



Semi-Annual Investors Report for period of 01.01.2019 to 30.06.2019





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1: Details of Fund Manager

- Al Rajhi Capital, Head Office, King Fahad Road, P.O.Box 5561, Riyadh 11432, KSA
- Al Rajhi Capital is the Fund Manager of the REIT. It is a Saudi Closed Joint Stock company with commercial registration no.1010241681, and an Authorized Person licensed by the CMA under license no. 07068-37 dated 25 June 2007 commenced operation on 18 March 2008
- Names and addresses of sub-manager and/or investment adviser (if any).
- Not applicable

2: Review of Fund Managers activity during the period



- Al Rajhi REIT listed on 20th March 2018. Al Rajhi REIT has 14 income generating properties and are located in cities of Riyadh, Jeddah, Al Khobar and Khamis Al Mushait. It has operated in line in accordance with Real Estate Investment Fund Regulations and the Real Estate Investment Traded Funds Instructions issued by the Capital market Authority (CMA). The REIT is listed on Tadawul and the units of the REIT are traded on Tadawul in accordance with its rules and regulations. The Capital of the REIT is SAR 1,222,006,090. The REIT has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of the CMA.
- The Fund Manager is exploring the potential of acquiring new assets for the REIT that will enhance the yield of the REIT.
- Al Rajhi REIT Fund signed MoU on 31st March 2019 with Al Khaleej Training & Education (AKTE) for the acquisition of 3 Educational properties. The afore-mentioned MoU has a validity of 180 days from date of signing. The purchase price consideration will be a combination of cash and issuing additional units to AKTE and the public in Al Rajhi REIT Fund. This transaction will require a capital increase in Al Rajhi REIT Fund subject to CMA and unit holder approval.

3: Performance Report for the period 1st Jan 2019 – 30th June 2019



Particulars	Value
Total Operating Income	SAR 56,893,984
Total Net Income	SAR 30,045,868
Funds from Operations	SAR 38,522,984
Net Asset Value of the REIT	SAR 1,242,510,175
Net Asset Value (at cost) per unit	SAR 10.17
Net Asset Value (at Fair value) per unit	SAR 10.17
Unit price at listing	SAR 10
Closing price on 30.06.2019 on Tadawul per unit	SAR 8.70

4: Other Matters



- **Details of any material changes made in the T&C during the period.**
T&C has been updated to reflect change in Auditor fees, Custody fees and Board Member fees
- **Any other information that would enable unit holders to make an informed judgment about the fund's activities during the period.**
None
- **Where an investment fund invests substantially in other investment funds, a statement must disclose on the proportion of the management fees charged to the fund itself and to funds in which the funds invests.**
Not applicable
- **A statement on any special commission received by the fund manager during the period, clearly identifying what they are and the manner in which they were utilized.**
Aside from Management Fee (SR 6,450,671) which is in line with terms & conditions, there is no other commissions received by the Fund Manager.
- **Any other data and other information required by these Regulations to be included in this report.**
Al Rajhi REIT Fund signed MoU on 31st March 2019 with Al Khaleej Training & Education (AKTE) for the acquisition of 3 Educational properties. The afore-mentioned MoU has a validity of 180 days from date of signing. The purchase price consideration will be a combination of cash and issuing additional units to AKTE and the public in Al Rajhi REIT Fund. This transaction will require a capital increase in Al Rajhi REIT Fund subject to CMA and unit holder approval..
- **Any fundamental/material/important changes that affect the business of the REIT**
None

▪ Dividend distribution during the period

Distribution of cash dividend to the unit-holders of Al Rajhi REIT Fund for the period 1st July 2018 to 31st Dec 2018

- Total amount of dividend distribution = SAR 37,947,139
- No. of Eligible Units = 122,200,609
- Dividend per Unit = SAR 0.311; dividend represents 3.11% of the Par value
- Eligibility of dividends shall be for unit-holders in the register per Tadawul records as of 12/6/1440H corresponding to Sunday, 17/02/2019 (end of trading day on 08/06/1440H corresponding to Wednesday 13/02/2019).

▪ Subsequent announcement for Dividend

Distribution of cash dividend to the unit-holders of Al Rajhi REIT Fund for the period 1st Jan 2019 to 30th June 2019

- Total amount of dividend distribution = SAR 39,104,194.88
- No. of Eligible Units = 122,200,609
- Dividend per Unit = SAR 0.32; dividend represents 3.20% of the Par value
- Eligibility of dividends shall be for unit-holders in the register per Tadawul records as of 03/12/1440H corresponding to Sunday, 04/08/2019 (end of trading day on 28/11/1440H corresponding to Wednesday 31/07/2019).

• Un-audited Financial Statement Appendix

5: Service Providers



Fund Manager:	Al Rajhi Capital
Custodian:	KASB Capital
Accountant:	PKF Al Bassam & Al Nemer Allied Accountants
Legal Adviser:	The law office of Mohammed Al-Ammar in affiliation with King & Spalding
Regulator:	Capital Market Authority, Kingdom of Saudi Arabia
Listing Exchange	Saudi Stock Exchange (Tadawul)
Valuators	<ul style="list-style-type: none">▪ Whitecubes▪ Olaat Development Company Ltd.▪ ValuStrat



Appendix – Un-audited Financial Statements for period ending 30th June 2019

AL RAJHI REIT FUND
A Real Estate Investments Traded Fund
(MANAGED BY AL RAJHI CAPITAL)

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

THE UNITHOLDERS RAJHI REIT FUND KINGDOM OF SAUDI ARABIA

Introduction:

We have reviewed the accompanying interim financial position of Rajhi REIT Fund ("the Fund") managed by Rajhi Capital (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.

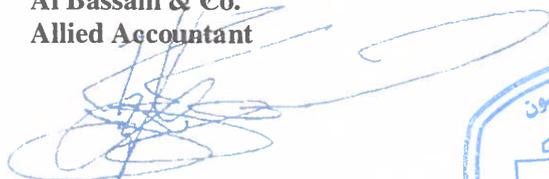
Scope of Review:

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 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



28 July 2019
25 Dhual Qadah 1440

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

AL RAJHI REIT FUND

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2019

(Amounts in Saudi Riyals)

	Note	30 June 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS			
Cash and cash equivalents		427,208	5,711
Rental income receivable		2,968,107	7,237,812
Investment measured at FVTPL	7	61,383,602	59,390,460
Due from related parties	12	444,990	5,472,714
Prepayment and other assets		505,962	1,655,108
Investment properties	6	1,658,345,822	1,666,610,053
TOTAL ASSETS		1,724,075,691	1,740,371,858
LIABILITIES			
Accrued management fee	12	3,247,039	2,956,760
Deferred rental income		17,052,138	15,092,349
Accrued expenses and other liabilities	10	4,316,400	11,501,668
Due to related parties	12	36,339	3,496,035
Borrowings	12	456,913,600	456,913,600
TOTAL LIABILITIES		481,565,516	489,960,412
NET ASSETS VALUE		1,242,510,175	1,250,411,446
UNITS IN ISSUE (Number)	11	122,200,609	122,200,609
PER UNIT VALUE		10.17	10.23
PER UNIT FAIR VALUE	8	10.17	10.09

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

AL RAJHI REIT FUND

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six month period ended 30 June 2019

(Amounts in Saudi Riyals)

	Note	For the six month period ended 30 June 2019	For the period from 20 March 2018 to 30 June 2018
<u>INCOME</u>			
Rentals from investment properties		56,290,842	37,244,205
Income from investment measured at FVTPL	9	603,142	-
		<u>56,893,984</u>	<u>37,244,205</u>
<u>EXPENSES</u>			
Management fee	12	(6,450,671)	(3,639,571)
Special commission expense	12	(8,788,981)	(5,715,787)
General & administrative expenses		(3,131,348)	(2,017,165)
Total expenses from operation		<u>(18,371,000)</u>	<u>(11,372,523)</u>
Funds from operations during the period		38,522,984	25,871,682
Depreciation expense on investment properties	6	(8,477,116)	(5,500,092)
Net income for the period		<u>30,045,868</u>	<u>20,371,590</u>
Other comprehensive income		-	-
Total comprehensive income for the period		<u>30,045,868</u>	<u>20,371,590</u>



The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

AL RAJHI REIT FUND

INTERIM STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)

For the six month period ended 30 June 2019

(Amounts in Saudi Riyals)

	Note	For the six month period ended 30 June 2019	For the period from 20 March 2018 to 30 June 2018
Net asset value attributable to the Unitholder at beginning of the period		1,250,411,446	-
Changes from unit transaction:			
- Subscription of units- Cash	1	-	426,701,300
- Subscription of units -In kind contribution	1	-	795,304,790
		<u>1,250,411,446</u>	<u>1,222,006,090</u>
Dividends paid during the period	14	(37,947,139)	-
Total comprehensive income for the period		30,045,868	20,371,590
Net asset value attributable to the unitholders at end of the period.		<u>1,242,510,175</u>	<u>1,242,377,680</u>



The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

AL RAJHI REIT FUND

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the six month period ended 30 June 2019

(Amounts in Saudi Riyals)

	Note	For the six month period ended 30 June 2019	For the period from 20 March 2018 to 30 June 2018
Net income for the period		30,045,868	20,371,590
<i>Adjustment to reconcile net income to net cash from operating activities:</i>			
Depreciation expense on Investment properties	6	8,477,116	5,500,092
Unrealized gain from investments measured at FVTPL		(247,616)	-
Realized gain from investments measured at FVTPL		(355,526)	-
		<u>37,919,842</u>	<u>25,871,682</u>
Changes in operating assets:			
Rental income receivable		4,269,705	-
Prepayment and other assets		1,149,146	(33,252,594)
Due from related parties		5,027,724	-
Changes in operating liabilities:			
Deferred rental income		1,959,789	-
Accrued management fee		290,279	3,639,571
Due to related parties		(3,459,696)	25,939,077
Accrued expenses and other liabilities		(7,185,268)	18,769,185
Net cash from operating activity		<u>39,971,521</u>	<u>40,966,921</u>
INVESTING ACTIVITY			
Purchase of investment properties		(212,885)	(830,116,782)
Purchase of investment measured at FVTPL		(1,390,000)	-
Net cash used in investing activity		<u>(1,602,885)</u>	<u>(830,116,782)</u>
FINANCING ACTIVITY			
Subscription of units		-	426,701,300
Dividend paid		(37,947,139)	-
Borrowings		-	399,906,600
Net cash (used in) / from financing activity		<u>(37,947,139)</u>	<u>826,607,900</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>421,497</u>	<u>37,458,039</u>
Cash and cash equivalents at the beginning of the period		5,711	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>427,208</u>	<u>37,458,039</u>
Supplemental non-cash transactions			
Purchase of investment through subscription of units in Fund		-	795,304,790

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

AL RAJHI REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six month period ended 30 June 2019

(Amounts in Saudi Riyals)

1. THE FUND AND ITS ACTIVITIES

Al Rajhi REIT Fund (the "Fund") is a closed-ended Shariah compliant real estate investment traded fund. The listing date of the Fund is 20 March 2018.

The Fund is managed by Al Rajhi Capital (the "Fund Manager"), a Saudi closed joint stock company with commercial registration no.1010241681, and an Authorized Person licensed by the CMA under license no. 07068-37 dated 25 June 2007.

The Fund is listed on Tadawul and the units of the Fund shall be traded on Tadawul in accordance with its rules and regulations. The subscribed units of the Fund amounts to SAR 1,222,006,090. The Fund has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of Fund Board and followed by CMA.

The primary investment objective of the Fund is to provide its investors with regular income by investing in income generating real estate assets in Saudi Arabia. The terms and conditions of the Fund were approved by CMA on 30 Rabi Al Awal 1439H (Corresponding to 18 December 2017).

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 unaudited interim condensed financial statements ("Financial Statements") have been prepared in accordance with International Accounting Standard 34: "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization of Certified Public accountants.

3.2 *Basis of measurement and functional and presentation currency*

These financial statements have been prepared under the historical cost convention as modified by the revaluation of Investment measured at FVTPL, using accrual basis of accounting and are expressed in Saudi Arabian Riyals (SAR), which is Funds 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.

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. Fund 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 Fund. Such changes are reflected in the assumptions when they occur.

Going Concern

Fund's management has made an assessment of Fund's ability to continue as a going concern and is satisfied that the Fund 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 Fund'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 Fund'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.

4. SIGNIFICANT ACCOUNTING POLICIES

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

IFRS 16 Leases

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

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of use asset representing its right to use the underlying asset and 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.

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

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

5. MANAGEMENT FEE, OTHER EXPENSES AND TRANSACTION FEE

- **MANAGEMENT FEE, OTHER EXPENSES**

On a daily basis, the Fund Manager charges the Fund, management fee at the rate of 0.8 percent per annum of the Fund's total assets value net of Fund expenses and is paid on quarterly basis.

- **TRANSACTION FEE**

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

AL RAJHI REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six month period ended 30 June 2019

(Amounts in Saudi Riyals)

6. INVESTMENT PROPERTIES

As at 30 June 2019

	Note	Land	Building	Total
<u>Cost</u>				
Balance as of 1 January 2019		1,087,778,260	592,579,593	1,680,357,853
Additions		-	212,885	212,885
Balance as of 30 June 2019		1,087,778,260	592,792,478	1,680,570,738
<u>Accumulated Depreciation</u>				
Balance as of 1 January 2019		-	(13,747,800)	(13,747,800)
Charge for the period	6.1	-	(8,477,116)	(8,477,116)
Balance as of 30 June 2019		-	(22,224,916)	(22,224,916)
Book Value:				
as of 30 June 2019		1,087,778,260	570,567,562	1,658,345,822

As at 31 December 2018

	Note	Land	Building	Total
<u>Cost</u>				
Balance as of 20 March 2018		-	-	-
Additions		1,087,778,260	592,579,593	1,680,357,853
Balance as of 31 December 2018		1,087,778,260	592,579,593	1,680,357,853
<u>Accumulated Depreciation</u>				
Balance as of 20 March 2018		-	-	-
Charge for the period	6.1	-	(13,747,800)	(13,747,800)
Balance as of 31 December 2018		-	(13,747,800)	(13,747,800)
Book Value:				
as of 31 December 2018		1,087,778,260	578,831,793	1,666,610,053

6. INVESTMENT PROPERTIES (Continued)

These investment properties represents thirteen properties; namely:

- The Jarir Al Ahsa investment is located in Riyadh and is classified as in the Retail sector. This asset is now multi-tenanted since June 2018 with an unchanged annual rental of SAR 5.2m
- The Faris International School investment is located in Riyadh and is classified as in the Education sector. This asset is a triple net lease with an annual rental of SAR 10m
- The Mutlaq Lulu investment is located in Riyadh and is classified as in the Retail sector. This asset is a triple net lease with an annual rental of SAR 15.3m
- The Anwar Plaza investment is located in Riyadh and is classified as in the Retail sector. This asset is a triple net lease with an annual rental of SAR 4.4m
- The Narjes Plaza investment is located in Riyadh and is classified as in the Retail sector. This asset is a triple net lease with an annual rental of SAR 4.3m
- The Rama Plaza investment is located in Riyadh and is classified as in the Retail sector. This asset is a triple net lease with an annual rental of SAR 4.7m
- The Panda Marwah Jeddah investment is located in Jeddah and is classified as in the Retail sector. This asset is a triple net lease with an annual rental of SAR 11.3m
- The Panda Madain Fahad Jeddah investment is located in Jeddah and is classified as in the Retail sector. This asset is a triple net lease with an annual rental of SAR 2.5m
- The Panda Rawda Jeddah investment is located in Jeddah and is classified as in the Retail sector. This asset is a triple net lease with an annual rental of SAR 2.6m.
- The Panda Khamis Mushait investment is located in Khamis Mushait and is classified as in the Retail sector. This asset is a triple net lease with an annual rental of SAR 3.0m
- The Al Andalus investment is located in Jeddah and is classified as in the Commercial sector. This asset is multi-tenanted with an annual rental of SAR 14.3m
- The Blue Tower investment is located in Al Khobar and is classified as in the Commercial sector. This asset is a triple net lease with an annual rental of SAR 18.3m
- The Luluah Warehouse investment is located in Riyadh and is classified as in the Logistics sector. This asset is a triple net lease with an annual rental of SAR 13.6m
- The Lulu Central Logistics Warehouse investment is located in Riyadh and is classified as in the Logistics sector. This asset is a triple net lease with an annual rental of SAR 3.8m

AL RAJHI REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six month period ended 30 June 2019

(Amounts in Saudi Riyals)

6. INVESTMENT PROPERTIES (Continued)

- 6.1 The Fund has the policy of charging depreciation on building over 33 years. The depreciation is charged on depreciable amount i.e. cost less residual value.
- 6.2 All properties are held in the name of Al-Rajhi Development Company, Privileged Warehouse Company 2 and Gulf Fund Company for development and real estate investment (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.
- 6.3 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

7. INVESTMENT MEASURED AT FVTPL

30 June 2019	Fund Manager	Number of units	Cost	Market Value
Al Rajhi Commodity Fund SAR	Rajhi Capital	391,500	60,903,565	61,383,602
31 December 2018				
Al Rajhi Commodity Fund SAR	Rajhi Capital	384,265	59,157,721	59,390,460

8. EFFECT ON NET ASSET VALUE IF INVESTMENTS IN REAL ESTATE PROPERTIES ARE FAIR VALUED

The Fund Manager evaluates the Fund's real estate assets based on average of two valuations prepared by independent evaluators in compliance with Article 21 of the Real Estate Investment Funds Regulations issued by CMA in the Kingdom of Saudi Arabia and As stated in T&C of the Fund, the Net Asset Value is disclosed based on available market value However, the investments are carried at cost in these interim condensed financial statements. Accordingly, the fair values are disclosed below for information purposes and have not been accounted for in the Fund's books.

The properties are valued by selected appraisers i.e. ValuStrat, Olat Valuation Company Ltd. and White Cubes real estate.

30 June 2019	First Appraiser 1	Second Appraiser 2	Average
Investment properties	1,684,415,836	1,633,175,000	1,658,795,418
31 December 2018			
Investment properties	1,659,873,376	1,637,800,000	1,648,836,688

AL RAJHI REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six month period ended 30 June 2019

(Amounts in Saudi Riyals)

8. EFFECT ON NET ASSET VALUE IF INVESTMENTS IN REAL ESTATE PROPERTIES ARE FAIR VALUED (Continued)

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

The investment properties were valued taking into consideration number of factors, including the area and type of property. Below is an analysis of the investment properties' fair value versus cost:

i) The unrealised gain on investment properties based on fair value evaluation is set out below:

	30 June 2019	31 December 2018
Estimated fair value of investment properties based on the average of the two valuator used	1,658,795,418	1,648,836,688
Less: the carrying value of investments property	(1,658,345,822)	(1,666,610,053)
Estimated fair value in surplus / (deficit) of the book value	449,596	(17,773,365)
Units in issue (numbers)	122,200,609	122,200,609
Increase/(decrease) in value per unit based on fair value	0.00	(0.14)

ii) The net asset value using the fair values of the real estate properties is set out below:

	30 June 2019	31 December 2018
Net assets attributable to unitholders as per the financial statements before fair value adjustment	1,242,510,175	1,250,411,446
Estimates fair value in surplus / (deficit) of book value	449,596	(17,773,365)
Net assets attributable to unitholders based on fair valuation of investment properties	1,242,959,771	1,232,638,081

iii) The net asset value per unit, using the fair values of the real estate properties is set out below:

	30 June 2019	31 December 2018
Book value per unit as per the financial statements before fair value adjustment	10.17	10.23
Decrease in value per unit based on fair value	0.00	(0.14)
Net assets attributable to each unit based on fair valuation	10.17	10.09

9. INCOME FROM INVESTMENT MEASURED AT FVTPL

	30 June 2019	30 June 2018
Unrealized gain from investments measured at FVTPL	247,616	-
Realized gain from investments measured at FVTPL	355,526	-
Total	603,142	-

AL RAJHI REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

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(Amounts in Saudi Riyals)

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	<u>30 June 2019</u>	<u>31 December 2018</u>
Special commission payable	2,144,357	9,947,760
Accounts payable and Accrued Expenses	885,277	555,951
Property level accrued expenses	929,432	791,522
Other	357,334	206,435
Accrued expenses and other liabilities	<u>4,316,400</u>	<u>11,501,668</u>

11. UNIT TRANSACTION

Transaction in units of the Fund for the period is summarized as follows:

	<u>30 June 2019</u>	<u>30 June 2018</u>
Units at the beginning of the period	122,200,609	-
Units issued during the period for consideration in cash (note 11.1)	-	42,670,130
Units issued during the period for consideration other than cash (note 11.2)	-	79,530,479
Units at the end of the period	<u>122,200,609</u>	<u>122,200,609</u>

11.1 During the period, the Fund issued Nil (30 June 2018: 42,670,130 units for SAR 426,701,300) units to the general public.

11.2 During the period the Fund issued Nil (30 June 2018: 79,530,479 units) as a consideration for the purchase of investment properties.

12. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include "Al Rajhi Capital" being the Fund Manager, Al Rajhi Bank (being the shareholder of Al Rajhi Capital), the Fund which is managed by the Fund Board of Director, KASB Capital (being the custodian of the Funds) and any party that has the ability to control other party or exercise significant influence over the other party in making financial or operational decisions.

In the ordinary course of its activities, the Fund transacts business with related parties. The related party transactions are governed by limits set by the regulations issued by the CMA. All related party transactions are disclosed to the Fund Board of Director.

Al Rajhi Bank acts as a banker of the Fund and as at 30 June 2019 SAR 427,208 (30 June 2018 SAR 5,711) were held in current accounts of the Fund maintained therewith.

AL RAJHI REIT FUND

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12. TRANSACTIONS WITH RELATED PARTIES (Continued)

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

<u>Related Party</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u>		<u>Balance Receivables/ (payable)</u>	
		<u>30 June 2019</u>	<u>30 June 2018</u>	<u>30 June 2019</u>	<u>31 December 2018</u>
Al Rajhi Real Estate Income Fund	Income received on behalf of the Fund	5,158,854	1,340,789	-	162,717
	Expenses Paid by the Fund		-	-	5,074,932
Al Rajhi Capital	Management fee	3,639,571	6,450,671	(3,247,039)	(2,956,760)
	Financial support	-	2,000,000	-	(2,000,000)
	Expenses Paid on behalf of the Fund	682,064	-		(1,467,405)
Al Rajhi Bank	Special commission *	5,715,787	8,788,981	(2,144,357)	(9,947,760)
	Loan Facility	-	-	(456,913,600)	(456,913,600)
KASB Capital	Custodial fees	27,948	57,709	36,339	28,630
Al Rajhi GCC Real	Expenses Paid by Fund on behalf	-	680,055	698,055	18,000
	Income received by Fund on behalf	-	-	(253,065)	(253,065)

*Special Commission payable is included in the financial position under accrued expenses and other liabilities.

The REIT has inherited the loan of SAR 399,906,600 from Al Rajhi Real Estate Income Fund, which was converted into REIT by way of in kind contribution (see Note 1). The loan was drawn down in 2 tranches. Tranche I was of SAR 254,500,000 and Tranche 2 of SAR 145,406,600. This loan was assigned to Privileged Warehouse Company 2, a SPV acting on behalf of the Al Rajhi Real Estate Income Fund. Privileged Warehouse Company 2 is now an SPV of the REIT and continues to service the liability of this loan. Tranche I of the loan is secured by pledge of Jarir Book Store Building, Al Mutlaq Building, Anwar Mall, Narjes Mall and Rama Mall. The maturity date of the principal of Tranche 1 will be on 20 December 2020. Tranche 2 of the loan is secured by pledge of Al Faris International School Building and Aziza Panda Marwah. The maturity date of the principal will be on 23 March 2021.

Both tranches carry fixed special commission rate of 3.78%. The special commission is paid over five years on a semi-annual basis. Special commission due for the period ended 30 June 2019 has been included on a pro-rata basis from the date of in kind contribution transfer to the REIT and is reflected in current liabilities.

On 30 October 2018, the Fund also obtained a Shariah facility of SR 57,007,000 from Al Rajhi Bank, an affiliate of the Fund Manager. The facility has a variable profit rate of 3M SAIBOR + 1.5%, the term of the facility is 7 years.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Financial instruments carried in these financial statements principally include cash and cash equivalents, rental income receivable, Investment measured at FVTPL, Due from related parties, accrued management fee, accrued expenses, Due to related parties and Borrowings. 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 Fund 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 Fund 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 Fund management monitors on a regular basis the fluctuation and changes in the overall economic environment and believes that the impact of such changes is not significant to the Fund.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The maximum exposure to credit risk applicable to the Fund approximates to the carrying value of the financial assets as disclosed in these financial statements. Cash is placed with a reputable bank having sound credit rating.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Fund does not have any significant exposure to currency risk as all its monetary assets and monetary liabilities are denominated in Saudi Riyals.

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As the accompanying financial statements are prepared under the historical cost convention, difference may arise between the book values and the fair value estimates. Management believes that the fair values of the Fund's financial assets and liabilities, other than investment properties, are not materially different from their carrying values.

Fund classifies all of its financial assets except for those carried at amortised cost, at fair value as level 1.

AL RAJHI REIT FUND

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14. DIVIDENDS DISTRIBUTION

In accordance with the approved terms and conditions of the Fund on 11 February 2019, the Fund's Board approved to distribute dividends with regards to the six month period ended 31 December 2018 amounting to SAR 0.311 per unit totalling SAR 37,947,139 to its unit holders. The same was paid on 25 February 2019.

Subsequently, on 23 July 2019, the Fund's board of directors has approved to distribute a dividend with regards to the six month period ended 30 June 2019 for an amount of SAR 0.32 per unit totalling SAR 39,104,195 to its unit holders.

15. LAST VALUATION DAY

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

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund's Board on 25 Dhul Qa'dah 1440 H (Corresponding to 28 July 2019).