



2020

ANNUAL REPORT



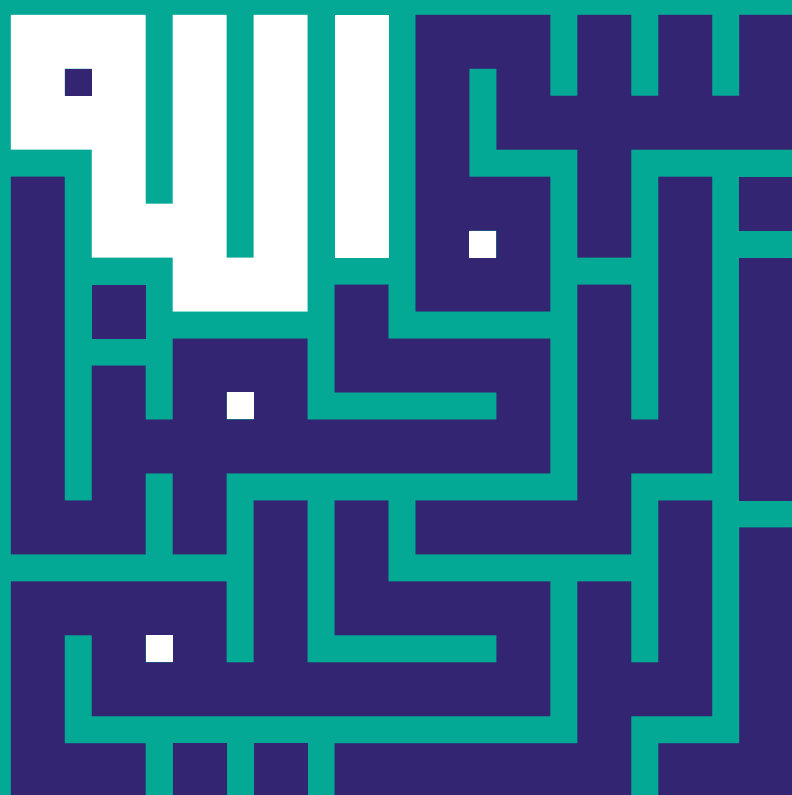
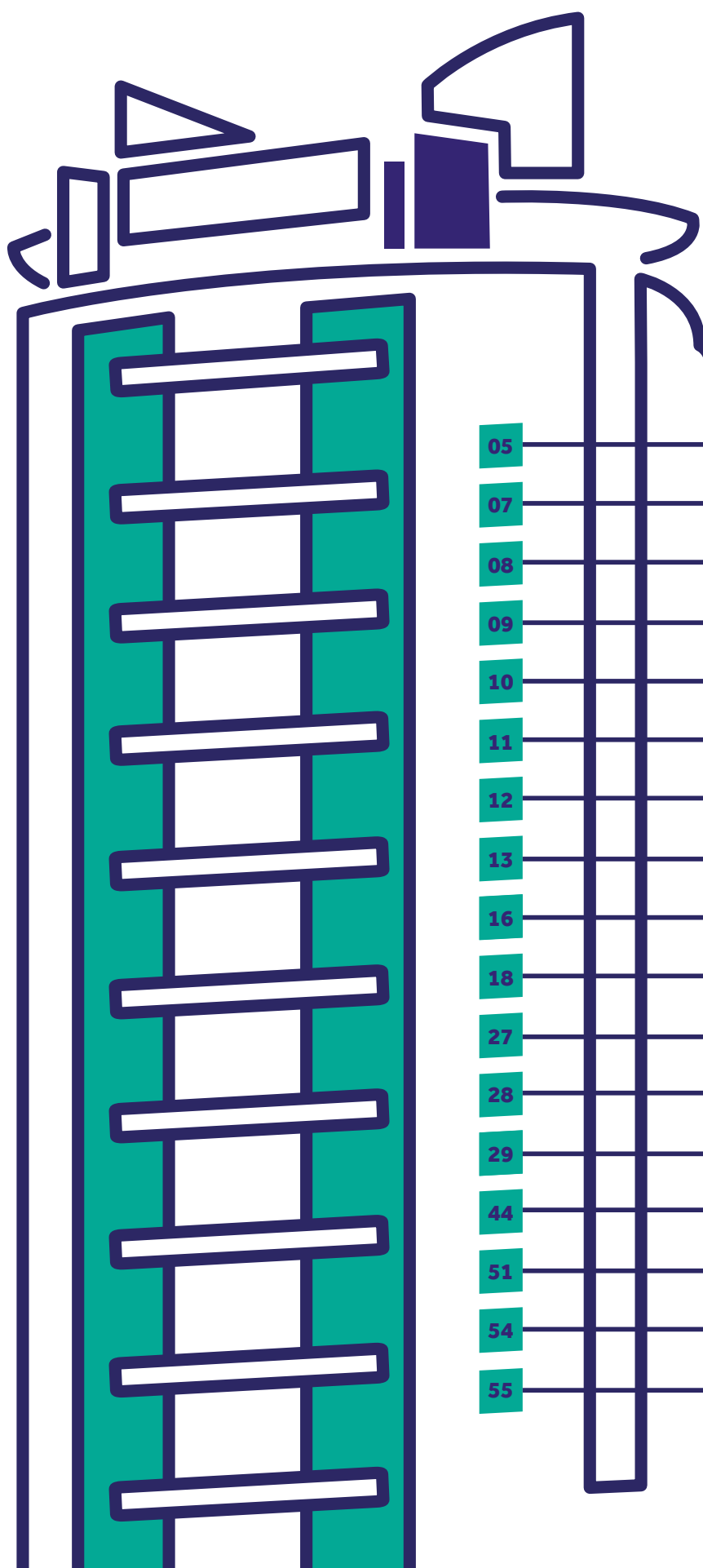


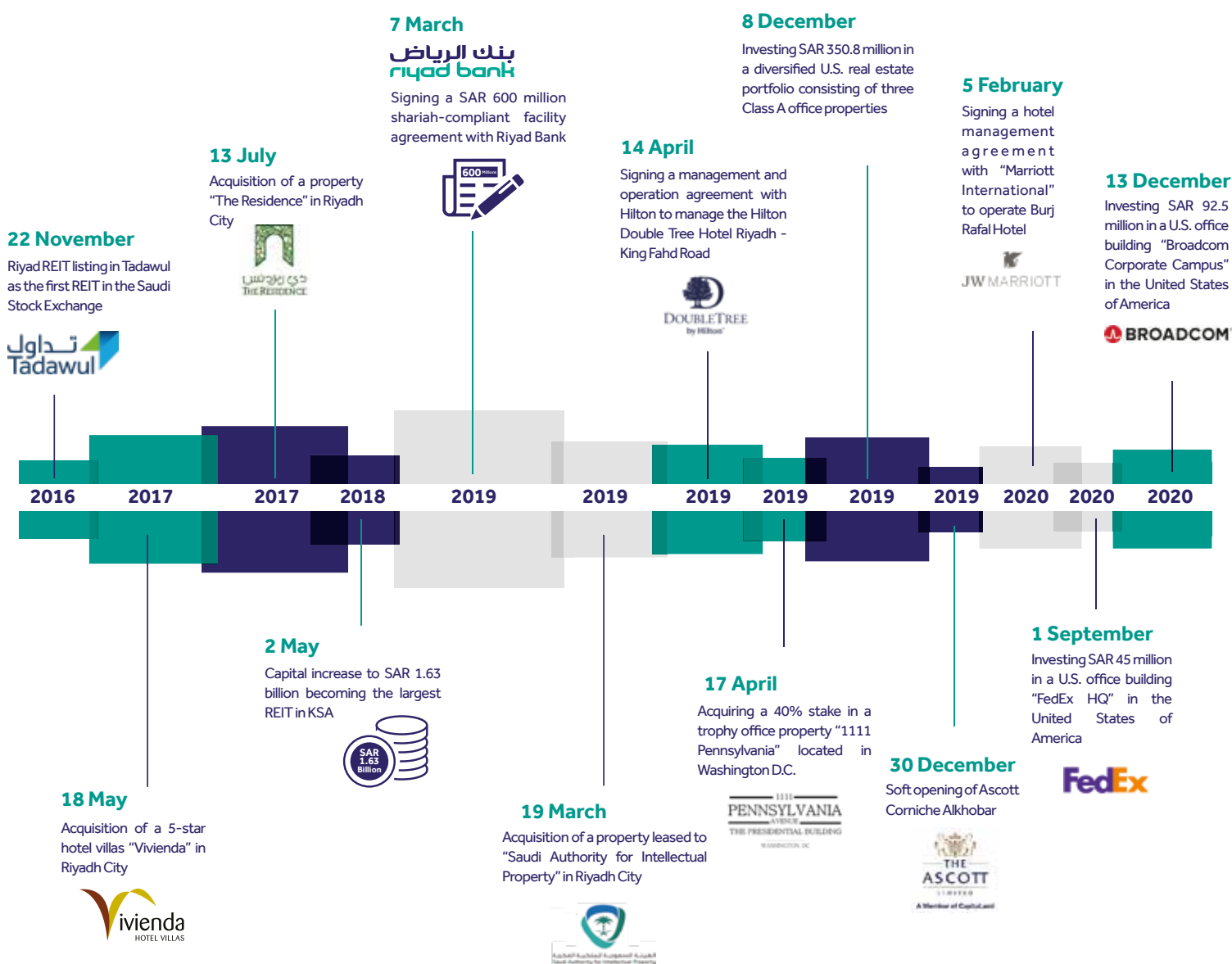


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Riyad REIT 5 YEARS OF GROWTH





About the REIT Manager

A leading investment bank in Saudi Arabia, licensed by Saudi Arabia's Capital Market Authority ("CMA") and authorized to engage in all lines of the capital activities including dealing, managing, arranging, advisory and custody.

Riyad Capital enjoys the full support and the benefits of being part of Riyad Bank **one of the largest financial institution in Saudi Arabia** with strong and growing corporate and retail banking service

Riyad Capital's real estate team is comprised of people and experiences in multiple fields within the real estate sector covering investment, development, asset management, property management, and finance. This allows Riyad Capital to implement differentiated strategies in the real estate investment arena with a fundamental long-term view of maximizing cash flow and value of property assets.



+200 Professional Employees



Local & international senior managers



International Presence



AuM SAR 70 Bn

Riyad REIT is a Shariah-compliant real estate investment traded fund listed and traded on the Saudi Stock Exchange "TADAWUL".

Riyad REIT is considered the Kingdom's first and largest real estate investment traded fund that adopts a unique investment model. It allows investors to get stable and growing revenues through a large real estate investment portfolio that incorporates a variety of local and international assets. The fund's activities are centered on creating sustainable and diverse cash flows and improving the value of assets to exponentially increase gross revenue for unitholders.

Over the past 5 years, Riyad REIT pioneered new and creative methods to preserve its leading position in the field, forecasting trends that may impact the real estate market, and leveraged its experience to stay in the lead. These factors have supported Riyad REIT to provide added value to its unitholders.

The fund seeks to expand and diversify its asset base while distributing growing cash profits to unitholders by investing in revenue-generating property. This enables investors to benefit in two basic ways: a) investment in the fund's diversified portfolio and b) active management by the fund to ensure unitholders get the highest revenues possible.

The fund also aims to maximize the value of its assets by increasing asset revenue and profit distribution through investments in the best real estate opportunities available after distributing no less than 90% of the fund's net annual profits.

The fund currently owns (20) properties, including one development and value-add projects. It also invests in multiple portfolios comprised of six class (A) office buildings in key U.S. cities

In 2020, Riyad REIT underwent several developments and faced challenges. Earlier this year, a hotel management agreement was signed with Marriott International to operate Burj Rafal Riyadh, Saudi Arabia's highest residential tower. The fund also continued development of Alfursan building, which will be operated and managed by Hilton. And owing to the fund manager's commitment to diversify the investment portfolio, the fund invested in two office buildings in the U.S. with strong investment grade tenants.

The fund was impacted by the spread of COVID-19 in 2020 with the pandemic profoundly affecting the tourism, hospitality, and real estate industries. The fund manager ensured the value of the fund's assets were maintained while working to mitigate and contain the impact of the pandemic. Despite the pandemic's impact on the sector, the fund performed relatively well with gross revenues rising to SAR 186 million by the end of 2020.

Riyad REIT will continue to acquire unique and diverse investments and boost profits by maintaining strong relationships with leaseholders, responding to their needs, strengthening ties with strategic partners in the real estate sector, and proactively remedying operational risks.

Despite COVID-19 challenges expected in 2021, the local and international diversification of assets, alongside the fund's strategic partnerships with tenants place it in a strong position to overcome challenges and keep up with different economic conditions.

Fund Performance

	December 2020	December 2019	December 2018	December 2017
Net Asset Value	1,591,356,924	1,623,564,872	1,641,962,795	524,728,806
Net Asset Value Per Unit	9.59	9.66	9.94	10.50
Issued Unit	171,697,101	171,697,101	171,697,101	50,000,000
Distributed Income	69,709,545	92,864,569	77,209,437	28,000,000
Distributed Income Per Unit	0.41	0.54	0.45	0.56
Expenses Ratio (Fund Level)	1.35%	1.20%	0.75%	1.47%
Annual Return	186,020,615	181,201,243	149,113,651	38,521,973
Highest NAV	9.73	9.84	10.25	10.49
Lowest NAV	9.59	9.46	9.56	10.01

All numbers are in SAR

	1 Year	3 Years	Inception
Cumulative return	186,020,615	516,335,509	578,526,316

Fund Fees and Commission

	December 2020	December 2019	December 2018	December 2017
Fund Management Fees	20,099,677	18,604,840	11,934,459	7,181,616
Custodian Fees	100,000	100,000	100,000	100,000
Transaction Fees	-	650,000	9,825,960	1,776,207
Property Management Fee	853,659	1,189,877	1,860,395	714,102
Maintenance, Utilities, Security Charge	1,196,137	1,266,797	1,401,972	968,886
Legal Expenses	1,139,671	634,871	331,842	406,887
External Audit Fees	132,435	73,524	30,000	30,000
Other	172,758	123,087	85,041	267,925
Total Fees and Expenses	78,462,468	53,579,718	43,569,253	28,409,516

All numbers are in SAR

Fund Manager did not receive any special commission during the financial year 2020

Summary of Board Meetings

A summary of the fund's board of directors meetings are presented to unitholders who wish to follow up on the board's decisions. The board members and the fund manager discussed the following topics:

1

Approval of the 2019 financial statements

The latest developments in the real estate portfolio and the effects of the Corona crisis

2

3

Approval of the budget for Burj Rafal Hotel improvement plan for the operator JW Marriott

Approval of the budget for the development & restoration of AlFursan Building

4

5

The latest developments in the real estate portfolio and the effects of the Corona crisis

The latest developments in the real estate portfolio and the effects of the Corona crisis

6

7

Follow up on the collection of rentals due

Approval on the fund's facility agreement

8

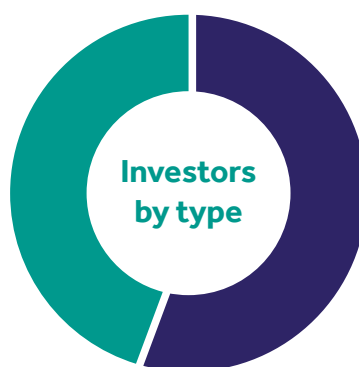


Share Price and Shareholder Information

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

Number of Units	171,697,101 Unit	
	1.633 SAR Billion	Paid Capital
Share price (as 31st of December 2020)	8.5 SAR	
	2.5 SAR Billion	Fund Size
Fund Size	9.59 SAR	

%40
Corporate/
Institutional



%60
Individual

Portfolio Highlights Snapshot of Riyadh REIT

1 Value-add and Development Projects

20 Portfolio assets

19 Rental and Operating Properties

Total Acquisition Costs

1,859
SAR Million

Development & Value-add projects

591
SAR Million

WAULT

10.18
Years

Net Leasable Area*

196,954
(m2)

Number of Tenants

132 Tenants

Portfolio Occupancy
(of Rental Properties **)

95.5%

Total Revenue

186 Million SAR

Portfolio Vacancy
(of Rental Properties ***)

4.5%

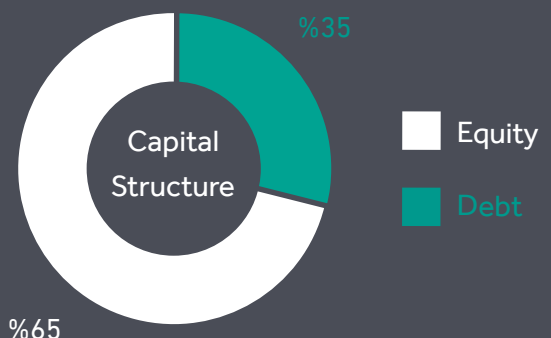
Fund size

2.5 Billion SAR

* Includes allocated net leasable area on international portfolio

** Percentage of Leased Area to Net Leasable Area

*** Percentage of Unleased Area to Net Leasable Area



In 2020, we demonstrated our ability to actively manage our properties at a time of unprecedented disruption due to the COVID-19 pandemic. With the help of government initiatives, which eased the strain of the pandemic, we pursued a proactive approach to engage with tenants, control costs, and pursue alternative service models on hospitality assets to generate revenue in a stalled hospitality and travel sector. With operating hotel properties representing 36% of our portfolio's assets (39% after including the redevelopment of Al Fursan into the DoubleTree Olaya North), and hospitality and tourism being one of the most negatively impacted economic sectors, we moved towards making exceptional adjustments to our operating hotel strategies.

Prior to the pandemic, our operating hotels were projected to generate roughly SAR 50 million of income during 2020. With travel paralyzed, borders closed, and widespread shutdowns, we recognized the need to alter business plans in order to mitigate potential losses of an operating business dependent on travel, leisure, and business activities. Burj Rafal Hotel launched a "home away from home" program, which welcomed quarantined guests sponsored by the Ministry of Health and "self-quarantining" guests. This helped weather the storm during shutdowns and airport closures (a vital source of hospitality revenue). Ascott Corniche Al Khobar, which opened in December 2019, was quickly faced COVID-19 shutdowns during its soft-opening and stabilization period. The serviced apartment configuration of the units at Ascott allowed the property to generate business through self-quarantining and stranded guests. The service residence business model also allowed us to control costs effectively. Braira Hotel Villas (Hitteen), on the other hand, performed particularly well due to its villa configuration and similar suitability to accommodate self-quarantining guests and other types of longer-term stays. The measures taken for hospitality assets during the pandemic enabled us to generate SAR 19 million in operating hotel income as opposed to running the properties at a loss. This was quite an achievement when compared to other purely hotel businesses (both domestically and internationally) who predominantly experienced losses during 2020.

Our long-term view on hospitality, tourism, and leisure in Saudi Arabia remains positive. Although a post-COVID world is contingent on vaccine rollouts and the gradual sense of "returning to normal", we see optimism surrounding a travel rebound. With a positive, longer-term outlook, we remained busy during 2020 on repositioning our hotel assets in Riyadh – Burj Rafal's rebranding to the JW Marriott Riyadh and Al Fursan's redevelopment into the DoubleTree Olaya North. With the Crown Prince's plans for Riyadh to be one of the ten largest city economies in the world (announced during the Future Investment Initiative Summit 2020), and the aim to increase the city's population from 7.5 million to around 15.2 million residents by 2030 – business activity, hospitality, leisure, and entertainment in Riyadh is expected to escalate dramatically. This bodes well for well-positioned hotel properties in Riyadh that will benefit from a busier and expanded capital city. With our repositioned hotel assets well-located on Riyadh's primary thoroughfare – King Fahd Road – our confidence in creating durable value is well grounded.

On the domestic rental property front, single-let, longer-term leased properties represented 21% of our portfolio. Those mission-critical properties present stronger, predictable cash flows backed by high quality tenants like Saudi Electronic University, STC Academy, Vivienda, Boudl, and Thiqat. In multi-let properties (which represent 16% of our portfolio), relief initiatives for tenants that have been severely affected by the outbreak of Covid-19 was limited to fine-dining tenants and some SME tenants. Relief initiatives mostly occurred during Q2 2020 – the height of pandemic shutdowns – and represented only 2.6% of the portfolio’s leasable area.

Our diversification into US investments targeting long-term, net-leased properties to Fortune 500, investment-grade tenants enabled us to mitigate some of our lost income domestically. During 2020, we increased our investments into high quality properties in Gateway cities in the United States. We invested SAR 92.5 million in the Broadcom Corporate Campus in Irvine, California (strategically located near Irvine Spectrum Center) and SAR 45 million in the FedEx Office Headquarters in the Dallas Metro area. Both properties are leased to large global corporations operating in growing and vital industries – semiconductors and logistics. Throughout the year, our international property investments maintained their 100% occupancy levels and contributed significantly to our income. This clearly supports our overall strategy of diversification through tenancy, geography, and lease durations.

Our rental properties (both domestic and international) maintained a 96% occupancy level during 2020 – which softened the impact of the drop-in occupancy rates in operating hotels. Backed by 20 properties valued at SAR 2.5 billion, over 130 tenants, 4 hotel operators, and 8 geographical locations (4 primary cities in Saudi Arabia and 4 primary cities in the United States), our portfolio generated SAR 186 million of revenues during a period of severe global economic disruption. This is, in essence, the strength of a well-balanced real estate portfolio. Rental income serves as a “safer” cash flow stream given that it is an operating expense of a business and is senior to income distributions or dividend payments of any business. In a well-functioning real estate market, corporate rents are paid before debt-related expenses. Operating hotel assets could potentially uplift portfolio cash flows given that they are aligned with economic and business activities (hotel demand is correlated with GDP) and are not linked to a fixed rental schedule.

We remain cautious entering 2021 – given that the impact caused by the pandemic is still being felt by most sectors. Although the availability of COVID-19 vaccines boosts our optimism, the process to reach a post-pandemic era is still ongoing. We believe that the worst is behind us, and there is greater confidence of improving conditions as economies restart. However, we must enter 2021 with the same degree of attention as we continue to navigate our portfolio through a sluggish, although improving, market environment.



Strategy

Income and capital growth have always been the pillars of our strategy. Our income approach has centered on the quality of the income – diversification, quality of tenants, and quality of leases (rental rates in relation to market-level comparison and the viability of rental income over the long-term). Long-term growth of capital, on the other hand, is more complex and is derived through three approaches:

- 1) rental growth (income escalation, creates limited capital growth),
- 2) repositioning of assets (income + moderate capital growth)
- 3) development (no income + high capital growth)

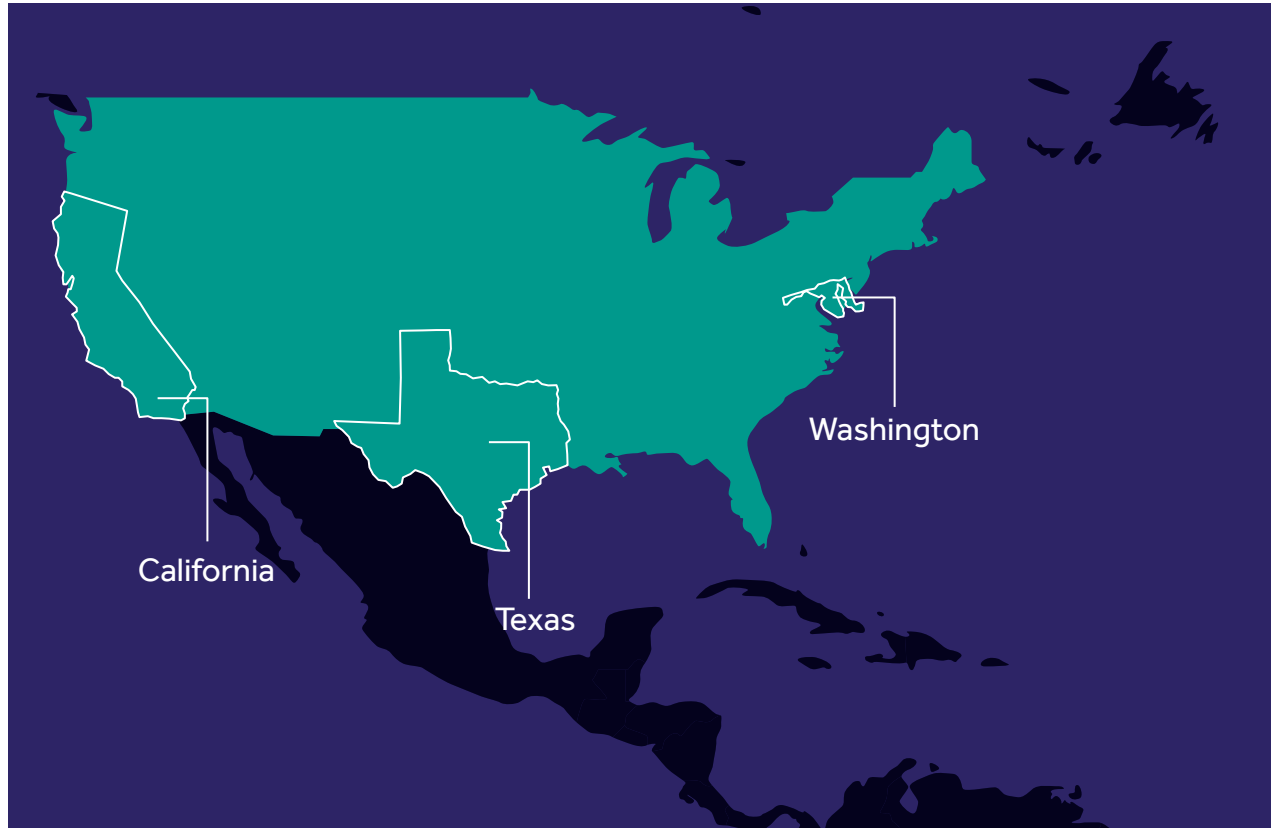
Capital growth strategies are essential for real estate portfolios. Over time, real estate assets require capital investment, refurbishment, or complete repositioning (all requiring capital expenditure). Without these capital expenditure plans in place, properties will become dated and income will diminish, which will subsequently reduce capital values. Therefore, real estate portfolios must always target value creation plays in order to maintain or enhance value. Although value creation is a long-term investment and asset management strategy, real estate is naturally a long-term investment. Investment in the portfolio today, could lead to significant value creation in the future. Over the long-run, as value plays begin to materialize, gains from capital appreciation could potentially supplement the portfolio's income.

Growth

Income

Our value plays have focused on the tourism sector. Despite interruptions caused by the pandemic, we are firm believers in the developing tourism sector in Saudi Arabia, which will serve as one of the key emerging sectors of the Kingdom. The growth in business activities, increase in domestic tourism (events, festivals, exhibitions, etc.), opening of historic sites, launching of tourism sites, and ambitious religious tourist targets will bode well for investments related to the tourism sector.

As we move forward, we will continue combining a stabilized income business model with a clear growth strategy that concentrates on emerging sectors (tourism, logistics, healthcare, and education). It is essential, however, to target assets within these sectors that are positioned for the future, as opposed to outdated assets from the past.

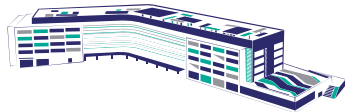


USA

California



350 Rhode Island, San Francisco, California



Broadcom Corporation HQ, Irvin, Orange County

Texas



FedEx Office Headquarters, Dallas, Texas



Pioneer Headquarters, Dallas, Texas

Washington



1111 Pennsylvania Avenue,
Washington D.C.



Two Washingtonian,
Washington DC Metropolitan Area



KSA

Riyadh

-  Izdehar Center
-  Burj Rafal Hotel
-  Al Fursan Towers
-  The Academy
-  Vivienda
-  Saudi Electronic University
-  Olaya Tower
-  Braira Hittin hotel Villas
-  The Residence
-  Al Tamayuz Center

Jeddah

-  Omnia Center
-  Ascott Tahlia

Dammam & Khobar

-  Al Shatea Towers
-  Ascott Al Corniche

Saudi Market Overview



Knight
Frank



Colliers
INTERNATIONAL

CBRE

savills

- Saudi Arabia's GDP reached SAR 2,640 billion in 2019, growing by 0.3% from the previous year. Driven largely by the impacts of COVID-19 and subsequent macroeconomic repercussions, GDP contracted by 4.8% in 2020. (CBRE)
- GDP is expected to recover steadily from 2021, witnessing growth over the long term of CAGR of 2.5% from 2020 to 2030. (CBRE)
- The recent tripling of VAT to 15% combined with other fiscal measures and the impact of the pandemic are expected to weigh on the recovery of domestic demand in 2020 and 2021. (CBRE)
- Driven by current world economic conditions, the government has launched a set of stimulus packages totaling more than SAR 120 billion to support the private sector. (CBRE)
- The government secured the largest number of accommodation facilities and spent millions of dollars to quarantine thousands of overseas travelers and those exposed to infected people in many hotels around the Kingdom. The ministry provided the necessary care to ensure the health and safety of citizens and residents, as well as citizens returning from abroad by hosting them in the best hotels and facilities as they receive the necessary care and the highest standards of service during the quarantine period.
- Saudi Arabia is currently undergoing economic diversification which will result in rapid urbanization and economic growth. Policy changes which are currently underway have prompted demand for investment grade real estate. The office segment is at the forefront of this growth with large scale projects either planned or under construction across the country. (Savills)
- In late September, a deal financed between Saudi Arabia's Tourism Development Fund, Riyadh Bank, and Banque Saudi Fransi has accumulated SAR 160 billion for capital investment in tourism development. The fund aims to support Saudi Vision 2030 tourism goals by aiding in touristic infrastructure construction, attractions, and the expansion of hotel supply. (Colliers)
- In recent years, foreign direct investment (FDI) flows to Saudi Arabia followed a downward trend due to political factors and lower oil prices. However, inflows have steadily recovered owing to economic diversification efforts which have seen new projects been launched outside the oil and gas sector. (Cavendish Maxwell)
- COVID-19 has created a demand shock in the oil market as a result of travel and movement restrictions. As a key driver for the Saudi economy, soft oil prices had an impact on economic activity and employment growth in 2020. Oil prices are projected to increase significantly by approx. 22% in 2021, as demand increases, followed by a steadier year-on-year increase. (CBRE)
- The markets are expected to continue benefiting from the on-going tourism initiatives, upcoming mega projects as well as domestic tourism. (Colliers)
- The Saudi Ministry of Tourism announced in September that domestic tourism saw a significant rise in traveler numbers, surpassing official projections.
- The KSA hospitality market is expected to grow by 17,000 keys by 2023, a constant annual growth rate of 8%. (Colliers)
- Through the successful implementation of eight reforms, Saudi Arabia was recognized as a leading improver in the World Bank's Doing Business 2020 report. Saudi Arabia climbed to take the 62nd place from 92nd last year, helped by the introduction of a secured transactions law and an insolvency law, a new online platform to certify imported goods, and upgrades to infrastructure at Jeddah Port. (Cavendish Maxwell)
- The annual average of the real estate price index increased by (1.0%) for 2020 compared to the annual average for the previous year 2019, driven mainly by rising prices of the residential sector. (General Authority for Statistics)
- Saudi Arabia has launched a program called Program HQ. The program intends to encourage international firms to relocate regional headquarters to Riyadh. Incentives offered under this program include a 50- year tax holiday, waiving quotas on Saudization quotas and guarantees of protection against future regulations. (Newmark Knight Frank)



Riyadh

- The vacancy rate for Grade A office space increased by one percentage point from Q4 2019 to reach 7% in Q4 2020. (Newmark Knight Frank)
- Driven by Vision 2030 initiatives and growth, Riyadh City is expected to witness steady growth in office supply. Growth in office demand is driven by the growing business activities as well as the entrance of key international companies to the market. (CBRE)
- Coming into 2021, Riyadh's office market is expected to witness a significant addition to its supply, with the handover of almost 430,000 sqm of office GLA. The majority of this stock is of Grade A quality space. (JLL)
- Many businesses and government offices have relocated or expanded their presence in Riyadh, the hub for Vision 2030 initiatives and programs. (CBRE)
- The Saudi government has announced that foreign companies must have their regional headquarters in Saudi Arabia from 2024 if they would like to be considered for government work. Although details on implementation remain to be seen, it is expected that as companies set up their headquarters or offices in Saudi Arabia, office demand will be positively impacted. (CBRE) In January, 24 foreign companies had announced their intention to open regional offices in Saudi Arabia, including Google Cloud, Alibaba, Deloitte, PWC, Western Union, Schlumberger, PepsiCo, Bechtel, Bosch and Tim Hortons.
- Riyadh's hotel market is dominated by 5-star properties, comprising 48% of total hotel supply. This trend is expected to continue across the forecast period. (CBRE)
- Initiatives to expand the tourism and entertainment sector, including the emergence of new events, such as Dakar Rally, Riyadh Season and Riyadh Oasis, are expected to enhance Riyadh's profile as a tourist destination. (CBRE)



Jeddah

- Jeddah's office market continues to be under pressure, mainly due to slowing business activity resulting from COVID-19 and corresponding economic conditions. (CBRE) Grade A rents fell by 4.2%. On average, Grade A rents were recorded at SAR 1,000 per sqm. (Newmark Knight Frank)
- Retail developments which are F&B driven and offer unique environments, such as well-designed open areas, walking paths and open-air concepts, have higher footfall and have been able to weather the storm better than their competitors. (CBRE)

- Since the ban on serving shisha in restaurants and cafes as a result of COVID-19, some restaurants and cafes have started to improve their F&B and lounge products by offering different dining experiences. These concepts tend to enjoy healthy performance levels and higher footfall on average. (CBRE)
- Office lease rates in Jeddah declined 5% to register SAR 830 per sqm, mainly due to the price sensitive nature of the city's tenants, coupled with the source of demand being predominantly local family offices. (JLL)
- Given the relative ease of domestic travel, occupancy rates increased marginally during peak periods (public holidays and weekend getaways), with a number of operators offering attractive rates and incentives. (CBRE)
- Key Government initiatives will be key in supporting the office sector. The Public Investment Fund (PIF), for example, is launching "Cruise Saudi" company, headquartered in Jeddah, which is expected to attract a range of tourism companies to Jeddah, supporting future office demand. (CBRE)
- Following Saudi Arabia's announcement of hosting the Formula One Motor Race in Jeddah, a number of key projects have resumed their construction plans, in the hopes of capitalizing on this potential future demand. (CBRE)
- Jeddah's retail supply is expected to continue increasing over the next two years with an anticipated delivery of approx. 189,000 of GLA by end of 2020, with Jeddah Park and Obhur Shopping Mall expected to be delivered by Q4 2020. (CBRE)



Eastern Province

- At the close of 2020, the Dammam/Khobar market demonstrated a greater resilience to the effects of COVID-19 compared to major KSA hotel markets. Dammam/Khobar retained the greatest share of its market in 2020, capitalizing on its access to the domestic market and the closure of the King Fahd Causeway. (Colliers)
- Hotels in the Dammam Metropolitan Area (DMA) saw the highest occupancy rates given the area's status as a popular destination for domestic tourism. (JLL)
- The Dammam Metropolitan Area's (DMA) office market performance continued to soften in the year to Q4 2020, with Grade A rents falling by 4.8% to SAR 906 per sqm. (Newmark Knight Frank)
- The vacancy rate for Grade A office space increased by one percentage point from Q4 2019 to reach 25% in Q4 2020. (Newmark Knight Frank)
- In Q4 2020, we have seen the completion of one major development, Al Hugayet tower, which added around 45,000 sqm of GLA to the market. This addition brings the total office stock to 1.23 million sqm GLA. (Newmark Knight Frank)
- The focus on domestic tourism has benefited the Dammam/Khobar Market contributing to the lower rate of decline in occupancy and ADR versus other KSA markets. (Colliers)

US Real Estate Office Market Outlook



- The news of vaccines for the coronavirus, effectiveness, and rollout has many economists bullish on the U.S economy, and the underlying market fundamentals are expected to remain constant in 2021.
- According to the CEO of CBRE, "the second half of 2021, is expected to see much more activity in office buildings with 80%+ of office occupancy, if not more, coming back."
- The Fed announced that it would allow inflation to move above the 2% target for several quarters, which will likely translate into greater downward pressure on long-term cap rates. This is also conducive to a weaker US dollar, making US real estate assets more attractive to foreign investors.
- CBRE forecasts that the strongest GDP growth of 2021 will occur in Q2 and Q3 – 5.5% and 5.6%, respectively, on an annualized basis – bringing US GDP to pre-COVID levels in Q3.
- While space use and occupancy rates were low throughout 2020, rent collection rates have stabilized to pre-pandemic levels. Tenants are profitable and capable enough to pay the rent. Therefore, it is a fundamental error to view office real estate as a dead, non-income generating investment vehicle. (Lee & Associates)
- Data has shown that full-time remote work is not preferred by employees and that physical offices are critical for achieving corporate goals such as effective hiring, mentoring, and retention. As long-term real estate decisions are being continually delayed, pent-up demand is likely building. (Newmark Knight Frank)
- Investors are growing more bullish about the sector. Q4 investment sales levels doubled from what we saw in mid-year. Investment volume in the top 15 office markets saw their levels either match or exceed their 2-year average. (Lee & Associates)



Dallas

- The Dallas-Fort Worth (DFW) economy continued its recovery in Q4 2020, the area added 47,949 jobs this quarter compared to Q3 2020, bringing the region close to its pre-pandemic levels (Cushman & Wakefield), marking its seventh consecutive month of job gains since the onset of its recovery, according to the Dallas Fed.
- According to the Dallas Federal Reserve, payrolls expanded broadly, unemployment dipped and the Dallas and Fort Worth business-cycle indexes rose. (JLL)
- Employees in Dallas are returning to the office at a higher rate than in other markets with almost 40% of workers in December compared to 10%-15% in coastal markets. (JLL)
- Vacancy rates have remained relatively stable and hover around 19%, approximately the same from last quarter. Direct leasing accounted for most of the leasing activity during the fourth quarter at approximately 2.5 million sq. ft. (Newmark Knight Frank)
- Overall rental rates remained nearly flat, decreasing by just 0.4% YOY to \$26.56 per square foot on an annual full-service basis. Once the recovery accelerates in 2021, Class A properties are expected to experience much faster improvement in demand, vacancy and rents, as they have done in past recovery periods. (Cushman Wakefield)
- Ten transactions over 100,000 sq. ft. were signed. Haynes and Boone leased 125,000 sq. ft. and Peloton signed a 100,000-sq. ft. expansion – while its business has benefitted from staying at home, it needed more physical space to expand its workforce and encourage collaboration. (JLL)
- During the third quarter, 508 transactions occurred in the metroplex totaling approximately 1.7 million sq. ft. The number of transactions increased in the fourth quarter to 562 totaling 2.9 million sq. ft. (Newmark Knight Frank)



Washington DC (District of Columbia)

- Asking rents rose in the fourth quarter to \$57.49 per square foot on a full-service basis. (Newmark Knight Frank) This is up from the start of the year when rents were at \$56.72. (Colliers)
- In 2020, Washington, DC registered a total of 3 million sq. ft. of new leasing activity and 4.8 million sq. ft. of renewals and extensions - a total of 7.8 million sq. ft. in gross leasing. (Cushman & Wakefield)
- Due to DC's strong legal sector, law firms have signed 362,000 sq. ft. of leases in Q3 2020. According to Newmark Knight Frank, as offices slowly begin to reopen and signs of increased touring activity emerge, leasing activity in DC may likely improve in the coming quarters.
- The federal government, which typically accounts for 30% of total leasing activity, contributed 56% of total leased space in Q4 2020. Private-sector tenants posted 582,000 sq. ft. of leases during the quarter. (Colliers)
- Tech firms remain a bright spot, having doubled their typical share of leasing volume during 2020—more than any other industry sector. In all, the sector leased 583,000 sq. ft. in 2020, including Morning Consult's 49,108 sq. ft. lease in Q4. (Colliers)
- The District's construction pipeline remains active at 2.4 million square feet, as developers sought to capitalize on strong trophy market fundamentals in recent years. (Newmark Knight Frank)
- Because of the nature of work done in DC and the amount of "essential" positions, DC is generally more insulated and the metro area tends to return faster than other markets from a recession. The federal government has remained active in the leasing market and continues to bolster activity. (Cushman & Wakefield)



Washington DC (Northern Virginia)

- Northern Virginia lost 77,400 nonfarm jobs up to November 2020. However, 84,900 jobs have been recovered. In comparison, office-using sectors were less severely affected, with the loss of 20,700 jobs (-2.3%). (CBRE)

- In Q4, the average overall asking rent increased 1.1% from one year ago to \$33.79 per sq. ft. (Newmark Knight Frank) This was a \$0.25 increase from last quarter and was likely due to the influx of higher quality space coming to the market. (Colliers)
- Leasing activity totaled 7.9 million sq. ft. in 2020, driven primarily by the private sector making up eight of the top ten leases signed in the fourth quarter. (Lincoln) Nonetheless, the tech sector remained active, contributing 2.8 million sq. ft. of leasing activity. (CBRE)
- While the third quarter had top deals done largely by the Federal government, the fourth quarter had four of the top five deals signed by non-government sectors. (JLL) These are Volkswagen, Microsoft, Raytheon and GDIT. (Colliers)
- Eight buildings were under construction in Northern Virginia at the end of the fourth quarter and 90.6% pre-leased. (Lincoln) Tenants include Volkswagen, Fannie Mae, and the Transportation Security Administration. (Newmark Knight Frank) The largest space under construction is Amazon HQ2 in Pentagon City, scheduled to deliver 1,050,000 sq. ft. in Q1 2023. (Cushman & Wakefield)
- In the more than two years since Amazon made the decision to plant its HQ2 in National Landing (Arlington), lots of progress has been made. In addition to Amazon's commitment to create at least 25,000 jobs over a 10-year span, large investments are being made by local and state governments as well as local universities Virginia Tech and George Mason. (Newmark Knight Frank)
- Capital Markets activity in Q4 2020 of five building trades for a total of \$326 million, bringing 2020 total sales volume to \$2.1 billion. (CBRE)



Washington DC (Suburban Maryland)

- The unemployment rate measured 6.6% in October, below the rate's peak during the Great Recession. (Newmark Knight Frank)
- The I-270 Life Sciences and Biotech corridor is first in National Institute of Health (NIH) research & development and has 500+ biotech companies and 2,700 life science firms. Several local firms are involved in COVID-19 vaccine development, with Novavax and AstraZeneca (both with strong presence in Gaithersburg) having been awarded \$1.6 billion and \$1.2 billion of federal funding, respectively. (CBRE)
- Government leasing came back strong with 780,000 sq. ft. of activity in 2020, representing one-third of total leasing volume. This was driven by the National Institutes of Health (NIH) with five leases totaling more than 500,000 sq. ft. (CBRE)
- The overall vacancy rate registered 14.7% at the end of the fourth quarter, a decrease of 10 basis points from the previous quarter. (Newmark Knight Frank)
- Direct average rental rates increased \$0.06 from last quarter to end at \$28.64 and are up \$0.67 (3.7%) from the start of the year. (Colliers) (Newmark Knight Frank)

- Leasing activity increased 28% quarter-over-quarter. Demand was driven primarily by numerous large renewals across the metro. Investment sales increased as well (up 80% quarter-over-quarter) with \$1.05 billion in sales transactions. (Lincoln)
- The construction pipeline includes high-quality space with asking rates that match the quality of product, which boosts the average asking rent. The pipeline of office deliveries is with a high-level of pre-leasing of 77.1 % (Newmark Knight Frank)
- The Washington Metro Area subleases availability rate remains the second lowest among large metro areas, behind only South Florida.



Orange County, California

- According to the U.S. Bureau of Labor Statistics (BLS), total nonfarm payroll employment rose by 379,000, which was considerably more than the Dow Jones and The Wall Street Journal had expected.
- November's local unemployment rate of 6.4% was a significant improvement from May's record high of 14.7% and remains lower than both the state and national averages. (Newmark Knight Frank)
- Overall average asking rents ended the year at \$3.03 per square foot (psf) per month, up 1.8% from a year ago. (Savills) Class A overall average rates remain unchanged from last quarter at \$3.21 psf/mo. (Cushman & Wakefield)
- Demand for R&D office space has contributed to the highest rents in the county and will continue to be a source of resilience for the economy. (CBRE) Tech companies have seen increased demand from COVID-19 impacts and are expected to expand their real estate footprint in 2021. (Savills)
- Renewals contributed to most of the leasing activity during Q4 and throughout 2020, led by financial services, technology and business services. (JLL)
- Although overall sales volume for both office investment and owner users was down compared to the previous year, the average PSF paid was much higher at approximately \$390 psf. (Colliers)
- The Los Angeles MSA office market is ranked the third largest office market in the United States. Moreover, Orange County continues to benefit from a well-diversified economy, high-quality labor force, and strategic location on the Pacific Rim.
- Post-pandemic, the opportunities for new jobs in this region will be more abundant than secondary and tertiary markets, particularly for workers in high tech industries, the retail sector and the gig-economy. (CBRE)



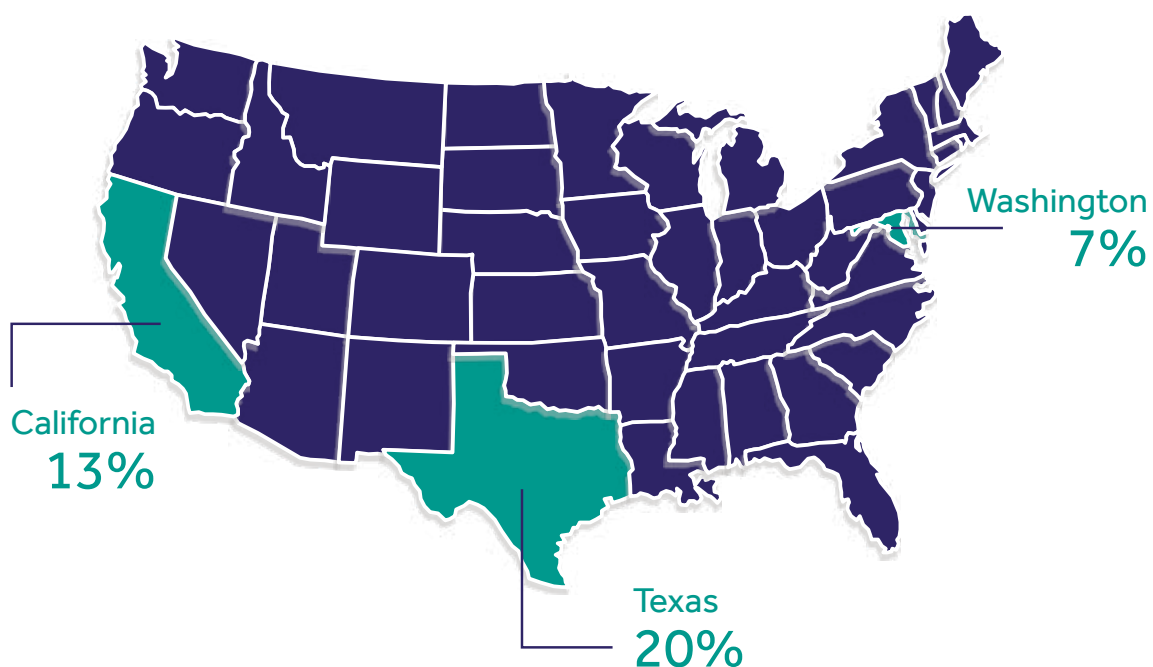
San Francisco

- The most recent unemployment rate for the San Francisco metropolitan division was 5.4%, significantly below the Q2 2020 peak of 11.2% and below the current national figure of 6.7%. (Cushman & Wakefield)
- Housing costs for San Francisco employees continued to decrease. Zumper reported a 24.0% year-over-year drop in two-bedroom apartment rates to \$3,495/month. (Newmark Knight Frank)
- The vacancy rate in the 22.3-million-sq. ft. Central County submarket settled at 13.2%, and negative absorption for the year totaled 166,816 sq. ft. (Lee & Associates)
- 2020 annual gross absorption, totaled 933,000 sq. ft. The reason for this sustained level of activity is due to robust growth and demand from life science companies, which drove the R&D market throughout 2020. (Colliers)
- Despite a decline in leasing volume, some large transactions closed, such as OpenAI, IBM, VIR Biotechnology, San Francisco Aids Foundation and the City and Council of San Francisco. (Colliers) (JLL)
- Tech giants, such as Google, Twitter, Facebook and Apple, driven by digital revenue growth due to the pandemic, have regained their appetite for space and have signaled expansion plans, as evidenced by Google signing the largest lease in Q4. (Savills)
- Overall asking rents decreased slightly ending the year at \$80.98/sq. ft., a drop of 4.0% in Q3 2020. Asking rates vary asset by asset but Class A buildings held more of their value when compared with Class B buildings – rents dropped 3.4% and 5.7%, respectively. (CBRE) (Newmark Knight Frank)
- With a deep talent pool and venture capital funding at record levels in San Francisco, expect “big tech” and “start-up tech” to re-enter the market later in 2021 to take advantage of available quality space well below recent record prices. (Cushman & Wakefield)

Kingdom of Saudi Arabia

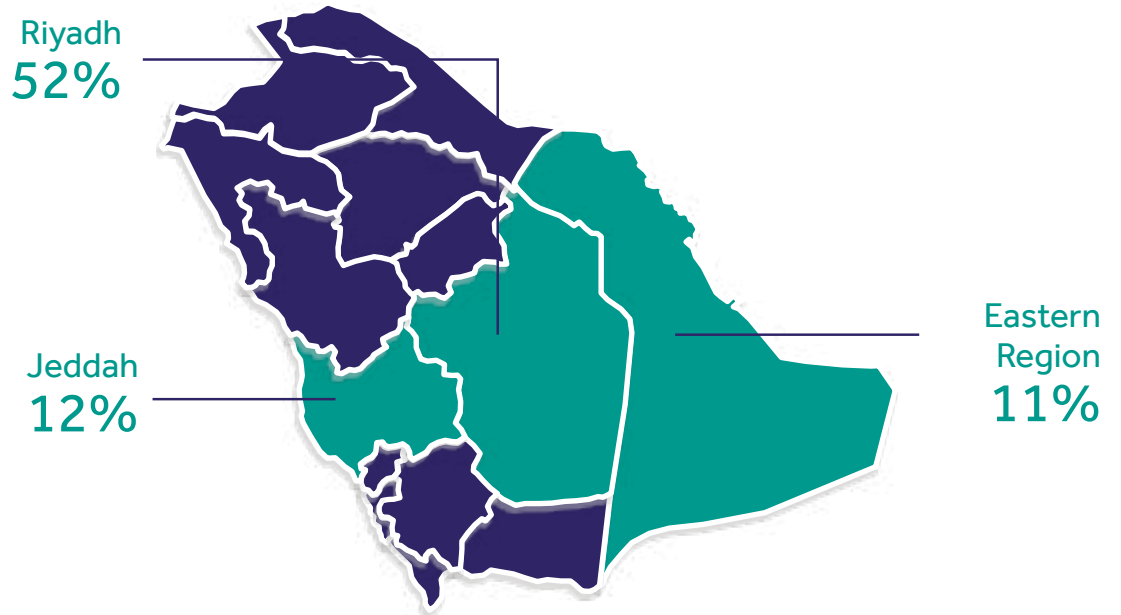


United States

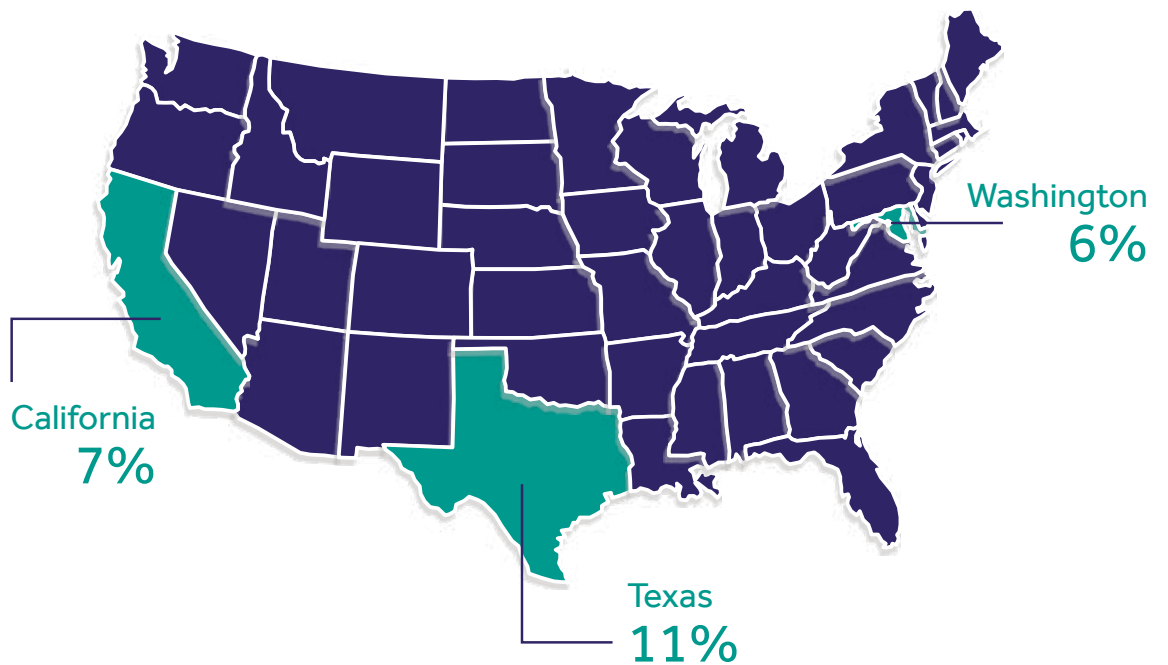




Kingdom of Saudi Arabia



United States



Local Portfolio



1. The Residence

2. Braira Hittin Hotel Villas

3. Saudi Electronic University

4. Vivienda – Mousa Bin Nusair

5. The Academy

6. Rafal Hotel Tower

7. Olaya Tower

8. Al-Tamayuz Center

9. Alizdhar Center

10. Alfursan Towers - Hilton Double Tree

11. Shatea Towers

12. Ascott Corniche Al Khobar

13. Omnia Center

14. Ascott Tahlia



The Residence



Description

Mixed-use property
of 6,500 m2
commercial space



Location

Hittin, Prince Mohammed
Bin Salman Road



City

Riyadh



Land Area

6,300 m2



Wault

4.80 years



Key Tenant(s)

2017



Occupancy

100%



Key Tenant(s)

- Farzi Café
- Morood Investment Company
- Luxury KSA
- Dunia



Braira Hittin Hotel Villas



Description

Mixed-use property
including 33 hotel villas



Location

Hittin, Prince Mohammed
Bin Salman Road



City

Riyadh



Land Area

15,000 m2



Wault

Operational agreement
with Braira



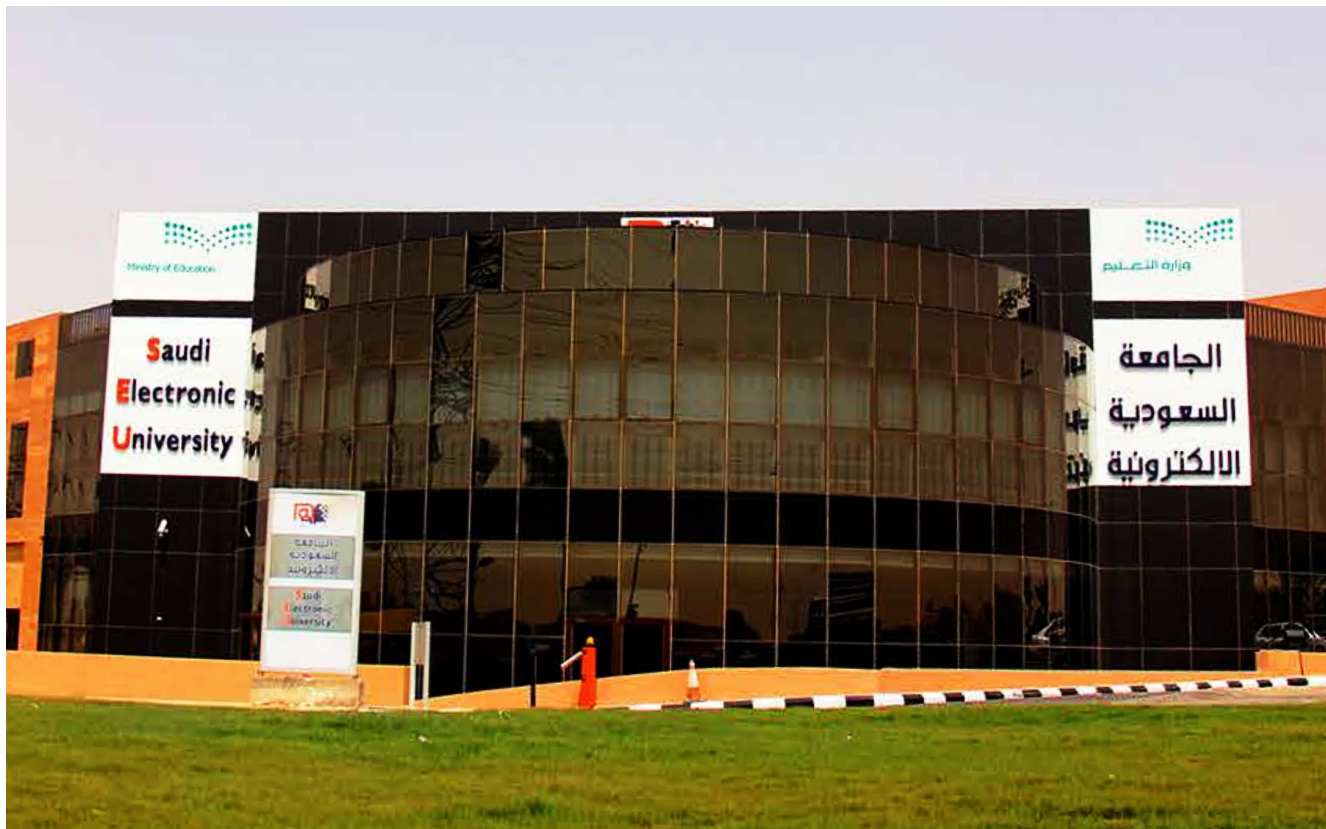
Key Tenant(s)

2017



Operator

Boudl Group (Braira)





Saudi Electronic University


Description
 Main campus of the Saudi Electronic University


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


City
 Riyadh


Land Area
 14,210 m2


Wault
 0.37 years


Key Tenant(s)
 2012



Occupancy
 100%


Key Tenant(s)
 Saudi Electronic University




Vivienda – Mousa Bin Nusair


Description
Hotel villas


Location
Um-Alhamam District,
Mousa bin Nusair Street


City
Riyadh


Land Area
2,800 m2


Wault
11.32 years


Consturction Year
2015


Occupancy
100%


Key Tenant(s)
Forus Company



STC Academy



Description

Education center



Location

King Fahad Road,
Al Sahafa District



City

Riyadh



Land Area

4,575 m2



Wault

1.33 year



Consturction Year

2014



Occupancy

89%



Key Tenant(s)

STC



Rafal Hotel Tower



Description

Burj Rafal Hotel Complex, which includes a Five-star Hotel (349 rooms), Ballroom, Business center, Spa, six restaurants



Location

King Fahad Road,
Al Sahafa District



City

Riyadh



Land Area

21,106 m2



Vault

Operational agreement
with Marriott International



Consturction Year

2014



Operator

Marriott





Olaya Tower


Description
 Office building


Location
 Olaya Street


City
 Riyadh


Land Area
 2,555 m2


Wault
 2.71 years


Consturction Year
 2019


Occupancy
 100%


Key Tenant(s)
 Saudi Authority for
 Intellectual Property



Al-Tamayuz Center



Description

Mixed-use property



Location

Qurtoba, positioned on the intersection of Imam Abdullah Bin Saud Road, Khalid Ibn Al-Walid Street



City

Riyadh



Land Area

7,149 m2



Wault

0.51 years



Consturction Year

2015



Occupancy

44%



Key Tenant(s)

- Magrabi
- Tadrees
- Dominos



Alizdhar Center



Description

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



Location

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



City

Riyadh



Land Area

2,515 m2



Wault

1.80 years



Consturction Year

2015



Occupancy

100%



Key Tenant(s)

- Al Nahdi Pharmacy
- Pearl Clinics



Alfursan Towers

(under construction to
be upgraded to a
Hilton Double Tree)



Description

147 room keys,
8 meeting rooms &
commercial rental space



Location

King Fahad Road



City

Riyadh



Land Area

1,740 m2



Operator

Hilton



Consturction Year

2015



Shatea Towers



Description

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



Location

Al Shatea, Prince Mohammad Bin Fahad Street



City

Dammam



Land Area

6,300 m2



Vault

5.13 years. The hospitality space is under a long-term 10-year Corporate leaset



Consturction Year

2015



Occupancy

69%



Key Tenant(s)

Boudl (Braira)



Ascott Corniche Al Khobar



Description

148-key serviced
apartment with
ground floor retail



Location

Corniche Area,
Prince Turki Street



City

Al-Khobar



Land Area

2,784 m2



Hotel Management Term

25 years



Consturction Year

2019



Occupancy for Rental Space

100%



Operator

Ascott International



Omnia Center



Description

Offices, retail stores,
Residential apartments



Location

Located in Rawdah
District, Prince
Saud Alfaisal Street



City

Jeddah



Land Area

10,000 m2



Wault

1.28 years



Consturction Year

2009



Occupancy

99%



Key Tenant(s)

- Saudi National Bank
- Mero Furniture
- Joelle Medical Center



Ascott Tahlia



Description

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



Location

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



City

Jeddah



Land Area

2,025 m2



Wault

8.31 years



Consturction Year

2015



Occupancy

93%



Key Tenant(s)

Ascott
(Spectrums Company)



International Portfolio



1. Pioneer Headquarters
2. 1111, Pennsylvania
3. 350 Rhode Island North
4. Two Washingtonian
5. FedEx Office Headquarters
6. Broadcom Corporation HQ



Pioneer Headquarters



Description

Class A Trophy office



Location

Las Colinas,
Irving, Dallas, Texas



City

Dallas-Fort Worth
Metropolitan Area,
Texas, USA



Land Area

104,555 m²



Wault

Brand new 20-year lease
(with annual escalations)



Key Tenant(s)

Pioneer Natural
Resources
(investment grade)



Occupancy

100%



1111 Pennsylvania



Description

Class A trophy office



Location

1111 Pennsylvania
avenue NW,
Washington, DC



City

Washington,
DC, USA



Land Area

31,350 m2



Wault

Approx. 12.5 years
(with annual escalation)



Key Tenant(s)

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



Occupancy

100%



350 Rhode Island North



Description

Class A office



Location

350 Rhode Island St,
San Francisco, California



City

San Francisco,
California, USA



Land Area

11.810 m2



Wault

14-year lease
(with annual escalations)



Key Tenant(s)

98% leased to the
City & County of
San Francisco
(investment grade)
and 2% Starbucks
(investment grade)



Occupancy

100%



Two Washingtonian



Description

Class A office



Location

Washingtonian Blvd,
Gaithersburg, Suburban
Maryland



City

Washington
Metropolitan Area,
Maryland, USA



Land Area

27,300 m²



Wault

13-year lease
(with annual
escalations)



Key Tenant(s)

Leidos Holdings Inc.
(investment-grade)



Occupancy

100%



FedEx Office Headquarters



Description

Class A office



Location

Legacy Business
Park, Plano, Texas



City

Dallas-Fort Worth
Metropolitan Area,
Texas, USA



Land Area

24,491 m²



Wault

7 years



Key Tenant(s)

FedEx Office
(investment grade)



Occupancy

100%



Broadcom Corporation HQ



Description

Class A office and R&D



Location

Location



City

Los Angeles MSA,
California, USA



Land Area

61,400 m2



Wault

17 years



Key Tenant(s)

Broadcom
Corporation
(investment grade)



Occupancy

100%

Risk Assessment:

Main Risk Factors	Description	Assessment
Risks related to the use of bank financing	<p>The level of risk that the Fund is exposed to increases in case it mortgages any of its assets in favour of a third-party financier. Under any 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.</p>	<p>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.</p>
Development risks	<p>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.</p>	<p>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.</p>

Risk Assessment:

Main Risk Factors	Description	Assessment
<p>Failure by tenants to meet their rental obligations</p>	<p>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.</p>	<p>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.</p> <p>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.</p>
<p>Market risks</p>	<p>Market risks arise from external factors, including, for example but not limited to, economic conditions, competition, supply and demand, and political changes.</p>	<p>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.</p>
<p>No guarantee of profits</p>	<p>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.</p>	<p>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.</p>

Risk Assessment:

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

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Riyad REIT is a closed-ended Shariah-compliant real estate investment traded fund. The REIT operates in accordance with Real Estate Investment Funds Regulations and REIT Instructions issued by the CMA. The Capital of the REIT is SAR 1,633,000,010. The REIT has a term of 99 years, which is extendable in the discretion of the Fund Manager with the prior approval of the CMA. Registration and listing of the fund units was approved by CMA on 08/02/1438H correspondent to 08/11/2016G.

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



RIYAD REIT FUND
A Real Estate Investment Traded Fund
(Managed by Riyad Capital)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020
together with the
Independent Auditor's Report



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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Riyadh REIT Fund ("the Fund"), being managed by Riyadh Capital (the "Fund Manager"), which comprises the consolidated statement of financial position as at 31 December 2020 and the related consolidated statements of comprehensive income, changes in net assets and cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements taken as a whole, present fairly, in all material respects, the consolidated financial position of the Fund as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How the key matter was addressed in our audit
Riyad REIT Fund owns a portfolio of investment properties comprising of commercial buildings located in the Kingdom of Saudi Arabia. Investment properties are held for capital appreciation and or rental yields, are stated at cost less accumulated depreciation and any accumulated impairment losses.	For impairment of investment properties, we have carried out the following audit procedures: - We obtained two valuation reports from independent real estate evaluators Taqueem certified for each investment properties as at 31 December 2020 and confirmed that the valuation approaches are suitable for use in determining the carrying values as at the reporting date;

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

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

AL Khobar \ Tel: +966 13 893 3378 Fax: +966 13 893 3349
P.O.Box 4636 AL Khobar 31952

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Key Audit Matters (continued)

Key audit matter	How the key matter was addressed in our audit
<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 valuers 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>	<ul style="list-style-type: none">- 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.

Other information

Other information consists of the information included in the Fund's 2020 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in the Fund's annual report.

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

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

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

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

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

AL Khobar \ Tel: +966 13 893 3378 Fax: +966 13 893 3349
P.O.Box 4636 AL Khobar 31952

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS

RIYAD REIT FUND

MANAGED BY RIYAD CAPITAL

RIYADH, KINGDOM OF SAUDI ARABIA

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

We also provide those charged with governance with a statement that we have 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 and on behalf of
Al-Bassam & Co.


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



17 Shabban 1442
30 March 2021

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

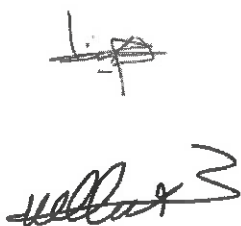
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AL Khobar \ Tel: +966 13 893 3378 Fax: +966 13 893 3349
P.O.Box 4636 AL Khobar 31952

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RIYAD REIT FUND
(MANAGED BY RIYAD CAPITAL)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(Amounts in SAR)

	Note	2020	2019
<u>ASSETS</u>			
Cash and cash equivalents	7	30,289,408	44,591,183
Account receivables, net	8	52,763,009	59,490,382
Inventory		952,475	1,187,914
Prepayment and other receivables	9	42,275,387	29,276,109
Due from related parties	12	196,556	1,292,656
Properties under development	10	15,257,530	177,404,991
Investments carried at fair value through profit or loss (FVTPL)	16	590,546,977	453,042,060
Investment properties	11	1,788,863,770	1,619,484,881
TOTAL ASSETS		2,521,145,112	2,385,770,176
<u>LIABILITIES</u>			
Islamic Financing	13	833,907,492	685,076,029
Accounts payable		7,202,975	10,615,100
Unearned rental income	14	18,324,248	18,971,558
Accrued expenses and other liabilities	15	65,964,186	44,644,082
Due to related parties	12	1,546,506	1,165,927
Employees' post-employment benefits		2,842,780	1,732,608
TOTAL LIABILITIES		929,788,187	762,205,304
Net assets attributable to the Unitholders		1,591,356,925	1,623,564,872
Units in issue (numbers)		171,697,101	171,697,101
Book value attributable to each unit		9.27	9.46
Fair value attributable to each unit	20	9.59	9.66
Commitments and contingencies	22		




The accompanying notes 1 to 32 form an integral part of these consolidated financial statements

**RIYAD REIT FUND
(MANAGED BY RIYAD CAPITAL)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Amounts in SAR)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
INCOME			
Income from rental and operation	17	141,135,596	173,207,979
Unrealized gain on investments carried at FVTPL		-	45,551
Dividend Income		44,885,019	7,947,713
Total Income		186,020,615	181,201,243
Cost of Revenue		(28,337,352)	(35,167,566)
GROSS PROFIT		157,683,263	146,033,677
OPERATING EXPENSES			
Property management expenses		(5,226,775)	(7,152,282)
Fund management fee	12	(20,099,677)	(18,604,840)
Custodial expenses		(125,000)	(126,000)
General and administrative expenses	18	(42,109,936)	(20,552,278)
Finance cost expense	12,13	(20,956,479)	(7,144,318)
TOTAL OPERATING EXPENSES		(88,517,867)	(53,579,718)
Other income		544,149	410,610
FUNDS FROM OPERATIONS		69,709,545	92,864,569
Investment properties depreciation	11	(24,653,799)	(21,979,998)
Net income for the year		45,055,746	70,884,571
Other comprehensive income for the year		-	-
Total comprehensive income for the year		45,055,746	70,884,571





The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

RIYAD REIT FUND
(MANAGED BY RIYAD CAPITAL)

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

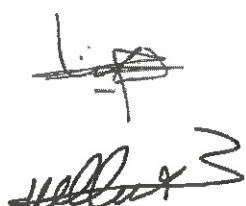
For the year ended 31 December 2020

(Amounts in SAR)

	Note	2020	2019
Net assets value attributable to the Unitholders at the beginning of the year		1,623,564,872	1,641,962,795
Changes from unit transaction during the year:			
- Subscription of units – Cash		-	-
- Subscription of units – In kind contribution		-	-
Total comprehensive income for the year		45,055,746	70,884,571
Dividends paid during the year	21	(77,263,693)	(89,282,494)
Net assets value attributable to the Unitholders at the end of the year		1,591,356,925	1,623,564,872

Transactions in units for the year are summarized as follows:

	2020	2019
Number of units at the beginning of the year	171,697,101	171,697,101
Subscription of units – Cash	-	-
Subscription of units – In kind contribution	-	-
Number of units at the end of the year	171,697,101	171,697,101




The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

RIYAD REIT FUND
(MANAGED BY RIYAD CAPITAL)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020
(Amounts in SAR)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		45,055,746	70,884,571
<i>Adjustments to reconcile net income to net cash used in operating activities:</i>			
Impairment loss on account receivables	8	4,610,997	1,831,904
Investment properties depreciation	11	24,653,799	21,979,998
Finance cost	16	20,956,479	7,144,318
Unrealized gain or loss on Investments carried at FVTPL		-	(45,551)
		<u>95,277,021</u>	<u>94,650,922</u>
<u>CHANGES IN OPERATING ASSETS AND LIABILITIES</u>			
Account receivables		2,116,376	(27,178,199)
Inventory		235,439	48,214
Prepayment and other receivables		(12,999,278)	(11,943,939)
Due from Related Parties		1,096,100	11,023,621
Properties under development		(31,672,493)	(43,477,419)
Accounts payable		(3,412,125)	4,644,259
Accrued expenses and other liabilities		21,320,104	(4,135,056)
Employees' post-employment benefits		1,110,172	-
Unearned rental income		(647,310)	10,056,255
Due to Related Parties		380,579	(1,823,828)
Purchase of investment properties		(212,734)	(73,228,429)
Net cash generated from / (used in) operating activities		<u>72,591,851</u>	<u>(41,363,599)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments measured at FVPL	16	(137,504,917)	(452,996,509)
Net cash used in investing activities		<u>(137,504,917)</u>	<u>(452,996,509)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(169,000,556)	(88,339,892)
Proceeds from borrowing	13	311,958,880	690,474,562
Finance cost paid		(15,083,340)	(5,398,533)
Dividends paid	21	(77,263,693)	(89,282,494)
Net cash from financing activities		<u>50,611,291</u>	<u>507,453,643</u>
Net increase in cash and cash equivalents		(14,301,775)	13,093,535
Cash and cash equivalents at the beginning of the year		44,591,183	31,497,648
Cash and cash equivalents at the end of the year		<u>30,289,408</u>	<u>44,591,183</u>
Supplemental non-cash transactions			
Transferred from properties under development to investments property		<u>(193,819,954)</u>	<u>-</u>

The accompanying notes 1 to 32 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 2020

(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 and REIT Regulations issued by the Capital Market Authority (CMA). The REIT is listed on the Tadawul and units of the REIT shall be traded on the Tadawul in accordance with its rules and regulations. The subscribed units of the REIT equal to 171,697,101 unit. The REIT has a term of 99 years, which is extendable on the discretion of the Fund Manager with the prior approval of the CMA. These consolidated financial statements include the accounts of the REIT and its subsidiaries (together the "REIT" or the "Fund")

The REIT is managed by Riyad Capital (the "Fund Manager"), a Saudi Arabian One Person Closed Joint Stock Company with Saudi Arabian commercial registration no. 1010239234, and an Authorized Person licensed by the CMA under license no. 07070-37. Also, a 100% owned subsidiary of Riyad Bank.

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

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

The REIT shall be governed by the laws of Saudi Arabia and the regulations implemented by the CMA. The investments of the REIT shall comply with the Regulation of Ownership and Investment in Real Estate by Non-Saudis. The offering of units in the REIT has been approved by the CMA on 8/2/1438H (corresponding to 8/11/2016). Also see note 29

These consolidated financial statements include the information of the REIT and its following subsidiaries collectively group

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

2- REGULATING AUTHORITY

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

3- BASIS OF PRESENTATION

3.1 Statement of compliance

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

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

**RIYAD REIT FUND
(MANAGED BY RIYAD CAPITAL)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2020
(Amounts in SAR)

3- BASIS OF PRESENTATION (CONTINUED)

3.2 Basis of measurement and functional and presentation currency

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

As required by the CMA through its circular dated 16th October 2016 the Group needs to apply the cost model to measure the investment properties upon adopting the IFRS for three years period starting from the IFRS adoption date of 1 January 2018.

On 31 December 2019, CMA examined the suitability of continuing to use the cost model or permitting the use of the fair value model or revaluation options and made the following decisions:

- 1- Obliging listed companies to continue to use the cost model to measure Properties (IAS 16) and Investment Properties (IAS 40) in the financial statements prepared for financial periods within fiscal years, which start before the calendar year 2022; and
- 2- Allowing listed companies, the policy choice to use the fair value model for investment property subsequent to initial measurement or the policy choice to use the revaluation model for property (IAS 16) and investment property (IAS-40) for the financial period starting from the calendar year 2023 or thereafter.

3.3 Critical accounting judgments, estimates and assumption

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

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

Going Concern

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

Valuation of investment properties

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

**RIYAD REIT FUND
(MANAGED BY RIYAD CAPITAL)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2020

(Amounts in SAR)

3- BASIS OF PRESENTATION (CONTINUED)

3.3 Critical accounting judgments, estimates and assumption (continued)

Impairment of non-financial assets

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

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

Residual and useful lives of investment properties

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

Expected credit loss

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

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

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

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

RIYAD REIT FUND
(MANAGED BY RIYAD CAPITAL)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(Amounts in SAR)

3- BASIS OF PRESENTATION (CONTINUED)

3.5 Basis of consolidation (continued)

Subsidiaries

Subsidiaries are all entities controlled by the Group. Control is achieved when the Group has rights to the returns, from its involvement in the investee 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 of 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 vote holders of 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 deconsolidated from the date that control ceases.

Accounting for business combinations involving entities or businesses under common control

Accounting for business combinations involving entities or businesses under common 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 of other standard-setting bodies 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 Interpretation. Several such bodies have issued guidance and some allow the pooling of interests method in accounting for business combinations involving entities under common control.

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

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

**RIYAD REIT FUND
(MANAGED BY RIYAD CAPITAL)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2020
(Amounts in SAR)

3- BASIS OF PRESENTATION (CONTINUED)

3.5 Basis of consolidation (continued)

Non-controlling interest

NCI, 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 at 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, where necessary, to ensure consistency with the policies adopted by the Group.

4- SIGNIFICANT ACCOUNTING POLICIES

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

Cash and cash equivalents

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

Rent receivable

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

Inventory

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

Properties under development

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

RIYAD REIT FUND
(MANAGED BY RIYAD CAPITAL)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(Amounts in SAR)

4- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency transactions

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

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

Investment properties

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 at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses if any.

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 labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs

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

<u>Categories</u>	<u>Useful Life</u>
Building	50 Years
Equipment	15 Years

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (continued)

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 exists 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 Funds of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 and risks specific to the asset. 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.

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

Accrued expenses and other liabilities

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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 lease contracts 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 hotel operations

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

Service incurred:

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

Dividend income

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

Borrowing costs

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

Expenses

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

Zakat

Zakat is the obligation of the Unitholders and is not provided for in these consolidated financial statements. The Zakat amount which is charged in the consolidated statements of comprehensive income is related to the subsidiaries.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Equity) per unit

The equity per unit is calculated by dividing the equity attributable to 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 rank pari passu 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 net assets in the event of the Fund's liquidation.

Units are classified as equity as it meets 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, the change in recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

Dividend distribution

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

Financial instruments

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 Fund 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

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

A financial asset is measured at amortized cost if it meets both of 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 FVTOCI 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 FVTOCI.

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.

IFRS 9		
	Measurement category	Carrying amount
Financial assets		
Cash and cash equivalents	Amortized cost	30,289,408
Account receivables	Amortized cost	52,763,009
Prepayment and other receivables	Amortized cost	42,275,387
Due from related parties	Amortized cost	196,556
Investments carried at FVTPL	FVTPL	590,546,977
Total financial assets		716,071,337

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (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 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 profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund 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 Fund 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 Fund 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 Fund first identifying a credit loss event. Instead, the Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expected credit loss assessment:

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

- financial assets measured at amortized cost

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 and government spending to be the most relevant factor and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks 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 committed facilities.

Model and Framework

The Fund uses a point in time (PIT) probability of default model to measure its impairment on 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 expected credit losses, 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 expected credit losses 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)

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 Fund considers default when:

- the customer is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realizing security (if any is held); or
- the customer is more than 360 days past due on any material credit obligation to the Fund. As the industry norm suggests that such a period fairly represents the default scenario for the Fund, 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 statement of profit or loss. 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 Fund. 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 statement of profit or loss.

Specific provision

Specific provision is recognized on customer-to-customer basis at every reporting date. The Fund 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 Fund 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.

Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Fund's financial liabilities mainly include trade and other payables, related party and borrowings.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Financial Liabilities	IFRS 9	
	Measurement category	Measurement category
Islamic Financing	Amortized cost	833,907,492
Accounts payable	Amortized cost	7,202,975
Due to related parties	Amortized cost	1,546,506
Accrued Expenses	Amortized cost	65,964,186
Total financial liabilities		908,621,159

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Modifications of financial assets and financial liabilities

Financial assets

If the terms of the financial asset are modified, the Fund 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 Fund 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 statement of profit or loss.

Financial liability

The Fund 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 statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the 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 Fund'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.

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5- NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The accounting policies used in the preparation of these financial statements are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2019. There are new standards, amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Fund.

There are other several amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements. In the opinion of the Fund's Board, these will have no significant impact on the financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

5-1-1 New standards, amendments to standards 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 where referenced below.

New amendments to standards issued and applied effective January 1, 2020

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 1 and IAS 8	Definition of material	January 1, 2020	The amendments provided a new definition of material and clarified that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.
IFRS 3	Definition of business	January 1, 2020	The amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.
Revised Conceptual Framework for Financial Reporting	Amendments to references Conceptual Framework in IFRS Standards and updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.	January 1, 2020	The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
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.

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5- NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (CONTINUED)

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

The Fund 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 16, IFRS 9, Annual Improvements to IFRS IAS 41 and IFRS 1 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.
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.
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
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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6- MANAGEMENT FEE, OTHER EXPENSES AND TRANSACTION FEE

MANAGEMENT FEE, OTHER EXPENSES

On semiannual basis the Fund Manager charges the Fund, management fee at the rate of 1.2 % per annum of the Fund's total assets value. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit and legal fees, board compensation and other similar charges.

TRANSACTION FEE

Further, the Fund Manager charges the Fund, one-time acquisition fee at the rate of 1 % on the acquisition or sale price of the real estate assets.

7- CASH AND CASH EQUIVALENTS

	Note	2020	2019
Cash on hand		482,431	191,000
Investment account	7-1,12	180,507	215,046
Cash at Bank	7-2	29,626,470	44,185,137
		30,289,408	44,591,183

7-1 Investment account is held with Riyad Capital, a related party (Also see Note 12). The Fund does not earn profit on these accounts.

7-2 Cash at Bank are held in current account partially with Riyad Bank, a related party (Also see Note 12). The Fund does not earn profit on these current accounts.

8- ACCOUNT RECEIVABLES, NET

	2020	2019
Account Receivable	60,920,507	63,036,883
Provision for doubtful debts	(8,157,498)	(3,546,501)
	52,763,009	59,490,382

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

	2020	2019
1 January	(3,546,501)	(1,714,597)
Provided during the year	(4,610,997)	(1,831,904)
31 December	(8,157,498)	(3,546,501)

9- PREPAYMENT AND OTHER RECEIVABLES

	2020	2019
Dividend receivables	22,055,860	3,861,113
Prepaid expenses	4,432,541	3,042,630
Cash margin for Letter of Credit	2,000,000	3,381,216
VAT	9,851,236	5,495,350
Advances to sub-contractors	1,549,652	10,508,620
Other	2,386,098	2,987,180
	42,275,387	29,276,109

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10- PROPERTIES UNDER DEVELOPMENT

	Note	2020	2019
Balance at the beginning of the year		177,404,991	133,927,572
Development cost incurred during the year		30,387,615	42,247,494
Islamic financing cost capitalized	12, 13	1,284,878	1,229,925
Transferred to investment properties		(193,819,954)	-
Balance at the end of the year		15,257,530	177,404,991

11- INVESTMENT PROPERTIES

	Note	Land	Building	Equipment	Total
Cost					
Balance as of 31 December 2019		743,824,715	830,368,632	94,294,257	1,668,487,604
Additions			212,734		212,734
Transferred from properties under development		23,006,214	150,981,615	19,832,125	193,819,954
Balance as of 31 December 2020		766,830,929	981,562,981	114,126,382	1,862,520,292
Accumulated Depreciation					
Balance as of 31 December 2019		-	(37,530,508)	(11,472,215)	(49,002,723)
Charge for the year	11.1	-	(17,769,043)	(6,884,756)	(24,653,799)
Balance as of 31 December 2020		-	(55,299,551)	(18,356,971)	(73,656,522)
Net Book Value:					
as of 31 December, 2020		766,830,929	926,263,430	95,769,411	1,788,863,770
as of 31 December, 2019		743,824,715	792,838,124	82,822,042	1,619,484,881

This represents twelve properties: namely:

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

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11- INVESTMENT PROPERTIES

11-1 The Fund charge depreciation on building and equipment over 50 years and 15 years respectively. The depreciation is charged on depreciable amount i.e. cost less residual value. During the year ended 31 December 2019, the useful of building was changed from 30 years to 50 years. For change in estimate refer Note 25.

11-2 All properties are held in the name of Riyadh Real Estate income Company (the "SPV") or by companies owned by the SPV. The SPV are holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties.

11-3 The Fund manager on a periodic basis reviews its investment properties for impairment. An impairment loss is considered by the amount of which the carrying value exceeds the investment properties recoverable amount, which is the higher of an assets fair value less cost to sell and the value in use. In accordance with the periodic evaluation reports furnished by the Fund's independent appraisers, the impairment loss on investment properties was not recognized in the financial statements as the amount was not material.

The following table shows the valuations techniques used in determining the fair value of investment properties, as well as key unobservable inputs used in valuation models.

Measurement data of fair value according to IFRS 13 as at 31 December 2020 as follows:

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

ValuStrat			
Properties	Valuation approach	Key inputs and valuation assumptions	Rate
Izdhar Center	Income Approach	Capitalization rate	8.5%
Altamiz Center	Income Approach	Capitalization rate	8.5%
Shati	Income Approach	Capitalization rate	8.5%
Forsan Plaza	DRV approach	Exit yield	9%
		Discount rate	11.5%
Ascott Tahlia	Income Approach	Capitalization rate	8.5%
Residence	DCF	Exit yield	8.5%
		Discount rate	11%
	Income Approach	Capitalization rate	8.5%
Vivienda	Income Approach	Capitalization rate	8.5%
Saudi Electronic University	Income Approach	Capitalization rate	8%
Omniah Center	Income Approach	Capitalization rate a	8%
Burj Rafal	DCF	Exit yield	8%
		Discount rate	10.5%
Olaya Tower	Income Approach	Capitalization rate	8.5%
Ascott Cornich Al-Khobar	DCF	Exit yield	8%
		Discount rate	10.5%

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12- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

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

Related Party	Nature of transactions	Amount of transactions		Closing balances	
		2020	2019	2020	2019
Due from Related parties					
Riyad Bank	Cash margin against letter of credit *	-	-	2,000,000	3,381,216
	Current Account	-	-	17,916,169	44,066,009
Riyad Capital	Investments account	-	-	180,507	215,046
Hotel operator	Operating expenses	882,268	608,545	196,556	1,292,656
Due to Related parties					
Riyad Capital	Fund management fee**	20,099,677	18,604,840	43,283,326	21,262,090
	Transaction fee**	-	6,769,460	-	9,304,297
Riyad Bank	Islamic financing	-	-	833,907,492	685,076,029
	Finance cost expense	22,241,357	8,374,243	-	-
	Bank Commissions	2,186,732	1,165,231	-	-
Hotel operator	Hotel management expenses	1,598,940	3,945,799	-	1,119,978
	Operating expenses	244,268	1,676,095	1,546,506	45,949

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

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

13- ISLAMIC FINANCING

The Fund obtained a Tawaruq and Islamic Murabaha facility (Shari'ah compliant), whereby the outstanding balance as of 31 December 2020 is SR 833,907,492 (31 December 2019: SR 685,076,029), from Riyad Bank. The Tawaruq facility carried a floating special commission rate of SIBOR+ 1% and matured 2020. The Islamic Murabaha facility carries a floating special commission rate of SIBOR+ 1.6% with a maturity due during 2024.

The Tawaruq and Islamic Murabaha is secured by pledge of Omniah Center, Ascott Tahlia, Burj Rafal, Saudi Electronic University, Izdhar Center, and Olaya Tower.

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13- ISLAMIC FINANCING (CONTINUED)

	2020	2019
Balance at beginning of the year	685,076,029	88,339,892
Additions during the year	311,958,880	683,330,244
Payment	(169,000,556)	(88,339,892)
Accrued interest	5,873,139	1,745,785
Total value of Islamic financing	833,907,492	685,076,029

Current portion	5,873,139	170,746,341
Non-Current portion	828,034,353	514,329,688

Details on the accrued of finance cost are as follows:

	2020	2019
Opening balance	1,745,785	588,862
Additions	25,083,833	8,301,241
Amortization of the year	(20,956,479)	(7,144,318)
	5,873,139	1,745,785

14- UNEARNED RENTAL INCOME

	2020	2019
Balance at the beginning of the year	18,971,558	8,915,303
Rental income received during the year	59,663,230	75,291,966
Rental income earned during the year	(60,310,540)	(65,235,711)
Balance at the end of the year	18,324,248	18,971,558

15- ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2020	2019
Fund management fee	12	43,283,326	21,262,090
Accrued expenses		9,988,193	7,158,534
Transaction fee	12	-	9,304,297
Contracts Retention		4,438,685	1,075,170
Rooms deposits in advance		2,428,980	1,965,442
Other		5,825,002	3,878,549
		65,964,186	44,644,082

16- INVESTMENTS CARRIED AT FVTPL

	2020	2019
Investments carried at FVTPL	590,546,977	453,042,060

16.1 Movement in investments carried at FVTPL

	2020	2019
Cost		
At the beginning of the year	452,996,509	-
Addition during the year	137,550,468	452,996,509
At the end of the year	590,546,977	452,996,509

Change in fair value:

Change in fair value during the year	-	45,551
At the end of the year	-	45,551

Net Investments at the end of the year	590,546,977	453,042,060
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16.2 This represents investments in equity instruments of entities outside the Kingdom of Saudi Arabia.

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17- INCOME FROM RENTAL AND OPERATION

	2020	2019
Rental income from investment properties*	60,310,540	65,235,711
Income from Hotel operation	80,825,056	107,972,268
	141,135,596	173,207,979

*Rental income from investments properties net off discounts as applicable.

18- GENERAL AND ADMINISTRATIVE EXPENSES

General, marketing and administrative expenses represents the following:

	Note	2020	2019
Hotel employee Costs		14,019,360	12,603,797
Repairs and maintenance		4,118,136	4,061,448
Utilities		6,145,254	5,304,501
Marketing expenses		1,539,970	3,805,772
Provision for doubtful debts		4,610,997	1,831,904
Bank Commissions	12	2,186,732	1,165,231
Legal and professional fees		1,724,138	1,027,322
Software and hardware maintenance		641,453	953,293
Telephone and internet		1,493,784	871,374
Training		-	302,541
Charge / (Reversal) of capital replacement reserve	18.1	366,527	(11,765,109)
Other		5,263,585	390,204
		42,109,936	20,552,278

18.1 The reserve for replacement had been created during the period from 2014 till 2018 as per the agreement with the operator, during the year 2019 the operator of the hotel was changed, hence, the previous agreement has been nullified, resulting in reversal of reserve for replacement in 2019.

19- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Market risk

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

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19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk

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

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

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

	Note	2020	2019
Cash and cash equivalents	7	29,806,977	44,400,183
Accounts receivable	8	60,920,527	63,036,883
Due from related parties	9	196,556	1,292,656

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on accrued income, margin lending and bank balances is limited as:

- Cash balances included short term deposits are held with banks with sound credit ratings from BBB- and above.
- Accounts receivable and Due from related parties:

The receivables are shown net of allowance for impairment of account receivables. The Fund applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all account receivables.

Liquidity risk

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

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

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

Operational risk

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

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

Geographical Concentration

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

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19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (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 flow.

The Fund's interest rate risks arise mainly from its borrowings and short-term deposits, which are at fixed rate of interest 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 flow.

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

	2020			
	Income Statement		Statement of Owners' Equity	
	Increase 100 points	Reduce 100 points	Increase 100 points	Reduce 100 points
Interest rate swaps				
Cash-flow sensitivity	8,280,344	(8,280,344)	8,280,344	(8,280,344)
	2019			
	Income Statement		Statement of Owners' Equity	
	Increase 100 points	Reduce 100 points	Increase 100 points	Reduce 100 points
Interest rate swaps				
Cash-flow sensitivity	6,833,302	(6,833,302)	6,833,302	(6,833,302)

Fair value estimation

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

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

As of December 31, 2020, the Fund's financial instruments comprise cash and cash equivalent, Investment carried at fair value through profit and loss, account receivables, due from related parties, Islamic financing, due to related parties accrued management fee and accrued expenses. Except for Investments carried at fair value through profit or loss, all the financial instruments are measured at amortised cost and their carrying value is a reasonable approximate of fair value. Investments carried at fair value through profit or loss are held in level 3 hierarchy of fair value include investments in equity securities recorded at cost and investment in an unquoted private placement, the fair value of which is determined based on net assets value (NAV) obtained from the private placement operator of the unquoted private placement.. There were no transfers among the level 1, 2 and 3 during the year ended December 31, 2020.

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

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

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

2020	First Appraiser	Second Appraisers	Average
Investment properties and property under development	1,886,537,000	1,831,300,000	1,858,918,500
Total	1,886,537,000	1,831,300,000	1,858,918,500
2019	First Appraiser	Second Appraisers	Average
Investment properties and property under development	1,846,900,000	1,815,800,000	1,831,350,000
Total	1,846,900,000	1,815,800,000	1,831,350,000

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

The investment and development properties were valued taking into consideration number of factors, including the area and type of property and valuation techniques using significant unobservable inputs, including the financial & fragmentation plot analysis, the cost method, the direct comparison method, and residual value method. Below is an analysis of the development and investment properties fair value versus cost:

	2020	2019
Estimated fair value of investment and development properties based on the average of the two valuers used	1,858,918,500	1,831,350,000
Less: the carrying value of		
Investment property	(1,788,863,770)	(1,619,484,881)
Properties under development	(15,257,530)	(177,404,991)
Estimated fair value in excess of book value	54,797,200	34,460,128
Units in issue (numbers)	171,697,101	171,697,101
Additional value per unit based on fair value	0.32	0.20

Net asset attributable to unitholders:

	2020	2019
Net assets attributable to unitholders as per the financial statements before fair value adjustment	1,591,356,925	1,623,564,872
Estimated fair value in excess of book value	54,797,200	34,460,128
Net assets attributable to unitholders based on fair valuation of investment and properties under development	1,646,154,125	1,658,025,000

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

Net asset attributable to each unit:

	2020	2019
Book value per unit as per the financial statements before fair value adjustment	9.27	9.46
Additional value per unit based on fair value	0.32	0.20
Net assets attributable to each unit based on fair valuation	9.59	9.66

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

21- DIVIDENDS DISTRIBUTION

On 05 April 2020, the Fund's Board approved to distribute dividends with regards to the six-month period ended 31 December 2019 amounting to SAR 0.25 per unit totaling SAR 42.924 million to its unitholders.

On 26 August 2020, the Fund's Board approved to distribute dividends with regards to the six-month period ended 30 June 2020 amounting to SAR 0.20 per unit totaling SAR 34.339 million to its unitholders.

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

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

22- CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 December 2020, the Fund has outstanding a letters of credit of SR 2.0 million (31 December 2019: SR 3.381 million), being issued by Riyadh Bank, against 100% cash margin, which is included in the consolidated statement of financial position under prepayment and other assets.

23- FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities are classified under amortised cost as of 31 December 2020 and 31 December 2019 except for the investments carried at FVTPL.

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24- OPERATING SEGMENTS

The Fund's primary business is conducted in Saudi Arabia. Transactions between the operating segments are on normal commercial terms and conditions. The Fund's total assets and liabilities as at 31 December 2020 and 2019, its total operating income and expenses, and the results for the years then ended, by operating segment, are as follows:

Comprehensive income	2020		
	Rent	Hotel managed by third party	Total
Income from rentals	60,310,540	-	60,310,540
Dividend income	44,885,019	-	44,885,019
Unrealized gain on investments carried at FVTPL	-	-	-
Rooms revenue	-	63,742,836	63,742,836
Food and Beverages	-	15,708,147	15,708,147
Other operating departments	-	1,374,073	1,374,073
Total Income	105,195,559	80,825,056	186,020,615
Rooms cost	-	(14,933,113)	(14,933,113)
Food and Beverages cost	-	(11,221,856)	(11,221,856)
Other operating departments cost	-	(2,182,383)	(2,182,383)
Gross Profit	105,195,559	52,487,704	157,683,263
OPERATING EXPENSES			
Property management expenses	(2,235,531)	(2,991,244)	(5,226,775)
Fund management fee	(11,840,167)	(8,259,510)	(20,099,677)
Custodial expenses	(125,000)	-	(125,000)
General and administrative expenses	(10,391,981)	(31,717,955)	(42,109,936)
Finance cost expense	(20,956,479)	-	(20,956,479)
TOTAL OPERATING EXPENSES	(45,549,158)	(42,968,709)	(88,517,867)
Other income	-	544,149	544,149
Funds from Operations	59,646,401	10,063,144	69,709,545
Investment properties depreciation	(19,884,871)	(4,768,928)	(24,653,799)
Net income for the year	39,761,530	5,294,216	45,055,746

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24. OPERATING SEGMENTS (CONTINUED)

Comprehensive income	2019		
	Rent	Hotel managed by third party	Total
Income from rentals	65,235,711	-	65,235,711
Dividend income	7,947,713	-	7,947,713
Unrealized gain on investments carried at FVTPL	45,551	-	45,551
Rooms revenue	-	67,866,673	67,866,673
Food and Beverages	-	36,774,682	36,774,682
Other operating departments	-	3,330,913	3,330,913
Total Income	73,288,975	107,972,268	181,201,243
Rooms cost	-	(12,855,150)	(12,855,150)
Food and Beverages cost	-	(19,568,643)	(19,568,643)
Other operating departments cost	-	(2,743,773)	(2,743,773)
Gross Profit	73,288,975	72,804,702	146,033,677
OPERATING EXPENSES			
Property management expenses	(3,024,712)	(4,127,570)	(7,152,282)
Fund management fee	(9,791,865)	(8,812,975)	(18,604,840)
Custodial expenses	(126,000)	-	(126,000)
General and administrative expenses	(7,081,856)	(20,614,740)	(27,696,596)
TOTAL OPERATING EXPENSES	(20,024,433)	(33,555,285)	(53,579,718)
Other income	-	410,610	410,610
Funds from Operations	53,264,542	39,660,027	92,864,569
Investment properties depreciation	(9,203,385)	(12,776,613)	(21,979,998)
Net income for the year	44,001,157	26,883,414	70,884,571

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24- OPERATING SEGMENTS (CONTINUED)

Financial position	2020		
	Rent	Hotel managed by third party	Total
ASSETS			
Cash and cash equivalents	18,096,677	12,192,731	30,289,408
Account receivables, net	27,585,414	25,177,595	52,763,009
Inventory	-	952,475	952,475
Prepayment and other receivables	37,419,330	4,856,057	42,275,387
Due from related parties	-	196,556	196,556
Properties under development	15,257,530	-	15,257,530
Investments carried at fair value through profit or loss (FVTPL)	590,546,977	-	590,546,977
Investment properties	842,846,456	946,017,314	1,788,863,770
TOTAL ASSETS	1,531,752,384	989,392,728	2,521,145,112
LIABILITIES			
Islamic financing	833,907,492	-	833,907,492
Accounts payable	741,333	6,461,642	7,202,975
Unearned rental income	18,324,248	-	18,324,248
Accrued expenses	55,130,460	10,833,726	65,964,186
Due to related parties	-	1,546,506	1,546,506
Employees' post-employment benefits	-	2,842,780	2,842,780
TOTAL LIABILITIES	908,103,533	21,684,654	929,788,187

Financial position	2019		
	Rent	Hotel managed by third party	Total
ASSETS			
Cash and cash equivalents	24,624,549	19,966,634	44,591,183
Account receivables, net	36,532,037	22,958,345	59,490,382
Inventory	-	1,187,914	1,187,914
Prepayment and other receivables	26,227,701	3,048,408	29,276,109
Due from related parties	385,795	906,861	1,292,656
Properties under development	177,404,991	-	177,404,991
Investments carried at fair value through profit or loss (FVTPL)	453,042,060	-	453,042,060
Investment properties	852,346,920	767,137,961	1,619,484,881
TOTAL ASSETS	1,570,564,053	815,206,123	2,385,770,176
LIABILITIES			
Islamic financing	685,076,029	-	685,076,029
Accounts payable	3,271,061	7,344,039	10,615,100
Unearned rental income	18,971,558	-	18,971,558
Accrued expenses	34,662,347	9,981,735	44,644,082
Due to related parties	-	1,165,927	1,165,927
Employees' post-employment benefits	-	1,732,608	1,732,608
TOTAL LIABILITIES	741,980,995	20,224,309	762,205,304

RIYAD REIT FUND
(MANAGED BY RIYAD CAPITAL)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(Amounts in SAR)

25- CHANGES IN ACCOUNTING ESTIMATE

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

Impact of change in estimate	2020	For the year ended 31 December				Until the end of useful life
		2021	2022	2023	2024	
Decrease / (increase) in depreciation expense	11,027,573	11,027,573	11,027,573	11,027,573	11,027,573	265,020,833

26- SIGNIFICANT STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

27- CHANGES IN FUNDS TERMS AND CONDITIONS

There has been no significant change in the terms and conditions of the Fund as at year ended 31 December 2020.

28- IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK AND THE GOING CONCERN

Further, the uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the fair value. The changing COVID-19 circumstances and the Government, business and customers responses could result in significant adjustments to the fair value in future financial years.

29- EVENTS AFTER THE REPORTING DATE

Dated March 1, 2021, the CMA announced the approval of amendments to the Investment Funds Regulations and Real Estate Investment Funds Regulations and Glossary of Defined Terms Used in the Regulation (the "Amendments") with an effective date of May 1, 2021. As of the date of approval of these financial statements, the Fund Manager is assessing the Amendments' impact on the Fund's financial statements.

30- COMPARATIVE FIGURES

Certain comparative figures for the year ended December 31, 2019 have been reclassified to conform with the presentation for the current year.

31- LAST VALUATION DAY

The last valuation day of the year was 31 December 2020.

32- APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Fund's Board of Directors on 28 March 2021 (Corresponding to 15 Sha'ban 1442H).

Riyad Capital is a Saudi Closed Joint Stock Company with Paid Up Capital of SAR 500 Million .licensed by the Saudi Arabian Capital Market Authority (NO.37-07070). Commercial Registration No. 1010239234

Corporate Head office:

Riyad Capital

Granada Business Park 2414

Al Shohda Dist - Unit No 21

PO Box 7279 Riyadh 13241

Kingdom of Saudi Arabia

Unified Number: 920012299

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

www.riyadcapital.com