

**SICO SAUDI REIT FUND (Previously known as  
Al Masha'ar REIT Fund)  
A Real Estate Investments Traded Fund  
(Closed-Ended Fund)  
MANAGED BY SICO CAPITAL (Previously known as  
Muscat Capital)**

**INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE  
SIX-MONTH PERIOD ENDED 30 JUNE 2022 AND  
INDEPENDENT AUDITOR'S REVIEW REPORT**

**SICO SAUDI REIT FUND (Previously known as Al Masha'ar REIT Fund)**  
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**INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED  
30 JUNE 2022 AND INDEPENDENT AUDITOR'S REVIEW REPORT**

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS****TO THE UNITHOLDERS****SICO SAUDI REIT FUND (Previously known as Al Masha'ar REIT Fund)**

(1 /1)

**A Real Estate Investments Traded Fund****MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)****Riyadh, Kingdom of Saudi Arabia****INTRODUCTION**

We have reviewed the accompanying interim statement of financial position of SICO Saudi REIT Fund (Previously known as Al Masha'ar REIT Fund) as at 30 June 2022 and the related interim statement of comprehensive income for the six-month periods then ended, and the interim statements of changes in equity 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.**

Ahmed A. Mohandis  
Certified Public Accountant  
License No. 477  
Riyadh: 26 Muharram 1444H  
Corresponding to: 24 August 2022

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**INTERIM STATEMENT OF FINANCIAL POSITION**

**As at 30 June 2022**

**(Amounts in Saudi Riyals)**

	<u>Notes</u>	<u>30 June 2022</u> <b>(Unaudited)</b>	<u>31 December 2021</u> <b>(Audited)</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	6,13	<b>14,666,876</b>	11,013,952
Investments carried at fair value through profit or loss (FVTPL)	7,13	<b>1,272,591</b>	4,138,964
Rent receivable	8	<b>7,073,590</b>	975,796
Prepayment and other assets		<b>3,318,216</b>	428,747
Investment properties	9	<b>646,468,000</b>	638,585,000
<b>TOTAL ASSETS</b>		<b><u>672,799,273</u></b>	<b><u>655,142,459</u></b>
<b><u>LIABILITIES</u></b>			
Accrued expenses and other liabilities	13	<b>360,433</b>	379,144
Unearned rental income	8	<b>6,269,247</b>	2,387,602
Islamic Financing	11	<b>150,406,137</b>	150,211,551
<b>TOTAL LIABILITIES</b>		<b><u>157,035,817</u></b>	<b><u>152,978,297</u></b>
<b>NET ASSETS (EQUITY) VALUE</b>		<b><u>515,763,456</u></b>	<b><u>502,164,162</u></b>
<b>UNITS IN ISSUE (Number)</b>		<b><u>57,240,000</u></b>	<b><u>57,240,000</u></b>
<b>PER UNIT VALUE</b>		<b><u>9.01</u></b>	<b><u>8.77</u></b>
<b>PER UNIT FAIR VALUE</b>	12	<b><u>9.01</u></b>	<b><u>8.77</u></b>

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

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**INTERIM STATEMENT OF COMPREHENSIVE INCOME / (LOSS) (UNAUDITED)**  
**For the six-month period ended 30 June 2022**  
**(Amounts in Saudi Riyals)**

	<u>Note</u>	<u>For the six-month period ended 30 June 2022 (Unaudited)</u>	<u>For the six-month period ended 30 June 2021 (Unaudited)</u>
Net rentals from investment properties	9	18,247,671	6,772,877
Net realized and unrealized gain from investments carried at FVTPL	10	33,627	2,925
<b>Total operating income</b>		<b>18,281,298</b>	<b>6,775,802</b>
Depreciation expense	9	(4,813,289)	(4,179,410)
Finance cost	11	(2,655,072)	(1,445,910)
Management fee	13	-	-
Other expenses		(1,323,932)	(604,639)
<b>Total operating expenses</b>		<b>(8,792,293)</b>	<b>(6,229,959)</b>
Impairment reversal / (charge) on investment properties	9	12,696,289	(6,523,621)
<b>Net income / (loss) for the period</b>		<b>22,185,294</b>	<b>(5,977,778)</b>
Other comprehensive income		-	-
<b>Total comprehensive income / (loss) for the period</b>		<b>22,185,294</b>	<b>(5,977,778)</b>

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**INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY) (UNAUDITED)**  
**For the six-month period ended 30 June 2022**  
**(Amounts in Saudi Riyals)**

	<u>Note</u>	<u>For the six-month period ended 30 June 2022 (Unaudited)</u>	<u>For the six-month period ended 30 June 2021 (Unaudited)</u>
<b>Net assets (Equity) value attributable to the Unitholder at beginning of the period</b>		<b>502,164,162</b>	501,181,695
Dividend paid during the period	17	<b>(8,586,000)</b>	-
Total Comprehensive income / (loss) for the period		<b>22,185,294</b>	(5,977,778)
<b>Net assets (Equity) value attributable to the unitholder at end of the period</b>		<b><u>515,763,456</u></b>	<b><u>495,203,917</u></b>

Transactions in units for the period are summarized as follows:

	<u>For the six-month period ended 30 June 2022 (Unaudited)</u>	<u>For the six-month period ended 30 June 2021 (Unaudited)</u>
<b>Number of units at the beginning of the period</b>	<b>57,240,000</b>	57,240,000
Subscription of units	-	-
Redemption of units	-	-
<b>Number of units at the end of the period</b>	<b><u>57,240,000</u></b>	<b><u>57,240,000</u></b>

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**A Real Estate Investments Traded Fund**  
**(Closed-ended fund)**  
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**INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**For the six-month period ended 30 June 2022**  
**(Amounts in Saudi Riyals)**

	Note	For the six-month period ended 30 June 2022	For the six-month period ended 30 June 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income / (loss) for the period		22,185,294	(5,977,778)
<i>Adjustment for</i>			
Depreciation on investment properties	9	4,813,289	4,179,410
Impairment (reversal) / charge on investment property	9	(12,696,289)	6,523,621
Unrealized gain from investments carried at FVTPL	10	(16,202)	(1,125)
Realized gain from investments carried at FVTPL	10	(17,425)	(1,800)
Finance cost charge		2,655,072	1,445,910
		<b>16,923,739</b>	<b>6,168,238</b>
<b>Changes in operating assets:</b>			
Prepayment and other assets		(2,889,469)	(2,256,377)
Purchase of investment property		-	(148,872,291)
Rent receivable		(6,097,794)	-
<b>Changes in operating liabilities:</b>			
Accrued expenses and other liabilities		(18,711)	1,578,461
Unearned rental income		3,881,645	10,302,123
<b>Net cash (used in) / generated from operating activities</b>		<b>11,799,410</b>	<b>(133,079,846)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale of investments carried at FVTPL		2,900,000	500,000
Purchase of investments carried at FVTPL		-	(5,000,000)
<b>Net (used in) / cash generated from investing activities</b>		<b>2,900,000</b>	<b>(4,500,000)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Islamic Financing	11	-	149,891,640
Finance cost paid		(2,460,486)	-
Dividend paid during the period	17	(8,586,000)	-
<b>Net cash generated from / (used in) financing activity</b>		<b>(11,046,486)</b>	<b>149,891,640</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the period		3,652,924	12,311,794
		<b>11,013,952</b>	<b>1,330,686</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>14,666,876</b>	<b>13,642,480</b>

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements

# **SICO SAUDI REIT FUND (Previously known as Al Masha'ar REIT Fund)**

## **A Real Estate Investments Traded Fund**

### **(Closed-ended fund)**

#### **MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

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#### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**For the six-month period ended 30 June 2022**

**(Amounts in Saudi Riyals)**

### **1. THE FUND AND ITS ACTIVITIES**

SICO Saudi REIT Fund (Previously known as Al Masha'ar REIT Fund) (the "REIT" or the "Fund") is a closed-ended Shariah compliant real estate investment traded fund. The Fund commenced its operation on 27 December 2017.

The REIT is managed by SICO Capital (Previously known as Muscat Capital) (the "Fund Manager"), a Saudi Closed Joint Stock company with commercial registration no.1010259328, and an Authorized Person licensed by the Capital Market Authority ("CMA") under license no. 08096-37 dated 20 June 2009.

The REIT acquired four properties, including one amounting to SAR 182,400,000 from Makkah Income Generating Fund, a Private Closed Fund also managed by SICO Capital (Previously known as Muscat Capital). Consideration of these purchases were disbursed by way of cash payment as well as an "In-Kind" consideration by way of Units in the SICO Saudi REIT Fund (Previously known as Al Masha'ar Fund) amounting to SAR 172,539,000 and SAR 399,861,000 respectively and by loan amounting to SAR 149,891,640.

The REIT operates in accordance with Real Estate Investment Funds Regulations and REIT Regulations issued by the 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 subscribed units of the REIT equals to 57,240,000. The REIT has a term of 99 years, which is extendable at the discretion of the Fund Manager following the approval of CMA.

The Fund was launched with the investment objective of investing in income-generating real estate assets only in the holy cities of Makkah and Medina, Kingdom of Saudi Arabia. Subsequent to the period ended 31 December 2018 and effective from 10 January 2019, the Fund published its new Terms & Conditions with the updated investment objective to invest in income-generating real estate in any city within the Kingdom of Saudi Arabia.

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

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

The REIT shall be governed by the laws of Kingdom of Saudi Arabia and the regulations implemented by the CMA. The investments of the REIT shall comply with the Regulation of Ownership and Investment in Real Estate by Non-Saudis. The initial terms and conditions of the REIT were approved by CMA on 26 Muharram 1439H (Corresponding to 16 October 2017). Also, see Note 18 for changes in fund's terms and conditions.

### **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.



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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**For the six-month period ended 30 June 2022**  
**(Amounts in Saudi Riyals)**

**3. BASIS OF PREPARATION**

**3.1 *Statement of compliance***

These interim condensed financial statements have been prepared in accordance with International Accounting Standards 34: "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). And to comply with implementing regulations issued by CMA and the Fund terms and conditions.

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

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 2021. The results for the six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022

**3.2 *Basis of measurement and functional and presentation currency***

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

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

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

**3.3 *Critical accounting judgments, estimates and assumption***

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are described below. REIT based its assumptions and estimates on parameters available when the 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.

# **SICO SAUDI REIT FUND (Previously known as Al Masha'ar REIT Fund)**

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## **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**For the six-month period ended 30 June 2022**

**(Amounts in Saudi Riyals)**

### **3. BASIS OF PREPARATION (CONTINUED)**

#### **3.3 Critical accounting judgments, estimates and assumption (Continued)**

##### **Going Concern**

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

##### **Valuation of investment properties**

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

##### **Impairment of non-financial assets**

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

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-tax discount rate that reflects the current market assessments of the 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

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**3. BASIS OF PREPARATION (CONTINUED)**

**3.3 Critical accounting judgments, estimates and assumption (Continued)**

**Measurement of the expected credit loss allowance**

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 2021.

**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 1 percent per annum of the Fund's net assets value and is paid on a quarterly basis. Due to on-going pandemic situation, the Fund manager has waived the fees since 14 March 2020. Accordingly, no fee was charged during the period ended 30 June 2022.

**6. CASH AND CASH EQUIVALENTS**

	<u>Notes</u>	<u>30 June 2022</u>	<u>31 December 2021</u>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Cash at bank	6.1, 12	<b>14,666,876</b>	11,013,952
<b>Total</b>		<b>14,666,876</b>	<b>11,013,952</b>

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**For the six-month period ended 30 June 2022**  
**(Amounts in Saudi Riyals)**

**6. CASH AND CASH EQUIVALENTS (CONTINUED)**

**6.1** Cash balances includes current accounts held with Riyadh Bank, Bank Muscat and other local financial institution. The Fund does not earn profit on these current accounts.

**7. INVESTMENTS CARRIED AT FVTPL**

	<b>Note</b>	<b>30 June 2022</b>	<b>31 December 2021</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
SICO Capital Money Market Fund	12	<b>1,272,591</b>	4,138,964

The following is the movement in investments during the period

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cost:		
At the beginning of the year	4,138,964	508,503
Additions during the year	-	13,000,000
Sold during the year	<b>(2,882,575)</b>	(9,411,760)
At the end of the year	<b>1,256,389</b>	4,096,743
Change in fair value:		
Changes in fair value during the year	33,627	130,461
Realized during the year	<b>(17,425)</b>	(88,240)
Unrealized at the end of the year	<b>16,202</b>	42,221
Net Investments at the end of the year	<b>1,272,591</b>	4,138,964

**8. RENT RECEIVABLE / UNEARNED RENTAL**

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
At the beginning of the year	975,796	615,180
Earned during the year	18,247,671	15,048,014
Received during the year	<b>(12,149,877)</b>	(14,687,398)
Rent receivable / (Unearned rentals) at the end of the year	<b>7,073,590</b>	975,796

**8.1** During the period, the fund also received advance rent from the tenant against it's properties amounting to SAR 6.27 million (31 December 2021: 2.39 million).

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**(Amounts in Saudi Riyals)**

**9. INVESTMENT PROPERTIES**

**As of 30 June 2022 (Unaudited)**

	<u>Note</u>	<u>Land</u>	<u>Building</u>	<u>Total</u>
<b><u>Cost</u></b>				
Balance as of 31 December 2021		381,549,835	339,722,456	721,272,291
Additions		-	-	-
<b>Balance as of 30 June 2022</b>		<b>381,549,835</b>	<b>339,722,456</b>	<b>721,272,291</b>
<b><u>Accumulated Depreciation</u></b>				
Balance as of 31 December 2021		-	29,828,931	29,828,931
Charge for the period	9.2	-	4,813,289	4,813,289
<b>Balance as of 30 June 2022</b>		<b>-</b>	<b>34,642,220</b>	<b>34,642,220</b>
<b><u>Accumulated Impairment losses</u></b>				
Balance as of 31 December 2021		-	52,858,360	52,858,360
Reversal for the period		-	(12,696,289)	(12,696,289)
<b>Balance as of 30 June 2022</b>		<b>-</b>	<b>40,162,071</b>	<b>40,162,071</b>
<b>Book Value:</b>				
<b>as of 30 June 2022</b>		<b>381,549,835</b>	<b>264,918,165</b>	<b>646,468,000</b>

**As of 31 December 2021 (Audited)**

	<u>Note</u>	<u>Land</u>	<u>Building</u>	<u>Total</u>
<b><u>Cost</u></b>				
Balance as of 31 December 2020		330,241,376	242,158,624	572,400,000
Additions		51,308,459	97,563,832	148,872,291
<b>Balance as of 31 December 2021</b>		<b>381,549,835</b>	<b>339,722,456</b>	<b>721,272,291</b>
<b><u>Accumulated Depreciation</u></b>				
Balance as of 31 December 2020		-	20,756,454	20,756,454
Charge for the year	9.2	-	9,072,477	9,072,477
<b>Balance as of 31 December 2021</b>		<b>-</b>	<b>29,828,931</b>	<b>29,828,931</b>
<b><u>Accumulated Impairment losses</u></b>				
Balance as of 31 December 2020		-	53,442,806	53,442,806
Reversal for the year		-	(584,446)	(584,446)
<b>Balance as of 31 December 2021</b>		<b>-</b>	<b>52,858,360</b>	<b>52,858,360</b>
<b>Book Value:</b>				
<b>as of 31 December 2021</b>		<b>381,549,835</b>	<b>257,035,165</b>	<b>638,585,000</b>

## **SICO SAUDI REIT FUND (Previously known as Al Masha'ar REIT Fund)**

**A Real Estate Investments Traded Fund**

**(Closed-ended fund)**

**MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

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#### **9. INVESTMENT PROPERTIES (CONTINUED)**

The investment properties represent the following three properties:

- The Eskan 4 building is located in Makkah with an annual rental income of SAR 12.8M;
- The Eskan 5 building is located in Makkah with an annual rental income of SAR 12.3M, however due to expiry of the rental agreement with the tenant the property is vacant as at 30 June 2022;
- The Eskan 6 building is located in Makkah with an annual rental income of SAR 13.5M; and
- The IOffices building is located in Riyadh with annual rental income of SAR 10.45M.

**9.1** The Board of the Fund has agreed with Eskan Development & Investment Company to receive the complete rentals for the Eskan 4 and Eskan 6 properties however for Eskan 5 the rental contract with the tenant is expired and the building is vacant therefore there is no income for Eskan 5 during the period, however the Fund manager is planning to lease all three properties together to a new tenant as the Contract for Eskan 4 and Eskan 6 will be expiring in December 2022.

The Fund commenced receiving full rental amount from IOffices building from 25 March 2021.

**9.2** The Fund has the policy of charging depreciation on building over 35 years using the straight-line method.

#### **10. NET REALIZED AND UNREALIZED GAIN FROM INVESTMENTS CARRIED AT FVTPL**

	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Unrealized gain from investments carried at FVTPL	<b>16,202</b>	1,125
Realized gain from investments carried at FVTPL	<b>17,425</b>	1,800
<b>Total</b>	<b>33,627</b>	2,925

#### **11. ISLAMIC FINANCING**

The Fund has obtained Islamic financing amounting to SAR 149.89 million dated 09 March 2021 from Riyad Bank. The finance cost of facility is calculated at 3 months SAIBOR + 2.25%. The contract has a maturity of 3 months, which is renewed after every three months. The Fund is allowed under its terms and conditions to obtain loans for the acquisition of properties in order to achieve the objectives of the Fund. The title of the properties of the Fund are kept as a collateral against the borrowing amount.

#### **12. EFFECT OF NET ASSET (EQUITY) VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED**

In accordance with Article 22 of the Real Estate Investments Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's assets based on an average of two evaluations prepared by independent evaluators. As set out in the terms and conditions of the Fund, net asset value declared is 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 losses, if any. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's financial statements.

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**12. EFFECT OF NET ASSET (EQUITY) VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED (CONTINUED)**

The valuation of the investment properties (the “properties”) is determined by **White Cubes Real Estate Company** and **Qiam Valuation Company** (2021: White Cubes Real Estate Company and Value Experts Company). These two valuers are licensed by the Saudi Authority for Accredited Valuers (“TAQEEM”). The Fund Manager has used the average of two valuations for the purpose of disclosing the fair value of the properties. The properties were valued taking into consideration a number of factors, including the area and type of properties, and valuation techniques using significant unobservable inputs, including the land plus cost model, direct comparison method and discounted cash flow method.

As of 30 June 2022, the valuation of the investment properties are as follows:

	<b>First Appraiser</b>	<b>Second Appraiser</b>	<b>Average</b>
<b><u>30 June 2022 (Unaudited)</u></b>	<b><u>White Cubes</u></b>	<b><u>Qiam Valuation</u></b>	
Investment properties	<b>659,800,000</b>	<b>633,136,000</b>	<b>646,468,000</b>
<b>Total</b>	<b>659,800,000</b>	<b>633,136,000</b>	<b>646,468,000</b>

	<b>First Appraiser</b>	<b>Second Appraiser</b>	<b>Average</b>
<b><u>31 December 2021 (Audited)</u></b>	<b><u>White Cubes</u></b>	<b><u>Value Experts</u></b>	
Investment properties	<b>659,800,000</b>	<b>617,370,000</b>	<b>638,585,000</b>
<b>Total</b>	<b>659,800,000</b>	<b>617,370,000</b>	<b>638,585,000</b>

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

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, land plus cost model, direct comparison method and discounted cash flow method. The analysis of investment properties fair value versus cost is disclosed below:

	<b><u>30 June 2022</u></b> <b>(Unaudited)</b>	<b><u>31 December 2021</u></b> <b>(Audited)</b>
Estimated fair value of investment properties based on the average of the two valuers used	<b>646,468,000</b>	<b>638,585,000</b>
Less: the carrying value of investment property	<b>(646,468,000)</b>	<b>(638,585,000)</b>
Estimated fair value in surplus of book value	<b>-</b>	<b>-</b>
Units in issue (numbers)	<b>57,240,000</b>	<b>57,240,000</b>
Additional value per unit based on fair value	<b>-</b>	<b>-</b>

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**12. EFFECT OF NET ASSET (EQUITY) VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED (CONTINUED)**

*Net asset (Equity) value:*

	<u>30 June 2022</u> (Unaudited)	<u>31 December 2021</u> (Audited)
Net assets (Equity) attributable to unitholders as per the financial statements before fair value adjustment	515,763,456	502,164,162
Estimated fair value in surplus of book value	-	-
Net assets (Equity) attributable to unitholders based on fair valuation of investment properties	<u>515,763,456</u>	<u>502,164,162</u>

*Net asset attributable to each unit:*

	<u>30 June</u> <u>2022</u> (Unaudited)	<u>31 December</u> <u>2021</u> (Audited)
Net Assets (Equity) value per unit as per the financial statements before fair value adjustment	9.01	8.77
Increase in value per unit based on fair value	-	-
Net assets (Equity) attributable to each unit based on fair valuation	<u>9.01</u>	<u>8.77</u>

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

Measurement data of fair value according to IFRS 13 as at 30 June 2022 as follows:

<b>White Cubes</b>			
<b>Properties</b>	<b>Valuation approach</b>	<b>Key inputs and valuation assumptions</b>	<b>Rate</b>
Eskan 4	Income Approach	Capitalization rate	7.5%
Eskan 5	Income Approach	Capitalization rate	7.5%
Eskan 6	Income Approach	Capitalization rate	7.5%
Ioffices	Income Approach	Capitalization rate	7.5%

<b>Qiam Valuation</b>			
<b>Properties</b>	<b>Valuation approach</b>	<b>Key inputs and valuation assumptions</b>	<b>Rate</b>
Eskan 4	DCF	Discount rate	9%
Eskan 5	DCF	Discount rate	9%
Eskan 6	DCF	Discount rate	9%
Ioffices	DCF	Discount rate	9%

All properties are held in the name of Al Masha'ar REIT real estate Company (the "SPV"). The SPV is holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties.



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**13. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties of the Fund include “SICO Capital” previously known as Muscat Capital being the Fund Manager, (SICO Bank Bahrain, Bank Muscat being the shareholder of SICO Capital), with the underlying properties of the Fund being custodized with Riyadh Capital (being the custodian of the Funds).

For management services, the Fund pays quarterly, the management fees at an annual rate of 1% of the net assets (equity) of the Fund attributable to Unitholders, at each valuation date, as set out in the Fund's terms and conditions. However, in light of the Fund manager's announcement on Tadawwul for waiver of the management fee, the accrual of management fee was restricted till 14 March 2020.

The Fund pays fixed custodian fees of SR 175,000 per annum, as set out in the Fund's terms and conditions and is paid quarterly.

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

<u>Related Party</u>	<u>Nature of transaction</u>	<u>30 June 2022</u> <u>(Unaudited)</u> <u>Amount of transaction</u>	<u>30 June 2021</u> <u>(Unaudited)</u> <u>Amount of transaction</u>
SICO Capital (Previously known as Muscat Capital)	Transaction fee	-	(2,248,375)
	Admin fee	(124,509)	(124,266)
	Others	-	-
Riyadh Capital	Custodian fees	(86,781)	(86,781)

The balances resulting from related party transactions are as follows:

<u>Related Party</u>	<u>Nature of transaction</u>	<u>30 June 2022</u> <u>(Unaudited)</u> <u>Balance</u>	<u>31 December 2021</u> <u>(Audited)</u> <u>Balance</u>
SICO Capital (Previously known as Muscat Capital)	Management fee **	142,431	142,431
	Admin fee *	155,077	(143,136)
	Others *	5,048	(3,257)
Riyadh Capital	Custodian fees *	22,721	(114,940)
Bank Muscat	Current account	2,305	2,305
SICO Capital Money Market fund (Previously known as Muscat Capital Money Market fund)	Investments	1,272,591	4,138,964

\* These balances have been recorded under accrued expenses and other liabilities.

\*\* This is recorded under prepayments and other assets.

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**14. RISK MANAGEMENT**

**14.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

Financial instruments carried in these interim condensed financial statements principally include cash and cash equivalents, rent receivable, and accrued expenses and other liabilities. Financial assets and liabilities are offset and net amounts reported in the financial statements, when the REIT has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and liability simultaneously.

**(a) Market risk**

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

***Currency risk***

Currency risk is the risk that the value of financial instrument may fluctuate due to a change in foreign exchange rates. The financial instruments of the Fund i.e., bank balances, financial assets held at FVTPL, rent receivable, accrued management fee and accrued expenses and other liabilities are denominated in Saudi Arabian Riyals. Accordingly, the Fund is not exposed to any currency risk.

***Price risk***

Price risk is the risk that the value of Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements. The price risk arises primarily from uncertainty about the future prices of the financial instruments that the Fund holds. The Fund closely monitors the price movement of its investment in financial instruments. As of the statement of financial position date, the Fund has investment in SICO Capital Money Market Fund.

The effect on the net assets (Equity) (as a result of change in fair value of investments as at 30 June 2022 and 31 December 2021) due to a reasonably possible change in equity of FVTPL investments, with all other variable held constant, is as follows:

		<u>30 June 2022</u>	<u>31 December 2021</u>
		(Unaudited)	(Audited)
Effect on Net Assets	±5%	63,630	206,948

***Commission rate risk***

Commission rate risk is the risk that the value of future cashflows of financial instruments or fair value of fixed coupon financial instruments will fluctuate due to changes in the market commission rates.

The fund has obtained Islamic Financing facility during the year and is exposed to commission rate risk. The effect on the net assets (Equity) (as a result of change in finance cost as at 30 June 2022 and 31 December 2021) due to a reasonably possible change in commission rate, with all other variable held constant, is as follows:

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**14. RISK MANAGEMENT (CONTINUED)**

**14.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**(a) Market risk (Continued)**

***Commission rate risk (Continued)***

In case there was 1% change in the commission rate:

		<u>30 June 2022</u>	<u>31 December 2021</u>
		(Unaudited)	(Audited)
Effect on Net Assets	±1%	<b>1,504,061</b>	1,502,116

The Fund is not subject to commission rate risk, as it does not currently have any commission bearing financial instruments.

**(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 cash at bank.

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. The credit quality of the Fund's bank balance is assessed with reference to external credit ratings. The bank balances along with credit ratings are tabulated below.

<b>Rating of Financial Institution</b>		<u>30 June 2022</u>	<u>31 December 2021</u>
		(Unaudited)	(Audited)
<b>Cash at bank</b>			
BBB+		<b>14,664,571</b>	11,011,647
Ba2		<b>2,305</b>	2,305
		<u><b>14,666,876</b></u>	<u>11,013,952</u>

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

	<u>Note</u>	<u>30 June 2022</u>	<u>31 December 2021</u>
		(Unaudited)	(Audited)
Cash and cash equivalents	6	<b>14,666,876</b>	11,013,952
Rent Receivable	8	<b>7,073,590</b>	975,796

**(c) Liquidity risk**

Liquidity risk is the risk that the Fund may encounter difficulty in generating funds to meet commitments associated with financial liabilities which comprises of Islamic financing and other liabilities. The Fund is a closed-ended fund and further to subscribing to the Fund's units during the offering period, no sales and purchase of units are permitted unless specifically approved by CMA.

The remaining contractual maturities at the reporting date of the Fund's financial liabilities consisting of accrued management and accrued expenses and other liabilities are all due as follows:

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**14. RISK MANAGEMENT (CONTINUED)**

**14.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**(c) Liquidity risk (Continued)**

	<b>30 June 2022 (Unaudited)</b>			
	<b>Carrying amount</b>	<b>Up to three months</b>	<b>More than 3 months and up to one year</b>	<b>More than one year</b>
Islamic financing	<b>150,406,137</b>	<b>150,406,137</b>	-	-
Accrued expenses and other liabilities	<b>360,433</b>	<b>360,433</b>	-	-
	<b>150,766,570</b>	<b>150,766,570</b>	-	-

  

	<b>31 December 2021 (Audited)</b>			
	<b>Carrying amount</b>	<b>Up to three months</b>	<b>More than 3 months and up to one year</b>	<b>More than one year</b>
Islamic financing	150,211,551	150,211,551	-	-
Accrued expenses and other liabilities	379,144	379,144	-	-
	150,590,695	150,590,695	-	-

The Fund Manager already has adequate cash and liquid assets to settle its financial liabilities as they fall due.

**(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.

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

**14.2 FAIR VALUE ESTIMATION**

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. The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- 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 the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are observable inputs for the asset or liability.

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**14. RISK MANAGEMENT (CONTINUED)**

**14.2 FAIR VALUE ESTIMATION (CONTINUED)**

As of June 30, 2022 and December 31, 2021 the Fund's financial instruments comprise cash and cash equivalent, Investment carried at fair value through profit and loss, rent receivable, accrued management fee and accrued expenses and other liabilities. Except for Investments carried at fair value through profit or loss, all the financial instruments are measured at amortised cost and their carrying value is a reasonable approximate of fair value.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments.

<b>30 June 2022 (Unaudited)</b>	<b>Carrying value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets measured at fair value</b>					
Investments carried at Fair Value Through Profit or Loss (FVTPL)	<b>1,272,591</b>	-	<b>1,272,591</b>	-	<b>1,272,591</b>
<b>31 December 2021 (Audited)</b>					
	<b>Carrying value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets measured at fair value</b>					
Investments carried at Fair Value Through Profit or Loss (FVTPL)	4,138,964	-	4,138,964	-	4,138,964

Valuation technique for calculating the fair value of investments under Level 2 comprises of determining the net asset value per unit of the investee funds.

**15. FINANCIAL INSTRUMENTS BY CATEGORY**

All financial assets and financial liabilities are classified under amortised cost (except for investments carried at fair value through profit or loss which are classified at fair value) as of 30 June 2022 and 31 December 2021.

**16. SEGMENT REPORTING**

The Fund has invested in three real estate investments in the Kingdom of Saudi Arabia. As it is invested in a single industry sector and in a single country, no segment information has been presented.

**17. DIVIDEND DISTRIBUTION**

In accordance, with the approved terms and conditions of the Fund, On 30 December 2021, the Fund's board of directors recommended to distribute dividends with regards to the six-month period ended 31 December 2021 amounting to SR 0.15 per unit amounting to SR 8,586,000 to its unitholders. The same was paid on 24 January 2022. For 2021, no dividend is distributed in the year 2021.

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**18. CHANGES IN FUNDS TERMS AND CONDITIONS**

There are no significant changes in the Terms and Conditions of the Fund.

**19. EVENTS AFTER THE REPORTING DATE**

There are no significant changes in the Terms and Conditions of the Fund during the period.

**20. SIGNIFICANT STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

**21. COMPARATIVE FIGURES**

Certain prior year amounts have been reclassified to conform with the presentation in the current year.

**22. IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK AND THE GOING CONCERN**

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

**23. LAST VALUATION DAY**

The last valuation day of the year was at 30 June 2022.

**24. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements were approved by the Fund's Board on 23 August 2022 (Corresponding to 25 Muharram, 1444H).

**Signed on behalf of Fund's Board of Directors**

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**Authorized Signatory**