

DERAYAH REIT FUND
A Real Estate Investments Traded Fund
(Closed-Ended Fund)
(MANAGED BY DERAYAH FINANCIAL COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021
Together with the
Independent Auditor's Review report to the Unitholders

DERAYAH REIT FUND
A REAL ESTATE INVESTMENTS TRADED FUND
(CLOSED-ENDED FUND)
(MANAGED BY DERAYAH FINANCIAL COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)
For the six-month period ended 30 June 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

**TO THE UNITHOLDERS OF
DERAYAH REIT FUND
Kingdom of Saudi Arabia**

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Derayah Reit Fund (the "Fund") managed by Derayah Financial (the "Fund Manager") as at 30 June 2021 and the related interim statements of comprehensive income, changes in net assets (Equity) attributable to the unitholders and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements 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 Engagement 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 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 that are endorsed in the Kingdom of Saudi Arabia and consequently 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 IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.

Ibrahim Ahmed Al-Bassam
Certified Public Accountant - License No. 337

**11 Muharram 1443H
19 August 2021G
Riyadh, Kingdom of Saudi Arabia**

DERAYAH RIET FUND
A REAL ESTATE INVESTMENTS TRADED FUND
(CLOSED-ENDED FUND)
(MANAGED BY DERAYAH FINANCIAL COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Amounts in Saudi Riyals)

	<u>Note</u>	<u>30 June 2021</u> <u>(Unaudited)</u>	<u>31 December 2020</u> <u>(Audited)</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	5	8,143,546	42,727,649
Rent receivable		66,240,912	54,860,475
Investments at fair value through profit or loss	6	30,091,022	3,045,950
Prepaid expenses and other debit balances	7	1,904,595	1,910,771
TOTAL CURRENT ASSETS		106,380,075	102,544,845
<u>NON-CURRENT ASSETS</u>			
Investment properties, net	8	1,570,901,191	1,587,296,008
Benefit contracts, net	9	34,617,156	35,643,020
TOTAL NON-CURRENT ASSETS		1,605,518,347	1,622,939,028
TOTAL ASSETS		1,711,898,422	1,725,483,873
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Deferred rental income		16,614,346	17,810,478
Accrued management fees	11	3,951,328	4,129,172
Accrued finance expenses		5,030,235	5,082,579
Accrued expenses and other liabilities		4,171,221	3,658,701
Zakat provision	12	3,605,583	2,287,195
TOTAL CURRENT LIABILITIES		33,372,713	32,968,125
<u>NON-CURRENT LIABILITIES</u>			
Loans -Long Term	14	747,982,834	747,982,834
TOTAL LIABILITIES		781,355,547	780,950,959
Net assets (Equity) attributable to the Unitholders		930,542,875	944,532,914
UNITS IN ISSUE (Number)	7	107,507,035	107,507,035
PER UNIT VALUE		8.66	8.79
PER UNIT FAIR VALUE	10	8.68	8.95

The accompanying notes (1) to (19) form an integral part of these interim condensed financial statements.

DERAYAH RIET FUND
A REAL ESTATE INVESTMENTS TRADED FUND
(CLOSED-ENDED FUND)
(MANAGED BY DERAYAH FINANCIAL COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

	<u>Note</u>	<u>30 June 2021</u> <u>(Unaudited)</u>	<u>30 June 2020</u> <u>(Unaudited)</u>
Income			
Rental income, net		65,125,903	56,549,603
Net Unrealized gain on Investments carried at IS		35,439	-
Net Realized gain on Investments carried at IS		5,275	-
Other income		-	65,916
Total operating income		65,166,617	56,615,519
Expenses			
Fund management fees	11	(3,951,328)	(4,181,126)
Finance expenses	14	(10,902,864)	(11,915,326)
Professional and advisory expenses		(190,530)	(522,827)
Properties management fees		(2,723,152)	(990,000)
Amortization Benefit contracts	9	(1,025,864)	(2,611,226)
Other expenses		(1,367,012)	(1,540,998)
Total expenses		(20,160,750)	(21,761,503)
Cash from operations		45,005,867	34,854,016
Investment properties Depreciation	8	(10,773,954)	(9,797,408)
Investment properties Impairment	8	(5,620,863)	(17,505,684)
Net income for the period before zakat		28,611,050	7,550,924
Zakat charge for the period	12	(1,318,388)	-
Net income for the period		27,292,662	7,550,924
Other comprehensive income		-	-
Total comprehensive income for the period		27,292,662	7,550,924

The accompanying notes (1) to (19) form an integral part of these interim condensed financial statements.

DERAYAH RIET FUND
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INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY)

For the six month-period ended 30 June 2021

(Amounts in Saudi Riyals)

	<u>30 June 2021</u>	<u>30 June 2020</u>
	(Unaudited)	(Unaudited)
Net asset (Equity) value attributable to the Unitholder at beginning of the period	944,532,914	1,001,419,491
Changes from unit transaction:		
- Subscription of units – Cash	-	-
- Subscription of units – In-kind contribution	-	-
The value of assets attributable to unit holders at the end of the period	944,532,914	1,001,419,491
Dividend paid during the period	(41,282,701)	(40,207,635)
Total comprehensive income for the period	27,292,662	7,550,924
Net asset (Equity) value attributable to the unitholder at end of the period	<u>930,542,875</u>	<u>968,762,780</u>

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DERAYAH RIET FUND
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INTERIM STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

	30 June 2021	30 June 2020
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Net income for the period before zakat	28,611,050	7,550,924
<i>Adjustment to reconcile net income to net cash from operating activities:</i>		
Net Unrealized gain on Investments carried at IS	(35,439)	-
Net Realized gain on Investments carried at IS	(5,275)	-
Investment properties depreciation	10,773,954	9,797,408
Investment properties impairment	5,620,863	17,505,684
Amortization benefit contracts	1,025,864	2,611,226
	45,991,017	37,465,242
Changes in operating assets:		
Rent Receivable	(11,380,437)	(14,996,980)
Prepaid expenses and other debit balances	6,176	(761,749)
Changes in operating liabilities:		
Unearned rental income	(1,196,132)	(8,098,443)
Accrued management fees	(177,844)	(137,569)
Accrued finance expenses	(52,344)	(4,084,938)
Due to related parties	-	(121,275)
Accrued expenses and other liabilities	512,520	168,494
Net cash generated from operating activities	33,702,956	9,432,782
INVESTING ACTIVITIES		
Purchase of investment properties	-	(1,351,289)
Purchase investments carried at IS	(28,104,358)	-
Proceeds from sale investments carried at IS	1,100,000	-
Net cash used in investing activities	(27,004,358)	(1,351,289)
FINANCING ACTIVITIES		
Dividends	(41,282,701)	(40,207,635)
Loans -Short Term	-	9,412,134
Net cash used in financing activities	(41,282,701)	(30,795,501)
NET DCREASE IN CASH AND CASH EQUIVALENTS	(34,584,103)	(22,714,008)
Cash and cash equivalents at the beginning of the period	42,727,649	34,801,270
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8,143,546	12,087,262

The accompanying notes (1) to (19) form an integral part of these interim condensed financial statements.

**DERAYAH RIET FUND
A REAL ESTATE INVESTMENTS TRADED FUND
(CLOSED-ENDED FUND)
(MANAGED BY DERAYAH FINANCIAL CAPITAL)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

1. THE FUND AND ITS ACTIVITIES

Derayah REIT Fund (the "Fund") is a closed-ended Shari'a compliant traded real estate investment fund. The fund began operations on March 26, 2018.

Derayah Financial Company ("Fund Manager"), a Saudi closed joint stock company, under the Commercial Registration No. 1010266977 dated 05/04/1430 H corresponding to 04/29/2009 G, and licensed as a "licensed person" under the Capital Market Authority license No. 27-08109 to practice an activity Dealing as principal and agent, management and custody in securities business.

The Fund is listed on the Saudi Stock Exchange ("Tadawul") and its units are traded in accordance with the relevant laws and regulations. The capital of the fund is 1,075,070,350 Saudi riyals, and the term of the fund is 99 years starting from the date of listing units in Tadawul, renewable for a similar period according to the fund manager's discretion and after obtaining the approval of the Capital Market Authority.

The fund aims to invest in real estate assets capable of achieving periodic rental income within the Kingdom of Saudi Arabia and in line with the fund's investment strategy, stipulated in fund's terms and conditions and to distribute quarterly profits of at least 90% of the fund's net profits in accordance with the real estate investment fund's regulations.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Statement of compliance

These interim condensed interim financial statements have been prepared in accordance with International Accounting Standard 34: "Interim Financial Reporting" ("IAS 34") as endorsed in Kingdom of Saudi Arabia.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's annual financial statements as at 31 December 2020. The results for the six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021. The interim condensed financial statements have been prepared on the historical cost basis, and have been revised. Using the accrual basis of accounting excluding investments carried at fair value through profit or loss that are measured at fair value.

2.2 Functional and presentation currency

These interim condensed financial statements have been prepared in Saudi Riyals (SAR) which is the Fund's functional and presentation currency. All financial information presented in Saudi Arabian Riyals has been rounded to nearest Riyal, unless otherwise mentioned

Transactions and balances

Transactions in foreign currencies are translated into Saudi Riyals using the exchange rates prevailing on the date of the transactions. Assets and liabilities denominated in foreign currencies are translated into Saudi riyals using exchange rates.

As on the date of the balance sheet, profits and losses resulting from the exchange rate conversion are included in the statement of comprehensive income.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2021**

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.3 New standards, interpretations and amendments

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the financial statements of the Fund for the year 31 December 2020. There are new standards, amendments and interpretations that will be applied for the first time in 2021, but that do not have an impact on the interim condensed financial statements of the fund.

There are many other amendments and interpretations issued and not yet effective on the date of issuance of the Fund's interim condensed financial statements. The Fund Board of Directors believes that these amendments and interpretations will not have a material impact on the interim condensed financial statements of the Fund. The Fund intends to apply these amendments and interpretations, if any.

3. Critical accounting judgments, estimates and assumption

In preparing these interim condensed financial statements, the significant judgments made by the management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 31 December 2020, except for the estimate described below:

Measurement of the expected credit loss allowance

In the preparation of the interim condensed financial statements, management has made certain additional assumptions in the measurement of Expected Credit Loss (ECL). However, in view of the current uncertainty due to COVID-19, any future change in the assumptions and key estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

4. MANAGEMENT FEE, OTHER EXPENSES AND TRANSACTION FEE

On a semi-annual basis, the fund manager charges the fund a management fee of 0.85% annually of the fund's net asset value. The fund manager also recovers from the fund any other expenses incurred on behalf of the fund such as auditing fees, legal fees, board compensation and other similar fees. Moreover, the fund manager charges a one-time transaction fee of 1% as a maximum on the purchase or sale price of real estate assets.

5. CASH AND CASH EQUIVALENTS

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
Cash at bank	8,143,546	42,727,649
Total	8143,546	42,727,649

6. INVESTMENTS CARRIED AT FVTPL

30 June 2021 (Unaudited)	Fund manager	Number of units	Cost	Market Value
Al Rajhi Commodity Fund	Al Rajhi Capital	185,480	30,000,000	30,091,022
<hr/>				
31 December 2020 (Audited)	Fund manager	Number of units	Cost	Market Value
Al Rajhi Commodity Fund	Al Rajhi Capital	18,860	3,035,846	3,045,950

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7. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
Prepaid Expenses	393,566	929,834
Accrued VAT	601,699	637,375
Rents Prepaid	909,330	343,562
Total	1,904,595	1,910,771

8. INVESTMENT PROPERTIES, NET

	Land	Building	Total
<u>Cost</u>			
Balance beginning of period	843,638,767	869,059,259	1,712,698,026
Additions for the period	-	-	-
Balance as of 30 June 2021 (Unaudited)	843,638,767	869,059,259	1,712,698,026
<u>Accumulated Depreciation</u>			
Balance beginning of period	-	54,591,054	54,591,054
Charge for the period	-	10,773,954	10,773,954
Balance as of 30 June 2021 (Unaudited)	-	65,365,008	65,365,008
<u>Impairment</u>			
Balance beginning of period	-	70,810,964	70,810,964
Charge for the period	-	5,620,863	5,620,863
Balance as of 30 June 2021 (Unaudited)	-	76,431,827	76,431,827
Book Value:			
as of 30 June 2021 (Unaudited)	843,638,767	727,262,424	1,570,901,191
Balance as of 31 December 2020	843,638,767	743,657,241	1,587,296,008

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8. INVESTMENT PROPERTIES, NET (CONTINUED)

Investment properties consist of 25 real estate, which are as follows:

- Smart Tower: Office and retail property in the Olaya district in Riyadh.
- Jubail Views Complex: A closed residential complex in Rawdat Al-Khalidiya neighborhood in Jubail.
- Mena warehouses: Three warehouses and their accessories (administrative and service offices) in Al-Mina district in Dammam.
- City Life Plaza: Commercial property in Al Munsiyah district in Riyadh.
- Motoon Towers: A hotel real estate located in the Olaya district in Riyadh.
- Al Fanar Commercial Complex: Commercial real estate in Al-Rakah district in Khobar.
- The Grand Compound (A): An integrated residential property located in Al-Anwar district in Dammam.
- Al-Wadi district warehouses: It represents a warehouse and a residential building, and it is located in Al-Wadi district in Jeddah.
- Al-Sittin Commercial Center: Commercial-office property in Al-Dhubat District in Riyadh.
- The Grand Complex (B): An educational property, located in Al-Anwar district in Dammam.
- Staff buildings: Four residential buildings located in three adjacent districts in North Jubail.
- Residential buildings for workers (Dammam): Two residential buildings for workers are located in the port area of Dammam.
- Residential building for workers (Al Khobar): A residential building for workers in Al Thuqbah district in Khobar.
- Al Khaleejia Business Building: A commercial and office building located in Al Rawabi district in Khobar.
- Education & Skills School: An educational building located in Al-Diriyah Governorate.
- Raseel Medical Center: A building for a medical center, located in Khenchelila district in Riyadh.
- Jeddah Office Tower: An administrative and office building located in Al-Zahra district in Jeddah.
- Al-Sulay Warehouses: A group of walled warehouses located in the Al-Sulay district in Riyadh.
- Al-Khalidiya Warehouses: Two warehouses located in the Al-Khalidiya North district in Dammam.
- Residential buildings in Dammam: Three residential buildings in Al Mina district in Dammam.
- Logistics Complex (2) in Jeddah: A warehouse located in the Sarawat district in Jeddah.
- Al-Aziziyah Warehouse (1): A warehouse located in Al-Aziziyah district in Riyadh.
- Al-Khalidiya Warehouse: A warehouse located in Al-Khalidiya district in Dammam.
- Al-Aziziyah Warehouse (2): A warehouse located in Al-Aziziyah district in Riyadh.
- AlSharq Logistics Complex: Warehouses located in Al- Sulay in Riyadh.

8.1 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.

8.2 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 (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.

8.3 The fund manager periodically reviews its investment properties to determine if there is any indication of impairment in assets value. An impairment loss is considered as the amount that exceeds the carrying value of the investment properties its recoverable value, which is higher than the fair value of the assets less the cost of sale and the value of its use. According to the periodic evaluation reports provided by the independent evaluation experts of the fund, there has been a decrease in the value of real estate investments.

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9. BENEFIT CONTRACTS, NET

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<u>Cost</u>		
Balance at the beginning of the period / year	51,779,858	51,779,858
Addition during the period / year	-	-
Balance at end of the period / year	51,779,858	51,779,858
<u>Accumulated Amortization</u>		
Balance at the beginning of the period / year	(16,136,838)	(10,779,699)
Charge for the period/ year	(1,025,864)	(5,357,139)
Balance at end of the period / year	(17,162,702)	(16,136,838)
<u>Book Value:</u>		
Balance at end of the period / year	34,617,156	35,643,020

The benefit contracts consist of two properties, which are as follows:

- The Valley Commercial Complex: A shopping center in Al-Ahsa.
- City Walk Commercial Complex: A commercial complex in the Gulf district in Riyadh

10. EFFECT OF NET ASSETS (EQUITY) VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED

In accordance with Article 36 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 accounting policy of the fund, investment properties are carried at cost less accumulated depreciation and impairment if any in these interim condensed financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's financial statements.

The valuation of the investment properties (the "properties") is determined by **Value Experts Company, Century 21/ Esnad Company**. These three valuers are licensed by the Saudi Authority for Accredited Valuers ("TAQEEM").

the valuation of the investment properties and Benefit contracts are as follows as at 30 JUNE 2021:

<u>30 June 2021 (Unaudited)</u>	<u>First Appraiser</u>	<u>Second Appraiser</u>	<u>Average</u>
Investment properties	1,580,397,100	1,558,899,084	1,569,648,092
Benefit contracts	37,002,400	39,400,000	38,201,200
Total	1,617,399,500	1,598,299,084	1,607,849,292
<u>31 December 2020 (Audited)</u>	<u>First Appraiser</u>	<u>Second Appraiser</u>	<u>Average</u>
Investment properties	1,614,589,900	1,582,386,570	1,598,488,235
Benefit contracts	39,917,900	43,000,000	41,458,950
Total	1,654,507,800	1,625,386,570	1,639,947,185

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10. EFFECT OF NET ASSETS (EQUITY) VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED (CONTINUED)

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 a 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.

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
Estimated fair value of investment properties and benefit contracts based on the average of the two valuers used	1,607,849,292	1,639,947,185
Less: the carrying value of		
(i) Investment properties	(1,570,901,191)	(1,587,296,008)
(ii) Benefit Contracts	(34,617,156)	(35,643,020)
Estimated fair value in excess book value	2,330,945	17,008,157
Units in issue (numbers)	107,507,035	107,507,035
Additional value per unit based on fair value	0,022	0,16
<i>Net asset to unitholders:</i>		
	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
Net assets (Equity) attributable to unitholders as per the financial statements before fair value adjustment	930,542,875	944,532,914
Estimated fair value in surplus of book value	2,330,945	17,008,157
Net asset value attributable to unit holders based on fair value of investment properties	932,873,820	961,541,071
<i>Net asset attributable to each unit:</i>		
	30 June 2021	December 2020
	(Unaudited)	(Audited)
Book value per unit as per the financial statements before fair value adjustment	8.66	8,79
Increase in value per unit based on fair value	0.022	0,16
Net asset value attributable to unit holders based on fair value of investment properties	8.68	8,95

All properties are registered in the name of the SPV The company retains these properties in the usufruct ownership of the Fund, does not own any controlling interests and does not cause any risks to the real estate.

DERAYAH RIET FUND
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2021

11. TRANSACTIONS WITH RELATED PARTIES

Related parties to the fund include Derayah Financial Company (fund manager), and Alinma Investment Company (custodian). The fund deals in the normal course of business with related parties. Related party transactions are governed by regulations issued by the Capital Market Authority. All transactions with related parties are approved by the fund's board of directors.

The significant related party transactions entered into by the Fund during the period are as follows:

Related Party	Nature of transaction	Amount of transaction during the period		Closing balance Debit / (Credit)	
		30 June 2021 (Unaudited)	30 June 2020 (Unaudited)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	Management fees	3,951,328	4,181,126	(3,951,328)	(4,129,172)
Derayah Capital Alinma Investment Co.	Custodial fees	60,000	60,000	(258,000)	(120,000)

12. ZAKAT

The movement in the provision for zakat is as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Balance at the beginning of the period/year	2,287,195	-
Charge for the period/ year	1,318,388	2,287,195
Paid during the period/ year	-	-
Balance at the end of the period/year	3,605,583	2,287,195

The fund manager registered the fund for zakat with the Zakat, Tax and Customs Authority, the fund obtained a certificate of zakat registration, currently the Fund manager following the requirements of the Zakat, Tax, and Customs Authority to submit the zakat return and pay the zakat provision

13. FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2021 (unaudited)	Amortized cost	FVPL
Assets as per statement of financial position	SAR	SAR
Cash and cash equivalents	8,143,546	-
Rent receivable	66,240,912	-
Investments at fair value through profit or loss	-	30,091,022
Prepaid expenses and other debit balances	1,904,595	-
Total	76,289,053	30,091,022

31 December 2020 (audited)	Amortized cost	FVPL
Assets as per statement of financial position	SAR	SAR
Cash and cash equivalents	42,727,649	-
Rent receivable	54,860,475	-
Investments at fair value through profit or loss	-	3,045,950
Prepaid expenses and other debit balances	1,910,771	-
Total	99,498,895	3,045,950

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14. LOANS

During the year ending 31 December 2020, the fund obtained a loan of 168 million Saudi Riyals from Riyadh Bank for a period of seven years. The loan bears a variable commission and the commission is paid over the term of the loan on a semi-annual basis.

The loans are secured by a mortgage of real estate (Jubail Views Residential Compound, Dammam Warehouses Complex, City Life Plaza, Motoon Tower, Al-Fanar Commercial Complex, Grand A Residential Building, Al-Wadi District Warehouses, AlSitteen Commercial Center, Grand B Commercial Building, Jubail Employees Residential Buildings, Dammam Labor Housing, Khobar Labor Housing, AlKhaleejiah Business Center, Raseel Medical Center, Education & Skills School, Jeddah Office Tower, Sulay Warehouses Complex, Khalidiya District Warehouses, Dammam Labor Housing (2), Jeddah Khumarh Warehouses, Riyadh Al-Azizia Warehouses (1), Riyadh Al-Azizia Warehouses (2), AlSharq Logistics Complex. The special commission due for the period ending on 30 June 2021 has been included and appears in the liabilities. The fund also obtained a loan of 105.5 million Saudi riyals from Al-Rajhi Bank for a period of seven years. The loan carries a variable commission and the commission is paid over the term of the loan on a semi-annual basis. The loan is secured by a mortgage for the Smart Tower property. The special commission due for the year ended June 30, 2021 has been included and appears in the liabilities.

Loan Type	Loan Nature	Balance as of		Commission expense	
		30 June 2021	31 December 2020	30 June 2021	30 June 2020
Tawarq	Long Term	747,982,834	747,982,834	10,902,864	11,915,326
		747,982,834	747,982,834	10,902,864	11,915,326

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15. DIVIDENDS

- On January 1, 2020, the fund manager approved the distribution of dividends to shareholders for the period ending on December 31, 2019, in the amount of 0.187 Saudi riyals per unit, with a total amount of 20,060,000 Saudi riyals for its unit holders.
- On April 1, 2020, the fund manager approved the distribution of dividends to shareholders for the period ending on March 31, 2020 in the amount of 0.187 Saudi riyals per unit, with a total amount of 20,060,000 Saudi riyals for its unit holders.
- On July 6, 2020, the fund manager approved the distribution of dividends to shareholders for the period ending on June 30, 2020, in the amount of 0.09 Saudi riyals per unit, with a total amount of 9,675,633 Saudi riyals for its unit holders.
- On October 1, 2020, the fund manager approved the distribution of dividends to shareholders for the period ending on September 30, 2020, in the amount of 0.204 Saudi riyals per unit, with a total amount of 21,930,435 Saudi riyals for its unit holders.
- On January 3, 2021, the fund manager approved the distribution of dividends to shareholders for the period ending on December 31, 2020, in the amount of 0.204 Saudi riyals per unit, with a total amount of 21,930,435 Saudi riyals for its unit holders.
- On April 1, 2021, the fund manager approved the distribution of dividends to shareholders for the period ending on March 31, 2021, in the amount of 0.180 Saudi riyals per unit, with a total amount of 19,351,266 Saudi riyals for its unit holders.

In accordance with the fund's terms and conditions (note 1), the fund aims to distribute quarterly profits of no less than 90% of the fund's net profits. The fund manager distributes profits on the basis of cash generated from operations, as the cash generated from operations is calculated by adding the cost of depreciation and the decrease in the value of real estate investments to the net profits as mentioned in the comprehensive income statement during the period until June 30, 2021.

16. SUBSEQUENT EVENTS

- On July 1, 2021, the fund manager approved the distribution of dividends to shareholders for the period ending on June 30, 2021, at an amount of 0.180 Saudi riyals per unit, with a total amount of 19,351,266 Saudi riyals for its unit holders.

17. FINANCIAL RISK MANAGEMENT

17.1 FINANCIAL RISK FACTORS

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

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17. FINANCIAL RISK MANAGEMENT (CONTINUED)

17.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) MARKET RISK

Commission rate risk

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed rate financial instruments will fluctuate due to changes in market commission rates.

(b) 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 discharge an obligation. The Fund is exposed to credit risk for its Cash and cash equivalents and Dividend receivable as follows:

	30 June 2021	31 December 2020
Cash and cash equivalents	8,143,546	42,727,649
Rent receivable	66,240,912	54,860,475
Prepaid expenses and other debit balances	1,904,595	1,910,771

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

Credit risk on Cash and cash equivalents and Dividend receivable is limited as:

- All financial assets of fund's held with counterparties with sound credit ratings.
- The fund applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets.

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.

(c) 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.

The table below summarizes the maturity profile of significant assets and liabilities of the Fund based on expected maturities:

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17.FINANCIAL RISK MANAGEMENT (CONTINUED)

17.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) LIQUIDITY RISK (CONTINUED)

	30 June 2021(Unaudited)		
	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	8,143,546	-	8,143,546
Rent receivable	66,240,912	-	66,240,912
Investments at fair value through profit or loss	30,091,022	-	30,091,022
Prepaid expenses and other debit balances	1,904,595	-	1,904,595
Investment properties, net	-	1,570,901,191	1,570,901,191
Benefit contracts, net	-	34,617,156	34,617,156
TOTAL ASSETS	106,380,075	1,605,518,347	1,711,898,422
Deferred rental income	16,614,346	-	16,614,346
Accrued management fees	3,951,328	-	3,951,328
Accrued finance expenses	5,030,235	-	5,030,235
Accrued expenses and other liabilities	4,171,221	-	4,171,221
Zakat charge	3,605,583	-	3,605,583
Loans -Long Term	-	747,982,834	747,982,834
TOTAL LIABILITIES	33,372,713	747,982,834	781,355,547
	31 December 2020 (Audited)		
	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	42,727,649	-	42,727,649
Rent receivable	54,860,475	-	54,860,475
Investments at fair value through profit or loss	3,045,950	-	3,045,950
Prepaid expenses and other debit balances	1,910,771	-	1,910,771
Investment properties, net	-	1,587,296,008	1,587,296,008
Benefit contracts, net	-	35,643,020	35,643,020
TOTAL ASSETS	102,544,845	1,622,939,028	1,725,483,873
Deferred rental income	17,810,478	-	17,810,478
Accrued management fees	4,129,172	-	4,129,172
Accrued finance expenses	5,082,579	-	5,082,579
Accrued expenses and other liabilities	3,658,701	-	3,658,701
Zakat charge	2,287,195	-	2,287,195
Loans -Long Term	-	747,982,834	747,982,834
TOTAL LIABILITIES	32,968,125	747,982,834	780,950,959

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17. FINANCIAL RISK MANAGEMENT (CONTINUED)

17.1 FINANCIAL RISK FACTORS (CONTINUED)

(d) 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.

18. LAST VALUATION DAY

The last valuation day of the period was at 30 June 2021 (30 June 2020).

19. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Fund's Board on 10 Muharram 1443 H (corresponding to 18 August 2021).