Office Market
Outlook

Belgium



Market Snapshot

Europe Real Estate Office Market Outlook



- In the European real estate investments, the office sector is the largest sector by investments. In 2022 the office sector recorded investments with a total of €96.1B **(CBRE)**
- In Southern Europe, investment activity remained strong, with investment volumes up in Spain (38%), Portugal (13%), and Italy (12%). In the Benelux, activity was particularly driven by Belgium (109%) **(CBRE)**
- For high-quality offices – those with modern amenities, strong ESG credentials, good air quality, and the right location – rents and capital values per square meter are still touching record highs in some markets. **(PwC)**
- Average prime European office rents rose by 5.5% following a shortage of best-in-class stock available across the core markets as rents begin to diverge between prime and secondary stock **(Savills)**
- Office usage rates in Europe are improving, but still remain below their pre-pandemic levels. High quality, Grade A properties with the optimal amenities will continue to see the most activity. **(Colliers)**
- Sustainability is no longer a new-fangled tendency, it has become a fact of real estate life. Environmental and sustainability strategies are key priorities for most industry leaders for 2023, as they have been for a long time. **(Colliers)**



Market Snapshot

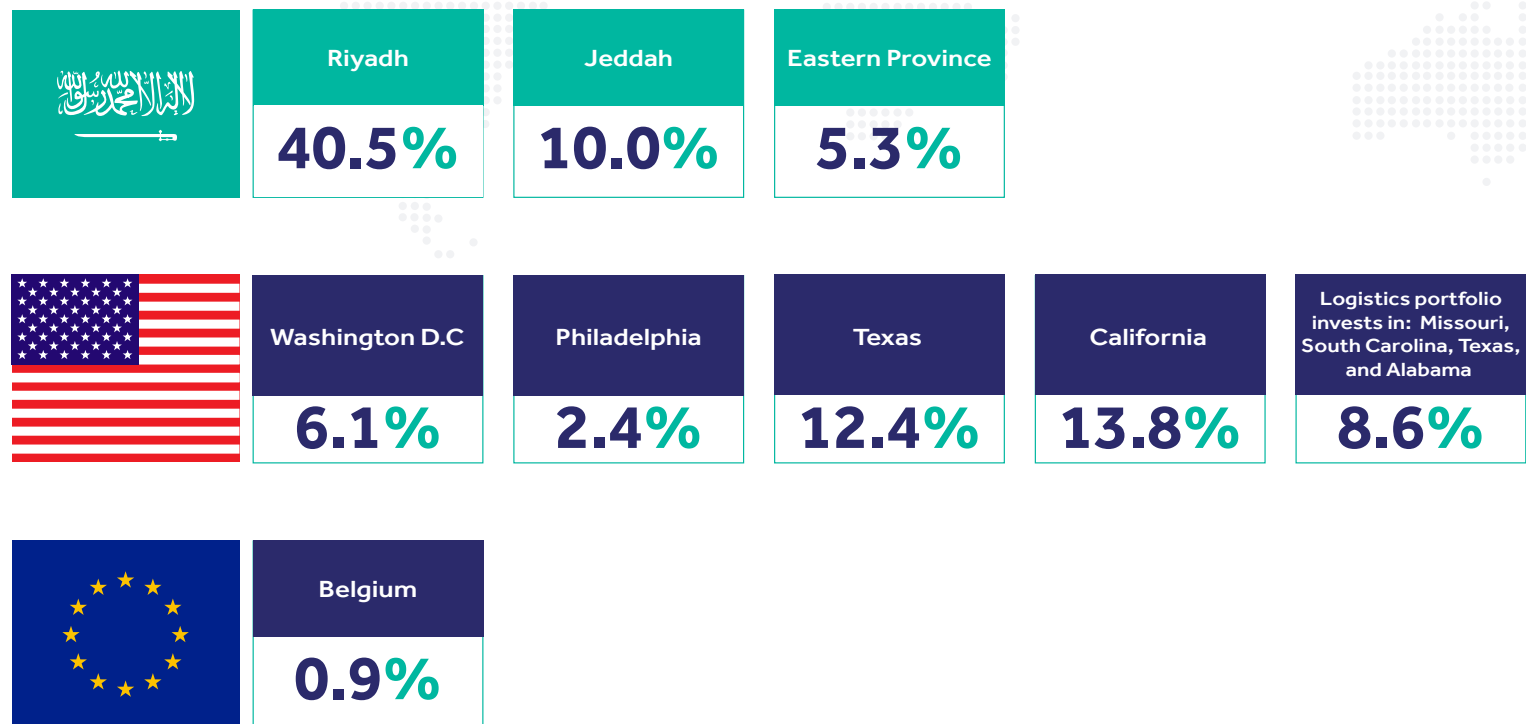
Europe Real Estate Office Market Outlook

Belgium, West of Europe

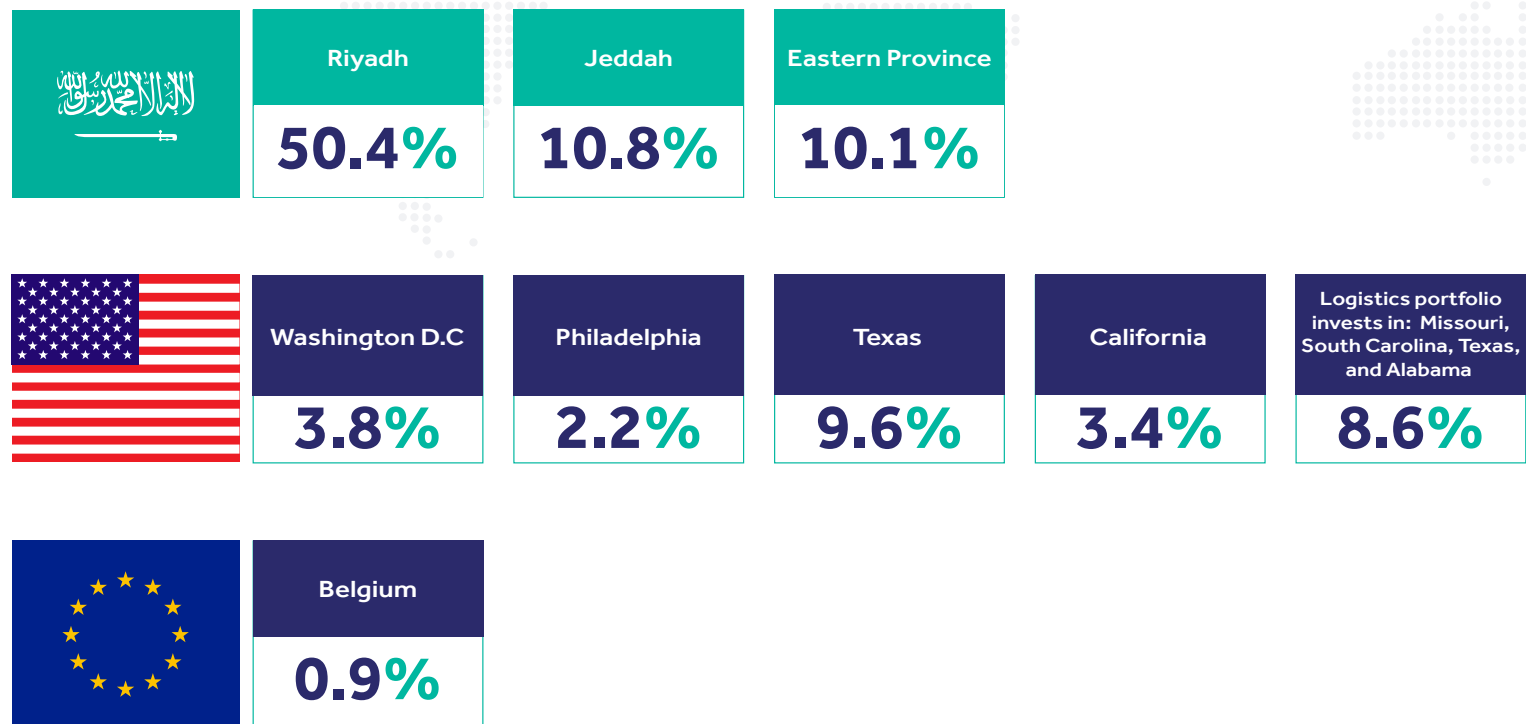
- Despite the uncertainty, the Belgian labor market remained resilient and domestic employment continued to grow. According to Oxford Economics, the Brussels economy is estimated to have grown by 2.9% in 2022. **(CBRE)**
- CRE investment in Belgium recorded €8.5 billion up to Q3 this year, which makes 2022 an absolute record year for real estate in Belgium, surpassing 2020 by €3.6 billion. Such investment is a testament to the attractive fundamentals Belgium has to offer. Brussels offices made up 55% of the total volume, or €4.65 billion. **(CBRE)**
- The demand for high-quality remains a continuing trend throughout the year. In Q4 2022, more than 40% of take-up took place in Grade A properties. **(Cushman & Wakefield)**
- Vacancy overall consequently went down to 7.4%, close to the pre-pandemic level of 7.2%. **(JLL)**
- The largest transaction for Brussels offices in Q4 2022 was the Hendrik Conscience building in the North district being sold by Axa REIM to Corum investments for €173 million. **(CBRE)**
- The price gap between Grade A office buildings and Grade C buildings has increased, from 24% in 2020 to 36% in 2022 in Brussels. **(Colliers)**
- An important development pipeline is expected over the next two years. In 2023, about 129,300 sqm is going to enter the Brussels market. However, considering the increasing demand for energy-efficient buildings, these properties will most likely be pre-let soon. **(Colliers)**



Revenue Base



Assets Base



Local Portfolio

Saudi Arabia

Local Portfolio



Local Portfolio

Saudi Electronic University



Description
Main campus of the Saudi Electronic University



Location
Riyadh, Ar Rabi district at the intersection of Abi Bakr As Siddiq Road and Prince Mohammed Bin Salman Road



Land Area
14,210 m2



WAULT
1.28 years



Year Built
2012



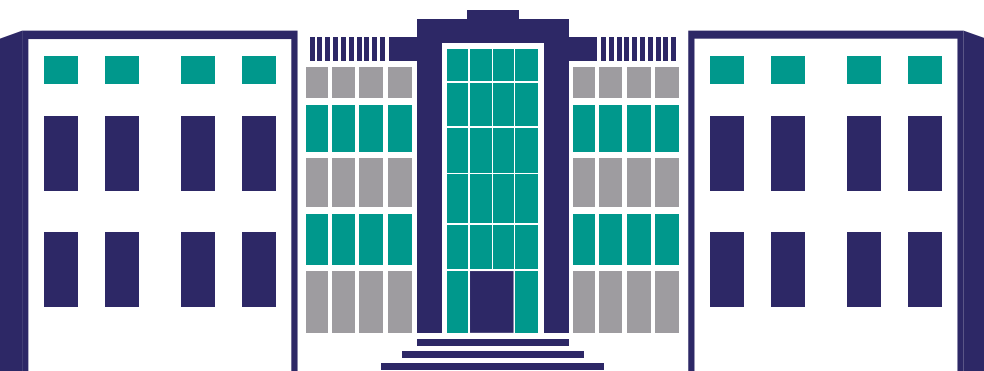
Occupancy
100%



Key Tenant
■ Saudi Electronic University



Percentage of Rent Amount to Total Fund Asset's Rent
14%





Local Portfolio

Vivienda Hotel Villas
Mousa bin Nusair



Description
Hotel Villas



Location
Riyadh, Al Mathar
District, Mousa
bin Nusair St.



Land Area
2,800 m2



WAULT
9.32 years



Year Built
2015



Occupancy
100%



Key Tenant
■ Forus Company



Percentage of Rent
Amount to Total Fund
Asset's Rent
5%



Local Portfolio

The Academy (STC)



Description
Education center



Location
Riyadh, King Fahad Road,
Al Sahafa District



Land Area
4,575 m2



WAULT
4.60 years



Year Built
2014



Occupancy
100%



Key Tenant(s)
■ STC



Percentage of Rent
Amount to Total Fund
Asset's Rent
6%





Local Portfolio

Olaya Tower



Description
Office building



Location
Riyadh, Olaya Street



Land Area
2,555 m2



WAULT
1.42 years



Year Built
2019



Occupancy
100%



Key Tenant(s)
Saudi Authority for
Intellectual Property



**Percentage of Rent
Amount to Total Fund
Asset's Rent**
8%

Local Portfolio

Al-Tamyuz Center



Description
Mixed-use property consisting of retail, and office



Location
Riyadh, Qurtoba, positioned on the intersection of Imam Abdullah Bin Saud Road, Khalid ibn AlWalid Street



Land Area
7,149 m2



WAULT
1.76 years



Year Built
2015



Occupancy
68%



Key Tenant(s)
■ Magrabi
■ Dominos



Percentage of Rent Amount to Total Fund Asset's Rent
4%





Local Portfolio

Al-Izdihar Center



Description

Mixed-use property consisting of retail, and office



Location

Riyadh, Izdihar, located on Othman Bin Affan Road in close proximity to Nakheel Mall



Land Area
2,515 m2



WAULT
3.68 years



Year Built
2015



Occupancy
100%



Key Tenant(s)

- Al Nahdi Pharmacy
- Opal Clinics



Percentage of Rent Amount to Total Fund Asset's Rent
4%





Local Portfolio

Al-Raed Building



Description
Office building



Location
Riyadh, King Abdullah Road,
Alraed District, within close
proximity to Prince Turki Ibn
Abdulaziz Al Awwal
Metro Station



Land Area
5000 m2



WAULT
1.89 years



Year Built
2021



Occupancy
100%



Key Tenant
■ Saudi Tourism Authority



**Percentage of Rent
Amount to Total Fund
Asset's Rent**
18%



Local Portfolio

Alshatea Towers



Description

Mixed-use property consisting of retail, office and hospitality space



Location

Dammam, Al Shatea, Prince Mohammad Bin Fahad Street



Land Area
6,300 m2



WAULT

4.35 years, The hospitality space is under a long-term 10-year corporate lease.



Year Built
2015



Occupancy
64 %



Key Tenant(s)

- Boudl (Braira)
- Channel 24



Percentage of Rent Amount to Total Fund Asset's Rent
7%





Local Portfolio

Omnia Center



Description

Mixed-use property consisting of retail, office and Residential apartments



Location

Jeddah, Rawdah District, Prince Saud Alfaisal Street



Land Area
10,000 m2



WAULT
1.35 years



Year Built
2009



Occupancy
78%

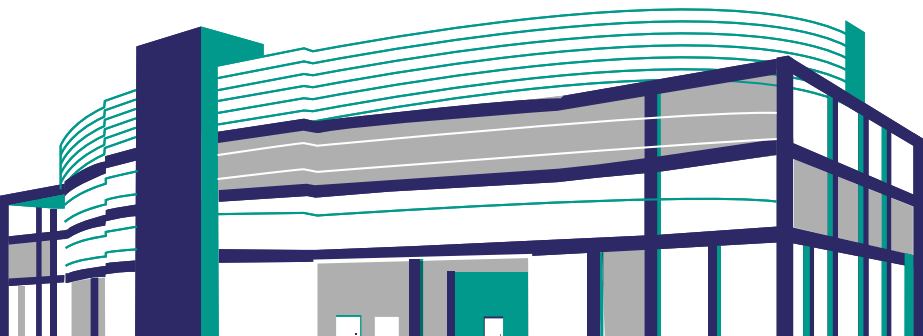


Key Tenant(s)

- Saudi National Bank
- Saudi Research & Media Group
- Joelle Medical Center



Percentage of Rent Amount to Total Fund Asset's Rent
15%





Local Portfolio

Ascott Hotel Tahlia



Description

Serviced Apartments operated by Ascott with ground floor and mezzanine retail space



Location

Jeddah, Al Rawdah District, located on Tahlia Street – Jeddah's main commercial avenue



Land Area

2,025 m2



WAULT

5.60 years



Year Built

2015



Occupancy

93%



Key Tenant(s)

Ascott
(Spectrum's Company)



Percentage of Rent Amount to Total Fund Asset's Rent

11%

Operational Properties

Riyadh

Al Khobar





Operational Properties

Braira Villa Hotels



Description

Hotel villas consists of 33 hotel units



Location

Riyadh, Hitteen District,
Prince Mohammed
Bin Salman Road



Land Area

10,000 m2



Operator Name

Boudl Group (Braira)



Year Built

2017





Operational Properties

JW Marriott Hotel
Riyadh



Description

a luxury business hotel which includes 349 rooms, Ballroom, Business center includes (including 13 meeting rooms), Spa, five restaurants



Location

Riyadh, King Fahad Road, Al Sahafa District



Land Area

9,7943.55 m2



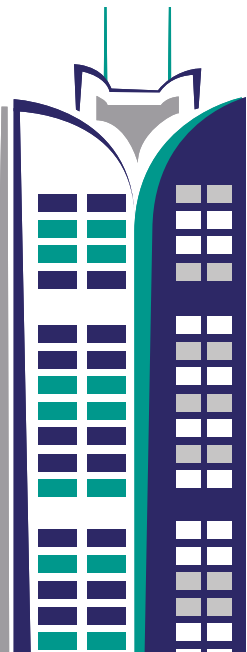
Operator Name

Marriott International



Year Built

2014





Operational Properties

Fursan Plaza
(Under construction)
To be upgraded
to a DoubleTree by Hilton



Description

Hotel consists of 147 room keys, 8 meeting rooms and commercial rental space on King Fahad Road



Location

King Fahad Road



Land Area
1,740 m2

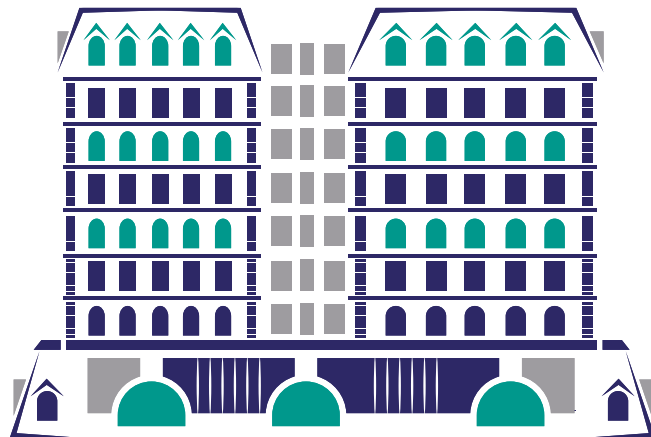


Operator Name
Hilton



Year Built

Under construction





Operational Properties

Ascott Corniche
Al Khobar



Description

Hotel consists of 148-key rooms serviced apartments, 2 meeting rooms, and ground floor retail



Location

Alkhobar, Corniche Area,
Prince Turki Street



Land Area
2,784 m²



Operator Name

Ascott International



Year Built
2019

Local Investments

Riyadh

Al Khobar





Local Investments

The Roofs



Description

Mixed-use property consisting of retail stores, and offices



Location

Riyadh, Al Ta'awun District, Imam Mohammad bin Saud Street



Land Area

6,432 m2



Lease Duration

7.95 years



Year Built

2019



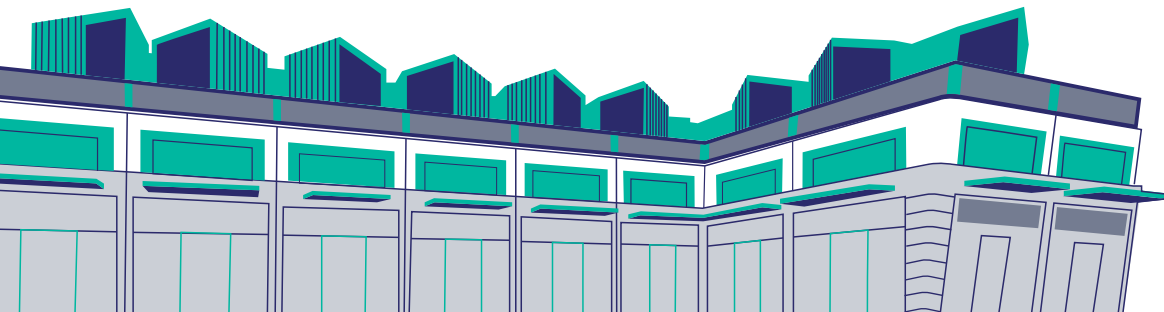
Occupancy

98%



Key Tenant(s)

■ Seera Group





Local Investments

Al Rakah



Description

Mixed-use property consisting of retail stores, and residential apartments



Location

Alkhobar, Al Ta'awun District, Imam Mohammad bin Saud Road



Land Area

8,072 m2



Lease Duration

17.02 years



Year Built

2013



Occupancy

98%



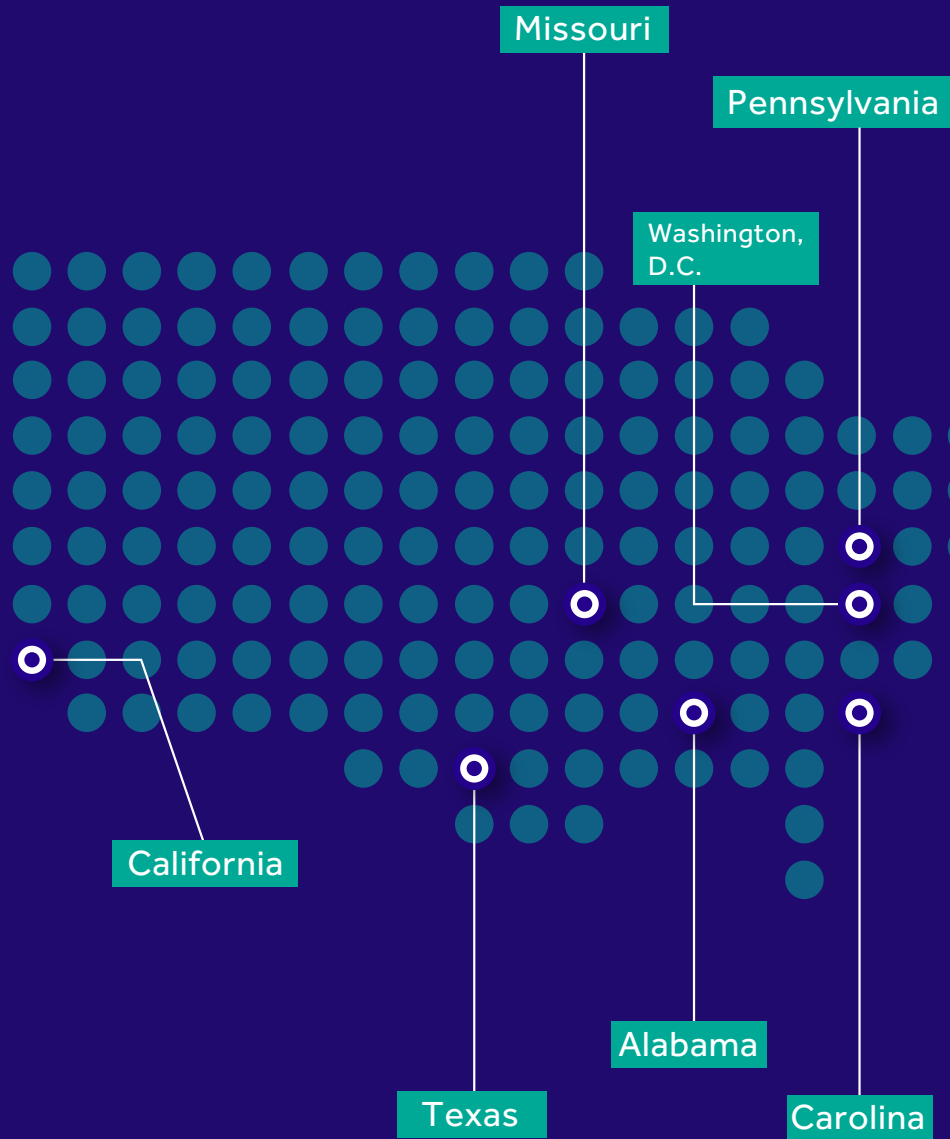
Key Tenant(s)

- Jarir
- Caribou



International Portfolio

U.S





U.S. Portfolio

1111
Pennsylvania



Description
Class A trophy office



Location
1111 Pennsylvania
avenue



City
Washington, DC,
USA



Rentable Area
31,350 m2



Lease Duration
Approximately 12.5 years
(with annual escalation)



Occupancy
100%



Tenant(s)
■ Predominantly leased to Morgan Lewis Law Firm
for 13 years (with annual escalation)





U.S. Portfolio

Pioneer Headquarters



Description
Class A trophy office



Location
Las Colinas, Irving, Dallas



City
Dallas-Fort Worth
Metropolitan Area,
Texas, USA



Rentable Area
104,555 m2



Lease Duration
Brand new 20-year lease
(with annual escalations)



Occupancy
100%



Tenant(s)
■ Pioneer Natural Resources
(investment grade)





U.S. Portfolio

FedEx Office Headquarters



Description
Class A office



Location
Legacy Business Park,
Plano, Dallas



City
Dallas-Fort Worth
Metropolitan Area,
Texas, USA



Rentable Area
24,491 m2



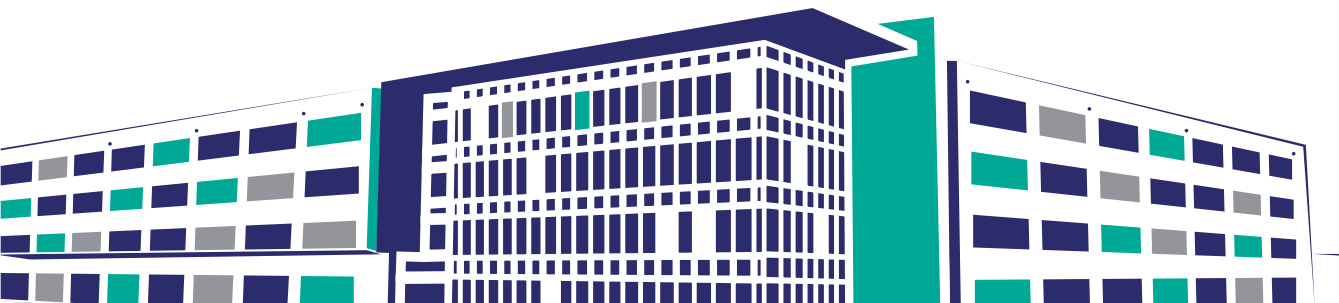
Lease Duration
7 years



Occupancy
100%



Tenant(s)
■ FedEx Office
(investment grade)





U.S. Portfolio

Broadcom
Corporation HQ



Description
Class A office and R&D



Location
Irvine, Orange County



City
Los Angeles MSA,
California, USA



Rentable Area
61,400 m2



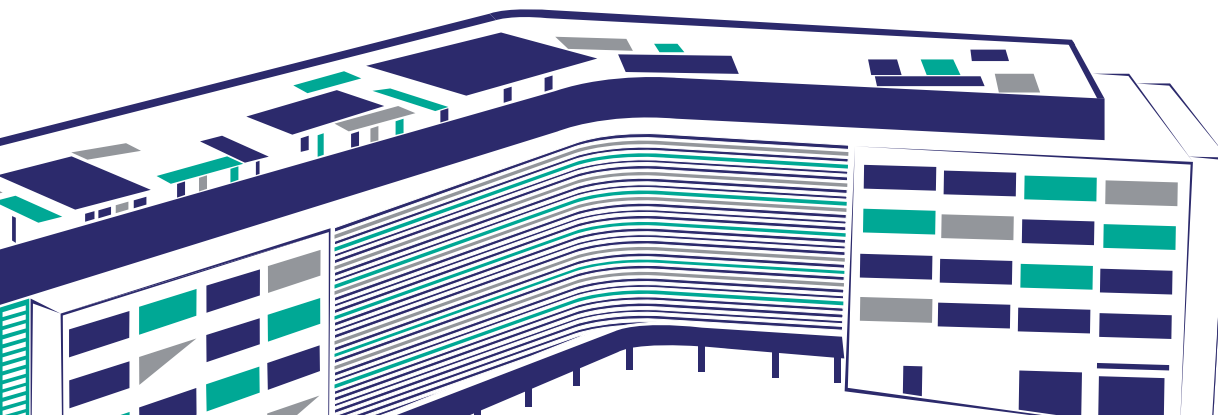
Lease Duration
17 years



Occupancy
100%



Tenant(s)
■ Broadcom Corporation
(investment grade)





U.S. Portfolio

Amerisource
Bergen Global HQ



Description
Class A office



Location
Conshohocken,
Philadelphia



City
Philadelphia MSA,
Pennsylvania, USA



Rentable Area
39,866 m2



Lease Duration
15 years



Occupancy
100%



Tenant(s)
■ AmerisourceBergen
(Investment Grade)





U.S. Portfolio

Logistics hubs portfolio

Amazon Last Mile Facility (Fulfillment Center)



Description
Logistics
(Distribution Station)



Location
Premier 370 Business
District, St. Peters



City
St. Louis,
Missouri, USA



Rentable Area
13,133 m2



Lease Duration
15 years



Occupancy
100%



Tenant(s)
■ Amazon (investment grade)





U.S. Portfolio

Amazon
Middle Mile Facility

Logistics hubs portfolio



Description
Logistics
(Distribution Station)



Location
Berkeley, St. Louis



City
St. Louis,
Missouri, USA



Rentable Area
25,889 m2



Lease Duration
15 years



Occupancy
100%



Tenant(s)
■ Amazon (investment grade)





U.S. Portfolio

Techtronic
Industries Regional
Distribution Center

Logistics hubs portfolio



Description
Logistics
(Distribution center)



Location
Duncan, Greenville/
Spartanburg



City
Greenville/Spartanburg,
South Carolina, USA



Rentable Area
130,118 m2



Lease Duration
15.75 years



Occupancy
100%



Tenant(s)
■ Techtronic Industries





U.S. Portfolio

Lowe's Regional
Distribution Center

Logistics hubs portfolio



Description
Logistics
(Distribution center)



Location
East Montgomery County
Industrial Park, New Caney



City
Houston MSA, Texas,
USA



Rentable Area
139,392 m2



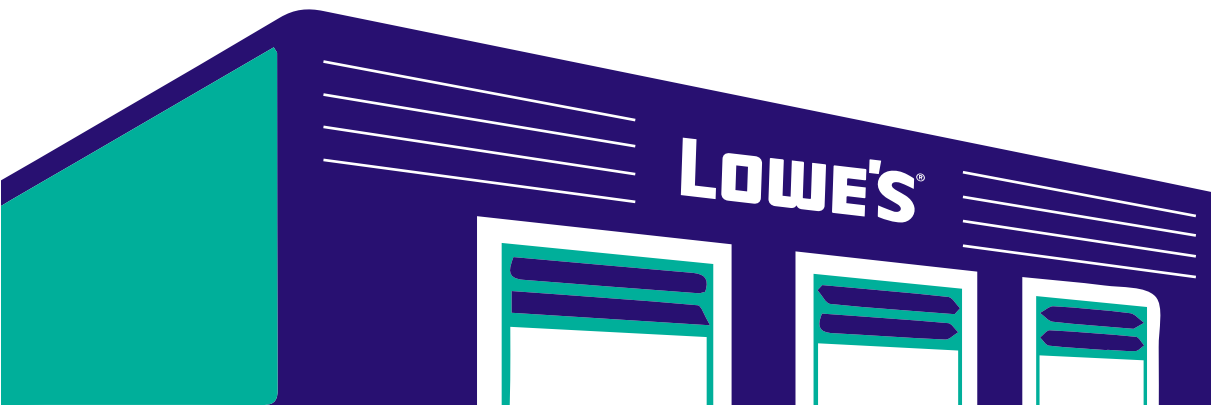
Lease Duration
15.6 years



Occupancy
100%



Tenant(s)
■ Lowe's (investment grade)





U.S. Portfolio

Lowe's Regional
Distribution Center

Logistics hubs portfolio



Description
Logistics
(Distribution center)



Location
Bessemer, Birmingham



City
Birmingham,
Alabama, USA



Rentable Area
111,534 m2



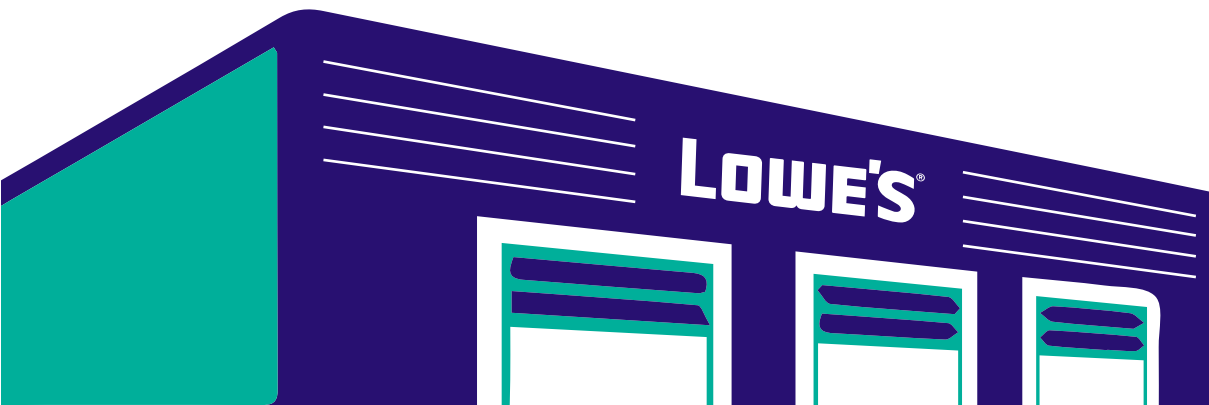
Lease Duration
15.3 years



Occupancy
100%



Tenant(s)
■ Lowe's (investment grade)



International Portfolio

Europe

Belgium





European Portfolio

PWC Belgium



Description
Class A office



Location
Brussels
(Airport District), Belgium



City
Brussels, Belgium,
European Union



Rentable Area
35,536 m2



Lease Duration
14years

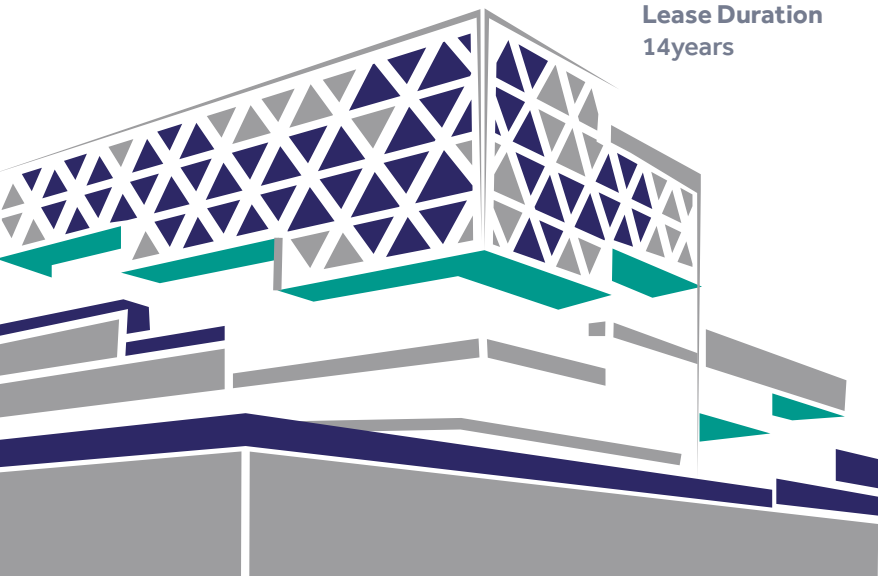


Occupancy
100%



Tenant(s)

- 80% leased to PwC
- 20% leased to MeetDistrict





Risk Assessment

Failure By Tenants to Meet Their Rental Obligations

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.

Risk Assessment

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.



Risk Assessment

Market Risks

Market Risks

Market risks arise from external factors, including, for example but not limited to, economic conditions, competition, supply and demand, and political changes.

Risk Assessment

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.



Risk Assessment

No guarantee
of profits

No Gurantee 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.

Risk Assessment

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

Bank Financing

Bank Financing

The level of risk that the Fund is exposed to increases in case it mortgages any of its assets in favor of a third-party financier. Under any mortgage 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. Despite the fund manager's relative hedging against interest rates, it is expected that interest rate fluctuations will continue to affect the fund's distributions.

Risk Assessment

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.



Risk Assessment

Development Risks

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.

Risk Assessment

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.



Risk Assessment

Legal, regulatory
and tax risks

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.

Risk Assessment

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.



Risk Assessment

Real Estate Transaction Tax Risk (RETT)

Real Estate Transaction Tax (RETT) Risk

The fund is subject to real estate transaction tax, effective from October 4, 2020, at a rate of 5% of the value of the property to be sold or transferred by the fund, regardless of its condition or shape, and it includes the land and what is constructed or built on it. The tax is paid by the disposer of the property (including the fund in the event of disposing the property) unless the exceptions stipulated in the executive regulations for real estate transaction tax issued pursuant to Royal Order No. (A / 84) dated 14/2/1442 H are applied. The tax is paid before or during the real estate disposal or notarizing contracts. In the event that real estate transaction tax is applied to any real estate disposed by the fund, the fund pays a tax of 5% of the property value to the General Authority of Zakat & Tax, which may affect the return to the fund and unitholders.

Risk Assessment

The Fund Manager adopts an effective approach to monitor tax 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.



Risk Assessment

Real estate valuation risks

Real Estate Valuation Risks

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.

Risk Assessment

The Fund Manager shall value the Fund's real estate assets based on valuations carried out by two independent valuers accredited by Saudi Authority for Accredited Valuers. 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.



Risk Assessment

Epidemics Risks

Epidemics Risks

The Fund's properties may not be able to operate or achieve the expected income due to several factors associated with the spread of Coronavirus disease (COVID-19), including but not limited to, imposing a curfew on the areas where the Fund's properties are located, as such circumstances lead to an increase in real estate expenditures as it adapts to the prevailing circumstances, which may have a material negative impact on the amounts available for distribution to unitholders.

Risk Assessment

The Fund Manager monitors the epidemiological situation in the areas where the Fund's properties are located and considers all available options to reduce the damages resulting from the spread of the disease on the real estate and distributions to unitholders.



Risk Assessment

Risks of Investing in Real Estate Outside Saudi Arabia

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, Currency exchange rate change, foreign real estate markets are subject to a decline in public activity and rental levels., 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.

Risk Assessment

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

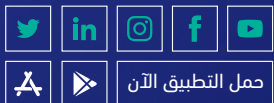
الرياض ريت
Riyad Reit

الرياض المالية
Riyad Capital





الرياض المالية
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riyadcapital.com
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RIYAD REIT FUND
A Real Estate Investment Traded Fund
(Managed by Riyad Capital)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022
Together with
The Independent Auditor's Report

RIYAD REIT FUND
(Managed By Riyad Capital)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS RIYAD REIT FUND

(1 /5)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Riyad REIT Fund ("the Fund") as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the consolidated financial statements of the fund, which comprise of the following:

- The consolidated statement of financial position as at 31 December 2022;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in net assets for the year then ended;
- The consolidated statement of cash flows for the year then ended, and;
- The notes to the consolidated financial statements, including a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing 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 from 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 ethical 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 period. 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.

RIYADH
Tel. +966 11 206 5333 P.O.Box 69658
Fax +966 11 206 5444 Riyadh 11557

JEDDAH
Tel. +966 12 652 5333 P.O.Box 15651
Fax +966 12 652 2894 Jeddah 21454

AL KHOBAR
Tel. +966 13 893 3378 P.O.Box 4636
Fax +966 13 893 3349 Al Khobar 11557

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS RIVAD REIT FUND

(2 /5)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

KEY AUDIT MATTERS

Key Audit Matters	How our audit addressed the key audit matter
<p>Riyad REIT Fund owns a portfolio of investment properties comprising of commercial buildings located in the Kingdom of Saudi Arabia.</p> <p>Investment properties are held for capital appreciation and or rental yields, are stated at cost less accumulated depreciation and any accumulated impairment losses.</p> <p>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.</p> <p>For assessing the impairment of investment properties, the Fund manager monitors volatility of fair value of properties by engaging independent certified property values to perform a formal valuation of the Fund's investment properties on semiannual basis.</p> <p>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.</p>	<p>For impairment of investment properties, we have carried out the following audit procedures:</p> <ul style="list-style-type: none"> ■ We obtained two valuation reports from independent real estate evaluators Tageem certified for each investment properties as at 31 December 2022 and confirmed that the valuation approaches are suitable for use in determining the carrying values as at the reporting date; ■ We assessed the independence 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; ■ Involved our specialist to assess the key assumptions and estimates, such as discount rate, exit yield rate, annual rental income, operating expenditure and occupancy, used by the real estate valuation experts in determining the fair values of the investment properties. ■ 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.

RIVADH
 Tel. +966 11 206 5333 P.O. Box 69658
 Fax +966 11 206 5444 Riyadh 11557

JEDDAH
 Tel. +966 12 652 5333 P.O. Box 15651
 Fax +966 12 652 2894 Jeddah 21454

AL KHOBAR
 Tel. +966 13 893 3378 P.O. Box 4636
 Fax +966 13 893 3349 Al Khobar 11557

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS RIYAD RET FUND

(3/5)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OTHER INFORMATION

Other information consists of the information included in the Fund's 2021 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 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.

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, the applicable provisions of the Real Estate Investment funds regulations issued by the Capital Market Authority and the fund's terms and conditions, 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, i.e. the fund's Board, are responsible for overseeing the Fund's financial reporting process.

RIYADH
Tel. +966 11 206 5333 P.O. Box 69658
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JEDDAH
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Fax +966 12 652 2894 Jeddah 21454

AL KHOBAR
Tel. +966 13 893 3378 P.O. Box 4636
Fax +966 13 893 3349 AlKhobar11557

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS RIVAD REIT FUND

(4 /5)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism 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.
- 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.

RIVADH
Tel. +966 11 206 5333 P.O. Box 69458
Fax +966 11 206 5444 Riyadh 11557

JEDDAH
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AL KHOBAR
Tel. +966 13 893 3378 P.O. Box 4636
Fax +966 13 893 3349 Al Khobar 11557

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS RIYAD REIT FUND

(5 /5)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)


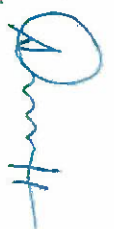
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely 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 complied 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 Al-Bassam & Co.



Ahmad Mohandis
Certified Public Accountant
License No. 477
Riyadh: 6 Ramadan 1444
Corresponding to: 28 March 2023

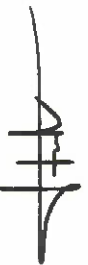
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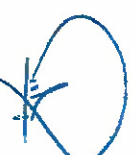
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Tel. +966 13 893 3378 P.O Box 4636
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RIVAD REIT FUND
(Managed By Riyad Capital)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(All amounts in SAR)

	Notes	2022	2021
ASSETS			
Cash and cash equivalents	7	32,480,182	68,187,474
Accounts receivable	8	84,265,661	91,623,108
Inventories		806,615	1,230,725
Prepayments and other assets	9	73,113,842	56,269,885
Due from related parties	12	469,261	12,791,524
Properties under development	10	79,061,339	34,180,584
Investments carried at fair value through profit or loss (FVTPL)	16	881,922,929	854,641,663
Investment properties	11	1,922,702,695	1,953,666,450
TOTAL ASSETS		3,074,822,524	3,072,591,413
LIABILITIES			
Islamic borrowings	13	1,439,174,419	1,367,326,676
Accounts payable		27,427,114	9,056,522
Unearned rental income	14	31,349,528	29,512,371
Accrued expenses and other liabilities	15	41,548,860	55,717,454
Due to related parties	12	1,002,081	9,359,343
Employees' end of service benefits		3,013,197	2,994,450
TOTAL LIABILITIES		1,543,515,199	1,473,966,816
Net assets attributable to the Unitholders		1,531,307,324	1,598,624,597
Units in issue (<i>numbers</i>)		171,697,101	171,697,101
Net assets attributable to each unit at Book value		8.92	9.31
Net assets attributable to each unit at Fair value	20	11.34	10.20
Commitments and contingencies	22		





The accompanying notes (1) to (30) form an integral part of these consolidated financial statements

RIVAD REIT FUND
(Managed By Ryad Capital)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022
(All amounts in SAR)

	Notes	2022	2021
Rental and operating income	17	210,409,286	180,063,516
Cost of revenues	25	(45,678,001)	(31,781,836)
Investment properties depreciation	11	(30,963,755)	(30,963,755)
Gross Profit		133,767,530	117,317,925
Property management expenses		(6,886,707)	(8,450,518)
Fund management fees	12	(25,565,445)	(22,561,772)
Custody fees		(100,000)	(100,000)
Allowance for expected credit loss	8	(2,314,053)	(1,695,431)
General and administrative expenses	18	(51,741,443)	(47,482,149)
Net operating income		47,159,881	37,028,055
Dividend income from investments carried at FVTPL		65,151,271	68,433,314
Realized gain on investments carried at FVTPL		20,532,353	18,979,988
Unrealized gain on investments carried at FVTPL	13	8,756	-
Finance cost		(49,984,877)	(27,891,192)
Other income		6,059,699	-
Net income for the year		88,927,084	96,550,165
Other comprehensive income for the year		-	-
Total comprehensive income for the year		88,927,084	96,550,165

	Notes	2022	2021
Cash from operations			
Net income for the year		88,927,084	96,550,165
Investment properties depreciation	11	30,963,755	30,963,755
Total Funds from operations		119,890,839	127,513,920

The accompanying notes (1) to (30) form an integral part of these consolidated financial statements

RIVAD REIT FUND
(Managed By Riyad Capital)

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE
UNITHOLDERS**

For the year ended 31 December 2022

(All amounts in SAR)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Net assets value attributable to the Unitholders at the beginning of the year		1,598,624,597	1,591,356,925
Total comprehensive income for the year		88,927,084	96,550,165
Dividends paid during the year	21	(156,244,357)	(89,282,493)
Net assets value attributable to the Unitholders at the end of the year		<u>1,531,307,324</u>	<u>1,598,624,597</u>

The accompanying notes (1) to (30) form an integral part of these consolidated financial statements

RIVAD REIT FUND
(Managed By Riyad Capital)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(All amounts in SAR)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		88,927,084	96,550,165
<i>Adjustments to reconcile net income to net cash used in operating activities:</i>			
Allowance for expected credit loss	8	2,314,053	9,852,929
Investment properties depreciation	11	30,963,755	30,963,755
Finance cost	13	49,984,877	27,891,192
Changes in operating assets and liabilities			
Accounts receivable		5,043,394	(48,713,028)
Inventories		424,110	(278,250)
Prepayments and other receivables		(16,843,957)	(13,994,498)
Due from Related Parties		12,322,263	(12,594,968)
Properties under development		(44,880,755)	(18,923,054)
Accounts payable		18,370,592	1,853,547
Accrued expenses and other liabilities		(20,647,778)	(3,767,548)
Employees' end of service benefits		18,747	151,670
Unearned rental income		1,837,157	11,188,123
Due to related parties		(8,357,262)	7,812,837
Purchase of investment properties		-	(195,766,435)
Net cash generated from / (used in) operating activities		119,476,280	(107,773,563)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments carried at FVTPL	16	(111,847,631)	(264,094,686)
Proceeds from sale of investments carried at FVTPL		84,566,366	-
Net cash used in investing activities		(27,281,266)	(264,094,686)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Islamic borrowings		-	(222,770,531)
Proceeds from Islamic borrowings	13	34,821,234	743,231,347
Finance cost paid		(6,479,184)	(21,412,009)
Dividends paid	21	(156,244,357)	(89,282,493)
Net cash (used in) / generated from financing activities		(127,902,307)	409,766,314
Net change in cash and cash equivalents		(35,707,292)	37,898,066
Cash and cash equivalents at the beginning of the year		68,187,474	30,289,408
Cash and cash equivalents at the end of the year		32,480,182	68,187,474

The accompanying notes (1) to (30) form an integral part of these consolidated financial statements

RIYAD REIT FUND
(Managed By Riyad Capital)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022
(All amounts in SAR)

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 issued by the Capital Market Authority (CMA). The REIT is listed on Tadawul and units of the REIT traded on Tadawul in accordance with the relevant rules and regulations. The REIT is managed by Riyad Capital (the “Fund Manager”), One Person Closed Joint Stock Company under 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 subscribed units of the REIT equal to 171,697,101 unit. The REIT has a term of 99 years, which is extendable at the discretion of the Fund Manager with the prior approval by the CMA.

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

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

These consolidated financial statements include the information of the REIT and its following subsidiaries (Collectively Group) as of 31 December 2022 and 2021.

Name of subsidiary *	Principal Activity	Country	Proportion of Ownership Interest and Voting Power Held
Durrat Aldahia real estate Company – Buj Rafal Hotel	Hotel	KSA	100%
Durrat Hittin company – Braira Hattin Hotel	Hotel	KSA	100%
Rafal Hotel Company	Hotel	KSA	100%
Takhtit Al Marafiq operations and maintenance Co	Operating and maintenance	KSA	100%
Shati Al Khobar	Hotel	KSA	100%

* All companies are held in the name of Riyadh Real Estate income Company (the “SPV”) “special purpose vehicle” or by companies owned by the SPV. The SPV are holding these companies for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the companies.

RIVAD REIT FUND
(Managed By Riyad Capital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022
(All amounts in SAR)

2. REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Funds Regulation (the "Regulation") published by CMA on 12 Rajab 1442H (corresponding to 24 February 2021), detailing requirements for all real estate funds and all traded funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

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 issued by the Saudi Organization of Chartered and Professional Accountants ("SOCPA") (collectively referred to "IFRS as endorsed in KSA").

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

3.2 Basis of measurement and functional and presentation currency

These consolidated financial statements have been prepared based on the historical cost convention except for investments measured at FVTPL, and the amounts are presented in Saudi Arabian Riyals (SAR), which is REIT's functional and presentation currency.

3.3 Significant accounting judgments, estimates and assumptions

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 contingencies. 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.

Judgments

Going Concern

REIT's management has assessed 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 doubts on REIT's ability to continue as a going concern. Accordingly, these consolidated financial statements have been prepared on the going concern basis.

RIVAD REIT FUND
(Managed By Riyad Capital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

(All amounts in SAR)

3. BASIS OF PREPARATION (CONTINUED)

3.3 Significant accounting judgments, estimates and assumptions (Continued)

Estimates

Valuation of investment property

Impairment occurs 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 flows 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 reviewed. The recoverable amount is sensitive to the discount rate used for the discounted cash flows model as well as the discounted future cash inflows and the growth rate used for cash flows 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 higher 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 asset-specific risks. 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 flows calculations.

Residual and useful lives of investment property

The REIT's management determines the estimated useful lives of 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 salvage value and useful lives annually and annual depreciation charge would be adjusted where the management believes the useful lives differed from previous estimates.

Expected credit losses

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:

RIVAD REIT FUND
(Managed By Riyad Capital)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022
(All amounts in SAR)

3. BASIS OF PREPARATION (CONTINUED)

3.3 Significant accounting judgments, estimates and assumptions (Continued)

Estimates (Continued)

Expected credit losses (Continued)

- 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.

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

3.4 Basis of consolidation

Subsidiaries

Subsidiaries are all entities controlled by the Group. Although the fund is an investment entity, the financial statements have been consolidated with the subsidiaries, as the main purpose of establishing these companies is to provide services related to the investment activities of the REIT. Control is achieved when the Group has rights to the returns, from its involvement in the investee and has the ability to affect those returns through its control over the investee. Specifically, the Group controls an investee if, and only if, the Group has all the following:

- Power over the investee (i.e., existing rights that give it the ability to direct the activities of the investee);
- Exposure, or rights, to variable returns from its involvement in the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than the majority of the voting rights in an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over the investee, including:

- the contractual arrangements with the other voting rights holders in the investee.
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

RIVAD REIT FUND
(Managed By Riyad Capital)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022
(All amounts in SAR)

3. BASIS OF PREPARATION (CONTINUED)

3.4 Basis of consolidation (Continued)

Subsidiaries (Continued)

Accounting for business combinations involving entities or businesses under joint control

Accounting for business combinations involving entities or businesses under joint control is outside the scope of IFRS 3 “Business Combinations”. In the case of an absence of specific guidance in IFRS, management uses its judgement in developing and applying an accounting policy that is relevant and reliable. In making that judgement, the management may also consider the most recent pronouncements by other standard-setters that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS or Interpretations. Several such entities have issued guidance, and some allow the pooling of interests method in accounting for business combinations involving entities under joint control.

The management has adopted the pooling of interests method to account for the business combinations of entities under joint control. This method involves the following:

- The assets and liabilities of the combined entities are reported at their carrying values (no fair valuation).
- No new goodwill is recognized as a result of combination. And if there is goodwill arising from the difference between the consideration paid and the equity acquired it is reported directly in the equity.
- The consolidated statement of profit or loss of the combined entities presents the results of the full year irrespective of when the combination took place.

Non-controlling interest

NCL, if any, are measured initially at their proportionate share of the acquirer’s identifiable net assets at the date of acquisition.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The share of profits or losses and the net assets that the Group does not control if they exist is presented separately in the consolidated statement of profit and loss and within equity in the consolidated statement of financial position. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value on the date when control is lost.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealized profits or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed, if necessary, to ensure consistency with the policies adopted by the Group.

RIVAD REIT FUND
(Managed By Rivad Capital)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022
(All amounts in SAR)

4. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents for the purpose of consolidated 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 measured at amortized cost within the consolidated statement of financial position.

Accounts receivable

Receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using effective interest method. Allowance for impairment of receivables is always measured at an amount equal to lifetime ECL.

Inventories

Inventory is stated at the lower of cost and net realized value. Cost, which is determined on the weighted average basis, comprises expenditure incurred in the normal course of business in getting inventories. Net realized value is the estimated selling price in the ordinary course of business, less the estimated costs necessary for the sale. If necessary, an impairment provision is made for obsolete, slow moving and defective inventory items.

Property under development

Properties acquired, constructed or are under construction and development are classified as development properties. The cost of development properties includes the cost of land and other related expenditure. The property shall be considered 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. Commissions on tawarruq facility associated with properties under development is being capitalized till the related property is ready for use.

Foreign currency

Transactions in foreign currencies are translated into the Saudi Arabian Riyals at the spot prevailing exchange rates on the date of the transactions. The balances of financial assets and financial liabilities denominated in foreign currencies are also translated into Saudi Arabian Riyals at the year-end using the exchange rates prevailing on that date.

For monetary items, the foreign currency gain or loss is the difference between the cost paid in the functional currency at the beginning of the year adjusted at the effective yield rate and payments made during the year, and the cost paid in the foreign currency translated at the exchange rate at the end of the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Currency exchange gains or losses resulting from adjustment and translation operations are recognized in the consolidated statement of income.

Investment property

Investment properties are non-current assets held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of operations, use in the production or supply of goods or services or for administrative purposes. Investment property is measured within cost model on initial recognition and subsequently at cost less accumulated depreciation and impairment losses if any.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment property (Continued)

Investment properties are derecognized when they are sold, owner-occupied or in case of not holding it for an increase in its value.

Any gain or loss on disposal of the investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labor, any other costs directly attributable to bringing the investment property to an operating condition for its intended use and capitalized borrowing costs

Useful lives of different components of investment property are as follows:

Items	Useful Life
Building	50 Years
Equipment	15 Years

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

Impairment occurs when the carrying value of an asset or cash-generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is reduced to its recoverable amount as a cash-generating unit. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money asset-specific risks. Impairment losses are recognized in the statement of comprehensive income.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Fund estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

RIVAD REIT FUND
(Managed By Riyad Capital)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined. 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 interest method. A provision is recognised when the REIT 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 amount can be reliably measured. Provision is not recognised for future operating loss.

Revenue Recognition

The Fund recognises revenue from contracts with customers based on a five-step model:

- Step 1. Identify the contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- Step 2. Identify the performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Fund expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Fund will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Fund expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The Fund satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Fund's performance as the Fund performs; or
- The Fund's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Fund's performance does not create an asset with an alternative use to the Fund and the Fund has an enforceable right to payment for performance completed to date.

RIVAD REIT FUND
(Managed By Riyad Capital)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

For performance obligations, where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. When the Fund satisfies a performance obligation by delivering the promised services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognised, this gives rise to a contract liability. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The specific recognition criteria described below must also be met before revenue is recognised.

Rental income from lease of investment property

Rental income arising from operating leases on investment properties is recognized, net of discount, in accordance with the terms of leases over the lease term on a straight-line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

Income from hotels operation

Income from hotel services includes income from rooms, food and beverages and other related services provided. Revenue is recognized net of discounts, applicable taxes, and municipal fees on an accrual basis when those services are provided in accordance with IFRS 15.

Service incurred

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

Dividends income

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

Finance costs

Finance 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 finance costs are expensed in the period in which they occur. finance costs consist of interest and other costs that an entity incurs in connection with the financing of funds.

RIVAD REIT FUND
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenses

Expenses including property management expenses, Fund management fees, custody 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. The Zakat amount which is charged in the consolidated statement of comprehensive income is related to the subsidiaries. Zakat charge for the year not recognized in this consolidated financial statements since the amount is not material

Net Assets (Equity) per unit

The equity per unit is calculated by dividing the equity attributable to the unitholders included in the statement of financial position by the numbers of units outstanding at the year/period end.

Units in issue

The Fund has units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets. They are classified equally in all respects and have identical terms and conditions. The units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets in the event of the Fund's liquidation.

Units are classified as equity as they meet all of the following conditions:

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and;
- The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, and the change in recognized and unrecognized net assets of the fund over the life of the instrument.

Dividends

Dividends to the unitholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Fund's Board.

RIVAD REIT FUND
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Recognition and initial measurement

Receivables from operating leases issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable from operating leases without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Receivable from operating leases without a significant financing component is initially measured at the transaction price.

Financial assets

Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost if it meets the following conditions:

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVOCI if both of the following conditions are met:

- a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVOCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

RIVAD REIT FUND
(Managed By Riyad Capital)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in consolidated statement of profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gain, loss, and impairment are recognized in income statement. Any gain or loss on derecognition is recognized in consolidated statement of profit or loss.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period within which the Group changes its business model for managing financial assets.

Derecognition

A financial asset is derecognized when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:
 - a) the Group has transferred substantially all the risks and rewards of the asset, or
 - b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Impairment of financial assets

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, reasonable and supportable forecasts that affect the actual collectability of the future cash flows of the instrument.

Expected credit losses assessment:

The Fund applies IFRS 9 simplified approach for measuring expected credit losses, which uses a lifetime ECL allowance. The method is applied for assessing an allowance against:

- financial assets measured at amortized cost

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Fund has identified GDP of the Kingdom of Saudi Arabia (the country in which it renders the services), inflation rate to be the most relevant factor and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach divide the total loss amount modelling into the following parts: Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD). These are briefly described below:

Loss Given Default (LGD): This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Probability of Default (PD): the likelihood of a default over a particular time horizon.

Exposure at Default (EAD): This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on commitment facilities.

Model and Framework

The Fund uses a point in time (PIT) probability of default model to measure its impairment of financial assets. Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time. The point-in-time PD term structure can be used to measure credit deterioration and starting PD when performing the allowance calculations. Also, when calculating lifetime ECL, after the inputs are correctly converted, cash flows can be projected and gross carrying amount, loss allowance, and amortized cost for the financial instrument are then calculated.

Macroeconomic weighted average scenarios

The Fund includes a macroeconomic factor of GDP, inflation rate and government spending to develop multiple scenarios, the purpose is towards the realization of most likely outcome using worst- and best-case scenarios. The scenario-based analysis incorporates forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of ECL reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes.

After the inputs to the model are adjusted for the above-mentioned macroeconomic scenarios, PD of each scenario is calculated and then weighted average PD based on the likelihood of scenarios is calculated. In the last step, a weighted average lifetime ECL based on the likelihood of the scenarios is determined.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Portfolio segmentation

The fund assesses its financial assets based on credit risk characteristics using segmentations such as geographical region, type of customer, customer rating etc. The different segments reflect differences in PDs and in recovery rates in the event of "default".

Definition of default

In the above context, the Group considers default when:

- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing collateral (if any is held by the Group); or
- the customer is more than 360 days past due on any material credit obligation to the Group. As the industry norm suggests that such a period fairly represents the default scenario for the Group, this rebuts the presumption of 90 days mentioned in IFRS 9.

The carrying amount of the asset is reduced using the above model and the loss is recognized in the consolidated statement of comprehensive income. Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery, and all collateral has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognized under other income in the consolidated statement of profit or loss.

Specific provision

Specific provision is recognized on customer-to-customer basis at every reporting date. The Group recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered from the customers.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

RIVAD REIT FUND
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of borrowings and advances, net of directly attributable transaction costs. The Group's financial liabilities mainly include trade and other payables, related party, and borrowings. After initial recognition, borrowings and advances are subsequently measured at amortized cost using the effective interest method.

Derecognition

The Group derecognizes financial liabilities when the contractual obligations are discharged, cancelled or expired.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of the financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount adjusting the gross carrying amount as modification gain or loss in the consolidated statement of profit or loss.

Financial liabilities

The Group derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms are recognized in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

RIVAD REIT FUND
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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5. NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Company's Financial Statements, except for were referenced below.

New amendments to standards issued and applied effective in the year 2022

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts Cost of Fulfilling a Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements. IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

RIVAD REIT FUND
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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5. NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS (CONTINUED)

New standards, amendments and revised IFRS issued but not yet effective

The Company has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 17	Insurance Contracts	January 1, 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to definition of accounting estimate	January 1, 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

Management anticipates that these new standards interpretations and amendments will be adopted in the company's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the company in the period of initial application.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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6. MANAGEMENT FEES, OTHER EXPENSES AND TRANSACTIONS FEES

MANAGEMENT FEES, OTHER EXPENSES

On semiannual basis the Fund Manager charges the Fund, management fees at the rate of 1.2 % per annum of the fair value of Fund's total assets. 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.

TRANSACTIONS FEES

Further, the Fund Manager charges the Fund, one-time transaction fee at the rate of 1 % on the acquisition or sale value of the real estate assets purchased or sold by the fund.

7. CASH AND CASH EQUIVALENTS

	Notes	2022	2021
Cash on hand		397,588	239,791
Investment account	7.1	1,896,600	172,706
Cash at bank	7.2	30,185,994	67,774,977
		<u>32,480,182</u>	<u>68,187,474</u>

7.1 Investment account is held with Riyad Capital, a related party (Note 12). The Fund does not earn commission on these accounts.

7.2 Cash at Bank also includes current account with Riyad Bank, a related party (Note 12). The Fund does not earn commission on these current accounts.

8. ACCOUNTS RECEIVABLE, NET

	2022	2021
Accounts receivable	96,432,643	101,476,037
Allowance for expected credit loss	<u>(12,166,982)</u>	<u>(9,852,929)</u>
	<u>84,265,661</u>	<u>91,623,108</u>

The summary for the movement of allowance for expected credit loss is as follows:

	2022	2021
1 January	(9,852,929)	(8,157,498)
charge for the year	<u>(2,314,053)</u>	<u>(1,695,431)</u>
31 December	<u>(12,166,982)</u>	<u>(9,852,929)</u>

RIYAD REIT FUND
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9. PREPAYMENTS AND OTHER ASSETS

	Notes	2022	2021
Dividends receivable		26,254,169	21,072,311
Advances to sub-contractors		20,845,294	13,463,161
VAT		7,731,781	9,256,087
Prepaid expenses		2,673,761	823,364
Restricted cash		2,470,003	2,470,003
Cash margin against Letter of Credit	12	494,322	1,809,129
Others		12,644,512	7,375,831
		73,113,842	56,269,885

10. PROPERTY UNDER DEVELOPMENT

	Notes	2022	2021
Balance at the beginning of the year			
Development cost charge for the year		34,180,584	15,257,530
Islamic financing capitalized	13	42,514,768	18,587,406
Balance at the end of the period		2,365,987	335,648
		79,061,339	34,180,584

11. INVESTMENT PROPERTY

	Notes	Land	Building	Equipment	Total
<u>Cost</u>					
Balance on 31 December 2021		829,801,226	1,082,611,284	145,874,217	2,058,286,727
Additions		-	-	-	-
Balance on 31 December 2022		829,801,226	1,082,611,284	145,874,217	2,058,286,727
<u>Accumulated Depreciation</u>					
Balance on 31 December 2021		-	(76,599,377)	(28,020,900)	(104,620,277)
Depreciation Charge for the year	11.1	-	(21,299,826)	(9,663,929)	(30,963,755)
Balance on 31 December 2022		-	(97,899,203)	(37,684,829)	(135,584,032)
<u>Net Book Value:</u>					
on 31 December 2022		829,801,226	984,712,081	108,189,388	1,922,702,695

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11. INVESTMENT PROPERTY (CONTINUED)

	Notes	Land	Building	Equipment	Total
<u>Cost</u>					
Balance on 31 December 2020		766,830,929	981,562,981	114,126,382	1,862,520,292
Additions		62,970,297	101,048,303	31,747,835	195,766,435
Balance on 31 December 2021		829,801,226	1,082,611,284	145,874,217	2,058,286,727
<u>Accumulated Depreciation</u>					
Balance on 31 December 2020		-	(55,299,551)	(18,356,971)	(73,656,522)
Depreciation Charge for the year	11.1	-	(21,299,826)	(9,663,929)	(30,963,755)
Balance on 31 December 2021		-	(76,599,377)	(28,020,900)	(104,620,277)
<u>Net Book Value:</u> on 31 December, 2021		829,801,226	1,006,011,906	117,853,317	1,953,666,450

This represents Thirteen properties: namely:

- 1) Izdhar Center: represents a commercial property located on Othman Bin Afan Road in the Izdhar District (near Al Nakheel Mall). The property is located in Riyadh.
- 2) Al-Tamayuz Center: represents a commercial property located at the intersection of Al Imam Road and Khalid Bin Al Waleed Street in Qurtoba District. The property is located in Riyadh.
- 3) Ansam Al Shati Towers: represents a newly built commercial property located on Prince Mohammed Bin Fahad Road in the Al Shati District. The property is located in Dammam.
- 4) Al-Fursan Towers: represents a commercial property located on King Fahad Road between the Kingdom Tower and the Faisaliah Tower. This property is located in Riyadh.
- 5) Ascott Tahlia: represents a commercial property located on Tahlia Street near Bin Hamran, one of Jeddah's most prominent business and shopping centers. The property is located in Jeddah.
- 6) Residence: represents commercial building and hospitality villas consisting of halls and office suites located within Hiltin District. The property is located in Riyadh.
- 7) Vivenda: represents a newly built hotel villas located on Musa Ibn Nusair Street, Al Mathar Ash Shamali, between Takhasosi road and Prince Turki Bin Abdulaziz Al-Awwal Road. The property is located in Riyadh.
- 8) Saudi Electronic University: represents a university located in Al-Rabea District. The property is located in Riyadh.
- 9) Ummiah Center: represents a commercial property located on Saud Al-Faisal Road. The property is located in Jeddah.
- 10) Burj Rafal: Mixed-use property located on King Fahad Road. The property is located in Riyadh.
- 11) Olaya Tower: Commercial property located in Olaya Street. The property is located in Riyadh.
- 12) Ascott Corniche Al Khobar: represents a hotel located on Prince Turki Road. The property is located in Al Khobar
- 13) Al-Raed Building: It is newly developed and leased for a period of three years to the Saudi Tourism Authority, Located in Al-Raed District on King Abdullah Road 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 value i.e., cost less residual value.

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11. INVESTMENT PROPERTY (CONTINUED)

11.2 All properties are held in the name of Riyadh Real Estate income Company (the "SPV") "special purpose vehicle" or by companies owned by the SPV. The SPV is holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the property.

11.3 The Fund manager reviews its investment property on a regular basis for any impairment. An impairment loss is recognized for the amount in which the carrying amount of the investment properties exceeds its recoverable amount, which is the higher of the assets' fair value less costs to sell and value in use. As of December 31, 2022, according to the periodic valuation reports submitted by independent valuers of the Fund, there was a decline in the value of investment property, on two properties, but no impairment loss was recognized as the amount is immaterial.

12. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include Riyad Capital (acting the Fund Manager), Riyad Bank (being the shareholder of Riyad Capital) and the Hotels operator.

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

Related Party	Nature of transactions	Amount of transactions		Closing balance	
		2022	2021	2022	2021
Due from Related parties					
Riyad Bank	Cash margin against letter of credit *	-	-	494,322	1,809,129
	Current account	-	-	10,913,938	60,666,393
Riyad Capital	Investments account	-	-	1,896,600	172,706
Due to Related parties					
Riyad Capital	Fund management fees**	25,565,445	22,561,772	13,992,491	30,456,968
	Transactions fees**	-	2,121,031	-	2,121,031
Riyad Bank	Islamic borrowings	-	-	1,439,174,419	1,360,847,492
	Finance cost	49,984,877	27,891,192	-	-
	Bank Commissions	2,319,167	2,988,325	-	-

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

** Fund management fee payable and accrued transactions fee are included in the consolidated statement of financial position under accrued expenses.

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13. ISLAMIC BORROWINGS

The Fund obtained Islamic Tawarruq and Murabaha facilities (shariah-compliant) from Riyad Bank through Riyad Capital and Riyad Real Estate Income Company, respectively. The Tawarruq facility carries SAIBOR + 1% with maturity during 2023. The commission rate for Islamic Murabaha facility is SAIBOR + 1.4% with a maturity due during 2029.

The Tawarruq and Islamic Murabaha are secured by pledge of the following properties: Omniah Center, Ascott Tahlia, Burj Rafal, Saudi Electronic University, Izdhar Center, and Olaya Tower, Al Shati Towers, Ascott Corriche Al Khobar, Residence, Vivienda, Al-Fursan Towers, Al-Raed Building, and Al-Tamayuz Center.

	2022	2021
Balance at beginning of the year	1,367,326,676	836,960,385
Additions during the year	92,625,193	554,831,192
Repayments	(37,265,905)	(30,944,085)
Accrued commission	16,488,455	6,479,184
Total value of Islamic borrowings	1,439,174,419	1,367,326,676
Current portion	354,639,845	352,911,598
Non-Current portion	1,084,534,573	1,014,415,078

Details on the accrual of finance cost are as follows:

	2022	2021
Opening balance	6,479,184	5,873,139
Charge during the year	49,984,877	27,555,544
Islamic financing capitalized	2,365,987	335,648
Paid during the year	(42,341,593)	(27,285,147)
	16,488,455	6,479,184

14. UNEARNED RENTAL INCOME

	2022	2021
Opening balance	29,512,371	18,324,248
Rental income received during the year	81,150,448	76,120,656
Rental income earned during the year	(79,313,291)	(64,932,533)
	31,349,528	29,512,371

15. ACCRUED EXPENSES AND OTHER LIABILITIES

	Notes	2022	2021
Fund management fees	12	13,992,491	30,456,968
Accrued expenses		7,434,814	7,403,983
Transactions fees	12	-	2,121,031
Contract retention		3,095,396	2,991,721
Deposits in advance		6,005,426	4,261,701
Other		11,020,733	8,482,050
		41,548,860	55,717,454

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16. INVESTMENTS CARRIED AT FVTPL

	2022	2021
Unquoted local equity investments (16.2)	770,075,298	854,641,663
Investment Funds managed by Riyad Capital	111,847,631	-
	<u>881,922,929</u>	<u>854,641,663</u>
16.1 The movement of investments carried at FVTPL:	2022	2021
Cost:		
As at the beginning of the year	854,641,663	590,546,977
Additions during the year	111,838,877	316,603,199
disposals during the year	<u>(84,566,367)</u>	<u>(52,508,513)</u>
As at the year-end	<u>881,914,173</u>	<u>854,641,663</u>
Changes in fair value:		
Change in fair value during the year	8,756	-
As at the year-end	-	-
Net investments as at the year-end	<u>881,922,929</u>	<u>854,641,663</u>

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

17. RENTAL AND OPERATING INCOME

	2022	2021
Rental income from investment properties	79,384,078	64,932,530
Income from Hotels operation *	<u>131,025,208</u>	<u>115,130,986</u>
	<u>210,409,286</u>	<u>180,063,517</u>
*Timing of revenue recognition	2022	2021
Point in time	33,979,835	22,461,155
Over time	<u>97,045,373</u>	<u>92,669,831</u>
	<u>131,025,208</u>	<u>115,130,986</u>

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and marketing expenses represent the following:

	2022	2021
Hotel employees' Costs	17,677,379	18,024,151
Repairs and maintenance	6,256,148	4,170,689
Utilities	10,547,959	9,786,367
Marketing expenses	5,580,896	4,154,257
Bank Commissions	2,319,167	2,988,325
Legal and professional fees	2,539,428	1,570,925
Software and hardware maintenance	83,845	1,739,219
Telephone and internet	641,385	336,867
capital replacement reserve Charged	2,525,154	554,786
Others	<u>3,570,082</u>	<u>4,156,563</u>
	<u>51,741,443</u>	<u>47,482,149</u>

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19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

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

Financial instruments recorded in these financial statements principally comprise of cash and cash equivalents, accounts receivable, due from related parties, other liabilities, Islamic borrowings, accounts payable, and due to related parties. The specific methods of recognition 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 Fund has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Market risk

The Fund is 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 risks in the kingdom, interest rate, demand-supply, availability of financing, investor sentiment, liquidity, legal, foreign exchange rate, and regulatory risks. The Fund's 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 Fund.

Credit risk

Credit risk is the risk that one party will fail to fulfill an obligation and cause the other party a financial loss. The Fund is exposed to the risk of credit-related losses that may occur because of the inability or unwillingness of the counterparty or issuer to fulfill its obligations. The Fund is exposed to credit risk for its bank balances, accounts receivable and due from related parties.

An allowance for credit losses is made which is sufficient at management's discretion to cover potential losses on past-due receivables.

On each reporting date, the bank balances are assessed for credit risks as to determine whether they have low risks as they are held with reputable financial institutions having a high local bank credit rating, and there is no default history for any of the bank balances. Therefore, the probability of default PD is based on future factors and any losses resulting from default are negligible. As at the reporting date, there are no past-due payment dates.

Due from related parties and other receivables are unsecured, carry no interest and have no fixed payments. There are no past-due receivables from the related parties at reporting date, considering the historical experience of default and the future of the industries where the related parties operate. The management considers that the related party balances weren't credit impaired.

When calculating the expected credit loss provision for receivables and due from related parties, a provision matrix is used based on historical loss rates over the expected life of the receivable adjusted for forward-looking estimates.

RIVAD REIT FUND
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19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (CONTINUED)

Credit risk (Continued)

The Fund's maximum undiscounted exposures to credit risk for the components of the statement of financial position and respective expected credit loss is as follows:

	Notes	2022	2021
Cash and cash equivalents	7	32,082,594	67,947,683
Accounts receivable	8	96,432,643	101,476,037
Due from related parties	12	469,261	12,791,524
Other receivable		26,254,169	21,072,312

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 obligations 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 2029.

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 achieve 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 and Belgium.

RİYAD REIT FUND
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19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (CONTINUED)

Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Fund's financial positions and cash flows.

The Fund's interest rate risk arises mainly from short-term loans and deposits, which are at a fixed interest rate and are not subject to re-pricing on a regular basis.

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Fund's financial positions and cash flows.

The Fund's interest rate risks arise mainly from its borrowings, which are at variable interest rates and the sensitivity analysis is as follows: -

	2022			
	Income Statement		Statement of Owners' Equity	
	Increase 100 points	Reduce 100 points	Increase 100 points	Reduce 100 points
Interest rate swaps				
Cash-flow sensitivity	14,226,859	(14,226,859)	14,226,859	(14,226,859)
2021				
	Income Statement		Statement of Owners' Equity	
	Increase 100 points	Reduce 100 points	Increase 100 points	Reduce 100 points
Interest rate swaps				
Cash-flow sensitivity	13,608,475	(13,608,475)	13,608,475	(13,608,475)

20. EFFECT ON NET ASSET VALUE IF INVESTMENT PROPERTY IS FAIR VALUED

In accordance with 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 valuations prepared by independent valuers. As set out in the terms and conditions of the Fund, net asset value disclosed are based on the market value obtained. However, in accordance with the accounting policy of the Fund, investment and development properties are recorded 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 property and property under development is determined by two appointed valuers for the 13 properties i.e., **Abaad Company** and **Mumtalaqi Company** They are certified by the Saudi Authority for Accredited Valuers "Taqeen". As of 31 December, the valuation of investment and development properties is as follows:

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20. EFFECT ON NET ASSET VALUE IF INVESTMENT PROPERTY IS FAIR VALUED
(CONTINUED)

2022	First valuation	Second valuation	Average
Investment properties and properties under development	2,455,800,000	2,380,483,000	2,418,141,500
Total	2,455,800,000	2,380,483,000	2,418,141,500
2021	First valuation	Second valuation	Average
Investment properties and properties under development	2,178,535,000	2,105,475,092	2,142,005,046
Total	2,178,535,000	2,105,475,092	2,142,005,046

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

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 discounted cash flows method and income method, Below is an analysis of the development and investment properties fair value versus cost:

	2022	2021
Estimated fair value of investment and development properties based on the average of the two valuations used	2,418,141,500	2,142,005,046
Less: the carrying value of		
-Investment properties	(1,922,702,695)	(1,953,666,450)
-Properties under development	(79,061,339)	(34,180,584)
Estimated fair value in excess of book value	416,377,466	154,158,012
Units in issue (numbers)	171,697,101	171,697,101
Additional value per unit based on fair value	2.42	0.89

Net assets attributable to unitholders:

	2022	2021
Net assets attributable to unitholders as per the financial statements before fair value adjustment	1,531,307,324	1,598,624,597
Estimated fair value in excess of book value	416,377,466	154,158,012
Net assets attributable to unitholders based on fair valuation of investment and properties under development	1,947,684,790	1,752,782,609

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20. EFFECT ON NET ASSET VALUE IF INVESTMENT PROPERTY IS FAIR VALUED (CONTINUED)

Net assets attributable to each unit:

	2022	2021
Book value of net assets attributable to each unit as per the financial statements before fair value adjustment	8.92	9.31
Additional value per unit based on fair value	2.42	0.89
Net assets attributable to each unit at fair value	11.34	10.20

All properties are held in the name of Riyad Real Estate Income Company (the "Company"), or companies owned by the company. The Company is holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest nor cause any risks to the properties.

21. DIVIDENDS

On 22 March 2021, the Fund's Board approved to distribute dividends with regards to the six-month period ended 31 December 2020 amounting to SAR 0.25 per unit totalling SAR 42.924 million to its unitholders.

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

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

On 29 August 2022, the Fund's Board of Directors approved the distribution of profits for the six-month period ended on June 30, 2022, amounting to SAR 0.44 per unit totalling SAR 75.546 million, to the unit holders.

22. CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 December 2022, the Fund has outstanding a letter of credit of SR 0.49 million (31 December 2021: SR 1.8 million), being issued by Riyad Bank, against 100% cash margin, which is included in the consolidated statement of financial position under prepayment and other receivables.

23. FINANCIAL INSTRUMENTS CLASSIFICATION

All financial assets and financial liabilities are classified under amortised cost as of 31 December 2022 and 31 December 2021 except for the investments carried at FVTPL.

RIVAD REIT FUND
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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24. FAIR VALUE MEASUREMENT

Financial assets comprise of accounts receivable and other assets. Financial liabilities comprise of unearned rental income and accrued management fees. The fair value of financial assets and financial liabilities is not significantly different from their carrying value.

The following table shows the fair value of disclosed financial instruments and investment properties as at the year-end:

31 December 2022	Level 1 SAR	Level 2 SAR	Level 3 SAR	Total SAR
Investments carried at FVTPL (note 16)	-	50,008,757	831,914,172	881,922,929
Investment property (note 11)	-	-	1,922,702,695	1,922,702,695
Total	-	50,008,757	2,754,616,867	2,804,625,624
31 December 2021	Level 1 SAR	Level 2 SAR	Level 3 SAR	Total SAR
Investments carried at FVTPL (note 16)	-	-	854,641,663	854,641,663
Investment property (note 11)	-	-	1,953,666,450	1,953,666,450
Total	-	-	2,808,308,113	2,808,308,113

The fair value of financial instruments that are not quoted in an active market is determined using valuation methods. These valuation methods maximize the use of observable market data and rely as little as possible on the entity's own estimates. If all significant inputs required to measure the fair value of an instrument are observable, then the instrument is classified within Level 2. If one or more significant inputs are not based on observable market data, then the instrument classified within Level 3. Changes in assumptions of These inputs can affect the reported fair value of items in these financial statements and the level within which items are disclosed in the fair value hierarchy.

Financial assets at fair value through profit or loss that are classified under level 2 include investments in open-ended public funds, whose fair values are determined based on the last recorded net asset value as of the reporting date.

Financial assets at fair value through profit or loss classified within level 3 include investments in closed-end real estate funds which fair values are determined based on the last recorded net asset value as at the reporting date, as well as unquoted equity instruments which recognized at cost price, in accordance with IFRS 9 requirements.

There were no transfers between the different levels of the fair value hierarchy during the current or previous year.

For assets not carried at fair value but for which fair value has been disclosed, valuation of investment properties has been made using discounted cash flows method and income capitalization method based on significant unobservable inputs, and accordingly it is classified within Level 3 of the fair value hierarchy. The principal inputs include:

Discount Rates are that reflect current market assessments of uncertainty in the amount and timing of cash flows (the rate used by valuers is 8.75% - 10.8%)

Capitalization Rates are based on the actual location, size and quality of the properties and taking into account market data on the date of the valuation (the rate used by valuers is 7.5% - 8.50%)

Future Rental Cash Flows are based on the actual location, type and quality of the properties and supported by the terms of any existing lease or other current contracts or external evidence such as current market rents for similar properties.

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24. FAIR VALUE MEASUREMENT (CONTINUED)

Estimated Vacancy Rates are based on current and projected future market conditions after the expiration of the term of any existing lease.

Maintenance Costs, including the investments required to maintain the functional performance of the property over its estimated useful life.

Final Value given the assumptions of maintenance costs, vacancy rates and market rents.

25. OPERATING SEGMENTS

The Fund's primary business is conducted in Kingdom of Saudi Arabia. Transactions between the operating segments are on normal commercial terms and conditions. The Fund's total assets and liabilities as of 31 December 2022 and 2021, its total operating income and expenses, and the results for the years then ended, by operating segment:

	2022		
	Rent	Hotels managed by third party	Total
Comprehensive Income			
Rental Income	79,384,078	-	79,384,078
Rooms revenue	-	97,045,373	97,045,373
Food and Beverages revenue	-	31,248,494	31,248,494
Other operating departments	-	2,731,341	2,731,341
Rooms cost	-	(23,448,269)	(23,448,269)
Food and Beverages cost	-	(20,151,666)	(20,151,666)
Other operating departments cost	-	(2,078,066)	(2,078,066)
Investment property depreciation	(30,963,755)	-	(30,963,755)
Gross Profit	48,420,323	85,347,207	133,767,530
Property management expenses	(3,203,145)	(3,683,562)	(6,886,707)
Management fees	(13,161,252)	(12,404,193)	(25,565,445)
Custody fees	(100,000)	-	(100,000)
Allowance for expected credit losses	(1,500,000)	(814,053)	(2,314,053)
General and administrative expenses	(4,396,072)	(47,345,371)	(51,741,443)
Net operating income	26,059,854	21,100,028	47,159,881
Dividend income from investments carried at FVTPL	65,151,271	-	65,151,271
Realized gain on investments carried at FVTPL	20,532,353	-	20,532,353
Unrealized gain on investments carried at FVTPL	8,756	-	8,756
Finance cost	(49,984,877)	-	(49,984,877)
Other income	6,059,699	-	6,059,699
Net income for the year	67,827,056	21,100,028	88,927,084
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	67,827,056	21,100,028	88,927,084

RIVAD REIT FUND**(Managed By Riyad Capital)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2022****(All amounts in SAR)****25. OPERATING SEGMENTS (CONTINUED)**

Comprehensive Income	2021		
	Rent	Hotels managed by third party	Total
Rental Income	64,932,530	-	64,932,530
Rooms revenue	-	92,669,831	92,669,831
Food and Beverages revenue	-	20,298,084	20,298,084
Other operating departments revenue	-	2,163,071	2,163,071
Rooms cost	-	(17,035,341)	(17,035,341)
Food and Beverages cost	-	(12,195,152)	(12,195,152)
Other operating departments cost	-	(2,551,343)	(2,551,343)
Investment property depreciation	(30,963,755)	-	(30,963,755)
Gross Profit	33,968,775	83,349,150	117,317,925
Property management expenses	(2,396,455)	(6,054,063)	(8,450,518)
Management fees	(12,850,429)	(9,711,343)	(22,561,772)
Custody fees	(100,000)	-	(100,000)
General and administrative expenses	(7,214,700)	(41,962,880)	(49,177,580)
Net operating income	11,407,191	25,620,864	37,028,054
Dividend income from investments carried at FVTPL	68,433,314	-	68,433,314
Realized gain on investments carried at FVTPL	18,979,988	-	18,979,988
Finance cost	(27,891,192)	-	(27,891,192)
Net income for the year	70,929,301	25,620,864	96,550,165
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	70,929,301	25,620,864	96,550,165

RIVAD REIT FUND
(Managed By Riyad Capital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022
(All amounts in SAR)

25. OPERATING SEGMENTS (CONTINUED)

Financial position	2022		
	Hotels managed by third party	Total	
ASSETS			
Cash and cash equivalents	21,295,523	11,184,659	32,480,182
Accounts receivable	47,525,637	36,740,024	84,265,661
Inventories	-	806,615	806,615
Prepayments and other assets	65,966,164	7,147,678	73,113,842
Due from related parties	-	469,261	469,261
Properties under development	79,061,339	-	79,061,339
Investments carried at fair value through profit or loss (FVTPL)	881,922,929	-	881,922,929
Investment properties	1,922,702,695	-	1,922,702,695
TOTAL ASSETS	3,018,474,287	56,348,237	3,074,822,524
LIABILITIES			
Islamic borrowings	1,439,174,419	-	1,439,174,419
Accounts payable	17,544,371	9,882,743	27,427,114
Unearned rental income	31,349,528	-	31,349,528
Accrued expenses and other liabilities	17,538,006	24,010,854	41,548,860
Due to related parties	478,982	523,097	1,002,079
Employees' end of service benefits	-	3,013,197	3,013,197
TOTAL LIABILITIES	1,506,085,306	37,429,891	1,543,515,197
2021			
Financial position	Hotels managed by third party	Total	
ASSETS			
Cash and cash equivalents	60,839,099	7,348,375	68,187,474
Accounts receivable, net	34,914,068	56,709,040	91,623,108
Inventories	-	1,230,725	1,230,725
Prepayments and other assets	51,760,140	4,509,746	56,269,885
Due from related parties	10,602,358	2,189,166	12,791,524
Property under development	34,180,584	-	34,180,584
Investments carried at fair value through profit or loss (FVTPL)	854,641,663	-	854,641,663
Investment property	1,953,666,450	-	1,953,666,450
TOTAL ASSETS	3,000,604,362	71,987,051	3,072,591,413
LIABILITIES			
Islamic borrowings	1,367,326,676	-	1,367,326,676
Accounts payable	2,903,949	6,152,573	9,056,522
Unearned rental income	29,512,371	-	29,512,371
Accrued expenses and other liabilities	38,684,973	17,032,481	55,717,454
Due to related parties	2,531,541	6,827,801	9,359,343
Employees' end of service benefits	-	2,994,450	2,994,450
TOTAL LIABILITIES	1,440,959,510	33,007,306	1,473,966,816

RIYAD REIT FUND
(Managed By Riyad Capital)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022
(All amounts in SAR)

26. CHANGES IN FUNDS TERMS AND CONDITIONS

There has been no significant change in the terms and conditions of the Fund until 31 December 2022.

27. SIGNIFICANT EVENTS

On 3 January 2022, Riyad Capital (the "Fund manager"), announces Riyad REIT Fund board of director's recommendation to take the necessary measures to start increasing the fund's capital, which requires obtaining the approval from relevant regulatory authorization.

28. COMPARATIVE FIGURES

Certain comparative figures for the year ended December 31, 2021, have been reclassified to conform with the presentation for the current period. However, the impact of the reclassification was not significant on the presentation of the consolidated financial statements.

29. LAST VALUATION DAY

The last valuation day of the year was 31 December 2022.

30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board of Directors on 26 March 2023 (Corresponding to 4 Ramadan 1444H).