

DERAYAH REIT FUND
A Closed-End Real Estate Investments Traded Fund
(Managed by Derayah Financial Company)

Interim Condensed Financial Statements (Unaudited)

For the Period Ended 30 June 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

THE UNITHOLDERS DERAYAH REIT FUND RIYADH, KINGDOM OF SAUDI ARABIA

Introduction:

We have reviewed the accompanying interim financial position of Derayah Reit Fund ("the Fund") managed by Derayah Financial Company (the "Fund Manager") as at 30 June 2019 and the related interim statements of comprehensive income, changes in net assets attributable to Unitholders and statement of cash flows for the six month period then ended and the accompanying notes which form an integral part of these interim condensed financial statements. The Fund's management is responsible for the preparation and fair presentation of these interim condensed financial in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

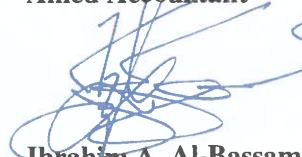
Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of these interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia.

For and on behalf of
Al Bassam & Co.
Allied Accountant



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



3 Dhual Hija 1440
4 August 2019

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

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

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

Info.sa@pkf.com

DERAYAH REIT FUND**INTERIM CONDENCED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2019

(Amounts in Saudi Riyals)

	Note	As of 30 June 2019 (Unaudited)	As of 31 December 2018 (Audited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	8,170,150	21,881,009
Rental income receivable		26,055,469	15,273,746
Investment measured at FVPL	7	32,631,930	6,612,306
Prepayment and other assets	8	13,151,090	41,231,680
TOTAL CURRENT ASSETS		80,008,639	84,998,741
NON-CURRENT ASSETS			
Investment properties, net	9	1,430,917,543	1,440,504,316
Benefit contracts, net	10	43,631,142	46,245,165
TOTAL NON-CURRENT ASSETS		1,474,548,685	1,486,749,481
TOTAL ASSETS		1,554,557,324	1,571,748,222
LIABILITIES			
CURRENT LIABILITIES			
Deferred rental income		18,609,875	23,164,375
Accrued management fee	12	4,411,078	4,604,134
Accrued financing expenses		6,787,069	7,139,082
Due to related parties	12	2,190,193	3,192,007
Accrued expenses and other liabilities		1,391,912	1,897,065
TOTAL CURRENT LIABILITIES		33,390,127	39,996,663
NON-CURRENT LIABILITIES			
Long Term Loans	13	474,407,144	470,129,916
TOTAL LIABILITIES		507,797,271	510,126,579
NET ASSETS VALUE ATTRIBUTIBLE TO UNITHOLDERS		1,046,760,053	1,061,621,643
UNITS IN ISSUE (Number)		107,507,035	107,507,035
BOOK VALUE PER UNIT		9.74	9.87
FAIR VALUE PER UNIT	11	9.69	9.95

The accompanying notes 1 to 18 form an integral part of these financial statements.

DERAYAH REIT FUND**INTERIM STATEMENT OF COMPREHENSIVE INCOME (Unaudited)****For the period ended 30 June 2019**

(Amounts in Saudi Riyals)

	Note	For the period ended 30 June 2019 (unaudited)	For the period from 26 March 2018 (listing date) to 30 June 2018 (unaudited)
INCOME			
Rental income		59,361,967	36,944,706
Unrealized gain from investment measured at FVPL		231,931	135,620
Realized gain from investment measured at FVPL		34,962	93,277
Income from time deposits		53,058	97,717
Total operating income		59,681,918	37,271,320
Fund management fees	12	(4,411,078)	(2,449,918)
Finance cost		(14,414,729)	(1,587,038)
Professional and consulting expenses		(525,921)	-
Pre operating expenses		-	(1,924,704)
Property management fees		(510,000)	(322,869)
Amortization of benefit contracts	10	(2,614,023)	(913,465)
Other expenses		(2,273,353)	(3,097,812)
Total operating expenses		(24,749,104)	(10,295,806)
Funds from operations		34,932,814	26,975,514
Depreciation expense on investment properties	9	(9,586,773)	(5,417,749)
Net income for the period		25,346,041	21,557,765
Other comprehensive income		-	-
Total comprehensive income for the period		25,346,041	21,557,765

The accompanying notes 1 to 18 form an integral part of these financial statements.

DERAYAH REIT FUND**INTERIM STATEMENT OF CHANGES IN NET ASSETS (Unaudited)****For the period ended 30 June 2019**

(Amounts in Saudi Riyals)

	For the period ended 30 June 2019 (unaudited)	For the period from 26 March 2018 (listing date) to 30 June 2018 (unaudited)
Net asset value attributable to the Unitholder at beginning of the period	1,061,621,643	-
Changes from unit transaction:		
Subscription of units – Cash	-	378,344,210
Subscription of units – In kind contribution	-	696,726,140
Asset value attributable to the Unitholder at end of the period	1,061,621,643	1,075,070,350
Dividends distribution	14 (40,207,631)	(10,997,970)
Total comprehensive income for the period	25,346,041	21,557,765
Net asset value attributable to the unitholder at end of the period	1,046,760,053	1,085,630,145

Transactions in units for the period ended are summarized as follows:

	For the period ended 30 June 2019 (unaudited)	For the period from 26 March 2018 (listing date) to 30 June 2018 (unaudited)
Number of units at the beginning of the period	107,507,035	-
Subscription of units – Cash	-	37,834,421
Subscription of units – In kind contribution	-	69,672,614
Number of units at the end of the period	107,507,035	107,507,035

The accompanying notes 1 to 18 form an integral part of these financial statements.

DERAYAH REIT FUND**INTERIM STATEMENT OF CASH FLOWS (unaudited)****For the period ended 30 June 2019**

(Amounts in Saudi Riyals)

	For the period ended 30 June 2019 (unaudited)	For the period from 26 March 2018 (listing date) to 30 June 2018 (unaudited)
OPERATING ACTIVITY		
Net income for the period	25,346,041	21,557,765
<i>Adjustment to reconcile net income to net cash from operating activities:</i>		
Unrealized gain from investments measured at FVPL	(231,931)	135,620
Realized gain from investments measured at FVPL	(34,962)	93,277
Depreciation expense on Investment properties	9,586,773	5,417,749
Amortization of benefit contracts	2,614,023	913,465
	<u>37,279,944</u>	<u>28,117,876</u>
Changes in operating assets:		
Rental income receivable	(10,781,722)	(15,652,334)
Prepayment and other assets	28,080,590	(33,533,103)
Changes in operating liabilities:		
Deferred rental income	(4,554,500)	13,689,191
Accrued Management fee	(193,056)	2,449,918
Accrued financing expenses	(352,013)	6,479,414
Due to related parties	(1,001,814)	-
Accrued expenses and other liabilities	(505,153)	1,012,122
Net cash from operating activity	<u>47,972,276</u>	<u>2,563,084</u>
INVESTING ACTIVITY		
Purchase of investment properties	-	(384,622,758)
Purchase of benefit contracts	-	(41,275,164)
Purchase investment measured at FVPL	(37,000,000)	(11,864,517)
Proceeds from sale of investments measured at FVPL	11,247,268	-
Net cash used in investing activity	<u>(25,752,732)</u>	<u>(437,762,439)</u>
FINANCING ACTIVITY		
Subscription of units	-	475,283,585
Dividends distribution	(40,207,631)	(10,997,970)
Long term loans	4,377,228	-
Net cash (used in) / from financing activity	<u>(35,830,403)</u>	<u>464,285,615</u>
Change in cash and cash equivalents during the period	<u>(13,710,859)</u>	<u>29,086,260</u>
Cash and cash equivalents at the beginning of the period	21,881,009	-
Cash and cash equivalents at the end of the period	<u>8,170,150</u>	<u>29,086,260</u>
Non-cash transactions		
Purchase of investment through subscription of units in REIT	-	696,726,140

The accompanying notes 1 to 18 form an integral part of these financial statements.

DERAYAH REIT FUND
(Managed by Derayah financial Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

For the period ended 30 June 2019

(Amounts in Saudi Riyals)

1. THE FUND AND ITS ACTIVITIES

Derayah REIT Fund (the “REIT” or the “Fund”) is a closed-ended Shariah compliant real estate investment traded fund. The listing date of the Fund is 26 March 2018.

The REIT is managed by Derayah Financial Company (the “Fund Manager”), a Saudi Joint Stock Company, under commercial registration No. 1010266977 dated 04/05/1430H. A legal entity licensed to engage in dealing, custody, advisory and asset management activities and registered that is registered by CMA under the requirements of the Licensed Persons Regulations, No. 08109 - 27 dated 29/04/2009.

The REIT is listed on Tadawul and the units of the REIT shall be traded on Tadawul in accordance with its rules and regulations. The subscribed units of the REIT amounts to SAR 1,075,070,350. The REIT has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of CMA.

The Fund aims to invest in real estate assets that are capable of achieving periodic rental income within the Kingdom of Saudi Arabia and in accordance with the Fund's investment strategy and to distribute quarterly profits of at least 90% of the net profit of the Fund in accordance with the provisions of the real estate investment funds.

In accordance with the terms and conditions of the Fund, investment properties amounting to SR 145,500,000 were transferred and a contract benefits amounting to SR 10,504,694 was received. This amount includes loans amounting to SR 96,929,650 from Derayah Real Estate Income Fund to the Fund on the date of listing. The transactions mentioned in the Fund's Units were executed by the owners of Derayah Real Estate Income Units.

2. REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Funds Regulations (the “Regulations”) and REIT instructions published by CMA, detailing requirements for real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with International Accounting Standards 34- Interim Financial Reporting (IAS 34) that are endorsed in Kingdom of Saudi Arabia.

3.2 Basis of measurement and functional and presentation currency

These financial statements have been prepared under the historical cost convention, using accrual basis of accounting except for investment measured at fair value through profit and loss (“FVPL”) and are expressed in Saudi Arabian Riyals (SAR), which is REITs functional and operational currency.

3.3 Critical accounting judgments, estimates and assumption

The preparation of the 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

DERAYAH REIT FUND
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)
For the period ended 30 June 2019 (Continued)
(Amounts in Saudi Riyals)

3. BASIS OF PREPARATION (CONTINUED)

3.3 Critical accounting judgments, estimates and assumption (Continued)

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 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.

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

DERAYAH REIT FUND
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)
For the period ended 30 June 2019 (Continued)
(Amounts in Saudi Riyals)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with the policies used and disclosed in the financial statements of the Fund for the year ended 31 December 2018. Except for the following:

IFRS 16 - Leases

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

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of use asset representing its right to use the underlying asset and lease liability representing its obligation to make lease payments. There are recognition exceptions for short-term leases and low-value items. Lessor accounting remains similar to the current standard – i.e lessor continue to classify leases as finance or operating leases. The impact of the initial application of this standard is not significant.

5. MANAGEMENT FEE, OTHER EXPENSES AND TRANSACTION FEE

- MANAGEMENT FEE, OTHER EXPENSES

On a semi-annual basis, the Fund Manager receives an administrative fee of 0.85% per annum of the net asset value of the Fund. The Fund Manager shall also recover from the Fund any other expenses incurred on behalf of the Fund such as audit fees, legal fees, directors' 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.

6. Cash and cash equivalents

	30 June 2019 (unaudited)	31 December 2018 (audited)
Cash in Bank	<u>8,170,150</u>	<u>5,881,009</u>
Short Time Deposits	<u>-</u>	<u>16,000,000</u>
	<u>8,170,150</u>	<u>21,881,009</u>

7. INVESTMENT MEASURED AT FVPL

		30 June 2019 (unaudited)			31 December 2018 (audited)		
Fund manager	Number of units	Cost	Market Value	Number of units	Cost	Market Value	
Al Rajhi Commodity Trading Fund	Al Rajhi Capital	208,189	32,400,000	32,631,930	42,797	6,250,000	6,612,306

DERAYAH REIT FUND
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

For the period ended 30 June 2019 (Continued)

(Amounts in Saudi Riyals)

8. Prepayment and other assets

	30 June 2019 (unaudited)	31 December 2018 (audited)
Prepaid rent	916,669	343,562
Value added tax receivables	10,104,231	37,710,511
Advance payments for purchasing investments	2,130,190	3,132,007
Accrued deposited income	-	45,600
	13,151,090	41,231,680

9. INVESTMENT PROPERTIES

	Note	Land	Building	Total 30 June 2019 (unaudited)	Total 31 December 2018 (audited)
<u>Cost</u>					
Balance at the beginning of the period		684,654,418	770,590,243	1,455,244,661	-
Additions during the period		-	-	-	1,455,244,661
Balance at the end of the period		684,654,418	770,590,243	1,455,244,661	1,455,244,661
<u>Accumulated Depreciation</u>					
Balance at the beginning of the period		-	(14,740,345)	(14,740,345)	-
Charge for the period	1-9	-	(9,586,773)	(9,586,773)	(14,740,345)
Balance at the end of the period		-	(24,327,118)	(24,327,118)	(14,740,345)
<u>Book Value:</u>					
As at 30 June 2019		684,654,418	746,263,125	1,430,917,543	
As at 31 December 2018		684,654,418	755,849,898		1,440,504,316

These investment properties represent 20 properties; namely:

- Smart Tower Tower: Office & Retail in Al-Olaya District, Riyadh.
- Jubail Views: A residential complex closed in Rawdah Al Khalidiya in Jubail.
- Warehouses: Three warehouses (administrative and service offices) in Al-Mina area in Dammam.
- City Life Plaza: A commercial property in the Monceya in Riyadh.
- Meton Towers: A hotel property located in Al- Olaya in Riyadh.
- Al-Fanar Commercial Complex: Commercial real estate in Al-Raka in Al-Khobar.
- The Grand A Residential Complex: An integrated residential property located in the Anwar of Dammam.
- Warehouses Al-Wadi: represents a warehouse and a residential building and is located in the valley district in Jeddah.
- 60th Commercial Center: Commercial-Office Property in Al-Zubat District in Riyadh.
- The Grand B Commercial Complex: An educational property located in the Anwar of Dammam.
- Residential buildings for employees: Four residential buildings located in three close areas in the north of Jubail.
- Residential Buildings for Workers (Dammam): Two residential buildings for workers located in the port area of Dammam.
- Residential building for workers (Al-Khobar): A residential building for workers in Al-Thaqbah in Al-Khobar.

DERAYAH REIT FUND
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

For the period ended 30 June 2019 (Continued)

(Amounts in Saudi Riyals)

9. INVESTMENT PROPERTIES (CONTINUED)

- Khaljeh Business Building: A commercial and office building located in the Al Rawabi of Al Khobar.
- Global Education and Skills School: An educational building located in Al-Deraiya governorate in Riyadh.
- Rasil Medical Center: A medical center building located in Khanshilila district in Riyadh.
- Jeddah Office Tower: An administrative and office building located in the Zahra of Jeddah.
- Al-Soli Warehouses: A collection of walled warehouses located in Al-Soli in Riyadh.
- Al Khalidiya Warehouses: Two warehouses located in the northern Khalidiya district of Dammam.
- Residential buildings in Dammam: Three residential buildings in Al-Mina district in Dammam.

9-1 The Fund has the policy of charging depreciation on building over 40 years. The depreciation is charged on depreciable amount i.e. cost less residual value.

9-2 All properties are registered in the name of the company "Hefz Al Derayah Al Aqariya" ("the SPV"), except for the real estate secured by obtaining loans (note 13). Companies retain these properties for ownership of the use of the Fund and do not own any controlling interests and do not pose any risk to the real estate.

9-3 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.

10. Benefit contracts, net

	30 June 2019 (unaudited)	31 December 2018 (audited)
<u>Cost</u>		
Balance at the beginning of the period	51,779,858	-
Additions during the period	-	51,779,858
Balance at the end of the period	51,779,858	51,779,858
<u>Accumulated Depreciation</u>		
Balance at the beginning of the period	(5,534,693)	-
Charge for the period	(2,614,023)	(5,534,693)
Balance at the end of the period	(8,148,716)	(5,534,693)
<u>Book Value:</u>		
as of the end of the period	43,631,142	46,245,165

Benefit contracts consist of two properties:

- The Valley Mall: Shopping centre in Al Ahsa.
- The right to benefit of the City Wok Commercial Complex: Commercial complex in the Gulf in Riyadh

DERAYAH REIT FUND
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

For the period ended 30 June 2019 (Continued)

(Amounts in Saudi Riyals)

11. INCOME FROM INVESTMENT MEASURED AT FVPL

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 IAS 40, investment property is stated at cost less accumulated depreciation and impairment, if any, in these financial statements. Accordingly, fair value is disclosed below for the purpose of obtaining information and is not accounted for in the books of the Fund.

The fair value of real estate investments and utility contracts is determined by residents of each asset i.e. Value Experts Company, Century 21 Saudi Arabia Company and Tanouf Company. The following is an assessment of real estate investments and utility contracts as at 30 June 2019:

<u>30 June 2019 (unaudited)</u>	<u>First Appraiser</u>	<u>Second Appraiser</u>	<u>Average</u>
Investment properties	1,407,697,670	1,435,845,510	1,421,771,590
Benefit contracts	49,100,388	46,674,514	47,887,451
Total	1,456,798,058	1,482,520,024	1,469,659,041

<u>31 December 2018 (audited)</u>	<u>First Appraiser</u>	<u>Second Appraiser</u>	<u>Average</u>
Investment properties	1,477,673,225	1,417,555,270	1,447,614,248
Benefit contracts	48,860,021	47,367,899	48,113,960
Total	1,526,533,246	1,464,923,169	1,495,728,208

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

The investment 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. As an outcome of the valuation, the Fund Manager, recognized impairment on one of the properties, whereby the net surplus on the remaining properties is disclosed below within the analysis of the investment properties fair value versus cost:

	<u>30 June 2019 (unaudited)</u>	<u>31 December 2018 (audited)</u>
Estimated fair value of investment properties based on the average of the two valuers used	1,469,659,041	1,495,728,208
Less:		
The carrying value of investment property	(1,430,917,543)	(1,440,504,316)
Benefit contracts	(43,631,142)	(46,245,165)
(Deficit) / increase in estimated fair value of book value	(4,889,644)	8,978,727
Units in issue (numbers)	107,507,035	107,507,035
(Deficit) / Additional value per unit based on fair value	(0.05)	0.08

DERAYAH REIT FUND
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

For the period ended 30 June 2019 (Continued)

(Amounts in Saudi Riyals)

11. INCOME FROM INVESTMENT MEASURED AT FVPL (CONTINUED)

Net asset to unitholders:

	30 June 2019 (unaudited)	31 December 2018 (audited)
Net assets attributable to unitholders as per the financial statements before fair value adjustment	1,046,760,053	1,061,621,643
Deficit / (increase) in estimated fair value of book value	(4,889,644)	8,978,727
Net assets attributable to unitholders based on fair valuation of investment properties and benefit contracts	1,041,870,409	1,070,600,370

Net asset attributable to each unit:

	30 June 2019 (unaudited)	31 December 2018 (audited)
Book value per unit as per the financial statements before fair value adjustment	9.74	9.87
(Deficit) / Additional value per unit based on fair value	(0.05)	0.08
Net assets attributable to each unit based on fair valuation	9.69	9.95

All properties are held in the name of Deraya Company ("the companies") except for the real estate secured by obtaining loans (see note 13). Companies retain these properties for ownership of the use of the Fund and do not own any controlling interests and do not pose any risk to the real estate.

12. TRANSACTIONS WITH RELATED PARTIES

Related parties to the Fund include Derayah Finance (Fund Manager) and Al Inma Investment Company (Custodian). The REIT deals in the normal course of business with related parties. Related party transactions are governed by the regulations issued by the Capital Market Authority. All transactions with related parties are approved by the Board of Directors of the Fund.

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 transaction	Amount of transaction		Balance	
		30 June 2019 (unaudited)	30 June 2018 (unaudited)	30 June 2019 (unaudited)	31 December 2018 (audited)
Deraya Financial	Management fee	4,411,078	2,449,694	(4,411,078)	(4,604,134)
Deraya Financial	Commissions	-	-	(1,100,000)	(1,100,000)
Deraya Financial	Transaction fee	-	-	(440,000)	(440,000)
Deraya Financial	Financing fee	-	-	(590,193)	(1,592,007)
Inma Investment	Custodial fees	60,000	60,000	(60,000)	(60,000)

DERAYAH REIT FUND
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

For the period ended 30 June 2019 (Continued)

(Amounts in Saudi Riyals)

13. LOANS

The Fund received a loan of SAR 96.9 million from the Derayah Real Estate Fund, which was transferred to the Fund through a contribution in kind (see Note 1). The loan was obtained on behalf of Save the Real Estate Company, a special purpose company for Derayah Real Estate Income Fund for a period of five years, which can be extended for an additional two years, from the date of withdrawal on 13 June 2016. The (SPV) Hefz Al Derayah Al Aqariya is a company with a special purpose fund is still the party committed to the loan. The loan is guaranteed to mortgage Jubail Fuse.

The loan is charged a variable commission which paid over the term of the loan on a pro rata basis on the date of the transfer of the in-kind contributions to Derayah Reit. In January 2019, the Fund Manager transferred the loan from Arab National Bank to Riyadh Bank and paid the debt to Arab National Bank Riyadh is valued at SR 101.2 million. The loan bears a variable commission which paid over the term of the loan on a semi-annual basis. The loan is secured by the mortgage of Jubail Views and the special commission due for the period ended 30 June 2019 is included and shown in the liabilities.

The Fund also received a SR 373.2 million loan from Riyadh Bank for seven years. The loan bears a variable commission which paid over the term of the loan on a semi-annual basis. The loan is secured by real estate mortgage (Gulf Business Building, International Education and Skills School, Rasil Medical Center, Jeddah Office Tower, Al Sali Stores). The special commission payable for the period ended 30 June 2019 has been recognized and shown in the liability.

On 17 January 2019, Derayah Finance Company ("Fund Manager") announced the completion of the pledge of ownership of the Smart Tower property in Riyadh for Al Rajhi Banking Investment Company ("the Bank") in order to guarantee the Islamic Sharia'a compliant credit facilities provided by the Bank to the Fund.

Loan	Nature	Balance as at 30 June 2019 (unaudited)	Interest Expense
		Amounts in Saudi Riyals	
Tawarq	Long Term	<u>474,407,144</u>	<u>14,414,729</u>
		<u>474,407,144</u>	<u>14,414,729</u>

DERAYAH REIT FUND
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

For the period ended 30 June 2019 (Continued)

(Amounts in Saudi Riyals)

14. DIVIDENDS DISTRIBUTION

- On March 29, 2018, the Fund Manager approved a dividend distribution for the period ended 31 March 2018 amounting to SR 0.1023 per unit totalling SR 10,997,970 for the holders of its units.
- On 2 July 2018, the Fund Manager approved a dividend distribution for the period ended 30 June 2018 amounting to SR 0.181 per unit for a total of SR 19,458,773 for its unit holders.
- On 12 September 2018, the Fund Manager approved the distribution of dividends to shareholders for the period ended 30 September 2018 amounting to SR 0.181 per unit totalling SR 19,406,800 for the holders of its units.
- On 4 December 2018, the Fund Manager approved the distribution of dividends to shareholders for the period ended 31 December 2018 amounting to SR 0.187 per unit totalling SR 20,103,816 for the holders of its units.
- On 1 April 2019, the Fund Manager approved the distribution of dividends to shareholders for the period ended 31 March 2019 amounting to SR 0.187 per unit totalling SR 20,103,816 for the holders of its units.

In accordance with the terms and conditions of the Fund (see Note 1), the Fund aims to distribute quarterly dividends of at least 90% of the net profit of the Fund.

The Fund Manager distributes profits on the basis of cash generated from operations. Cash generated from operations is calculated by adding depreciation cost to net profit as stated in the statement of comprehensive income for the period up to 30 June 2019. The Fund Manager has distributed SAR 40 million For the period ended 31 March 2019.

15. EVENTS AFTER THE REPORTING DATE

On 1 July 2019, the Fund Manager approved a dividend distribution for the period ended 30 June 2019 amounting to SR 0.187 per unit for a total of SR 20,060,000 for its unit holders.

16. FAIR VALUE

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.

Investments classified at fair value through income statements in level 1.

17. LAST VALUATION DAY

The last valuation day of the period was 30 June 2019.

18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the REIT's Board on 4 August 2019 corresponding to 3 Dhual-Hijja 1440.