SICO SAUDI REIT FUND

A Real Estate Investment Traded Fund (Closed-Ended Fund)

(Managed by SICO Capital)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

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INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF SICO SAUDI REIT FUND
(MANAGED BY SICO CAPITAL COMPANY)

Opinion

We have audited the financial statements of SICO Saudi REIT Fund (the "Fund") managed by SICO Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income / (loss), statement of changes in net assets (equity) attributable to the unitholders and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with that code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements.

The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

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INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF SICO SAUDI REIT FUND
(MANAGED BY SICO CAPITAL COMPANY) (Continued)

Key Audit Matter (Continued)

Key audit matter	How our audit addressed the key audit matter
Investment Properties impairment As at 31 December 2023, the carrying value of investment properties held by the Fund was SR 506 million (2022: SR 545 million). The Fund Manager reviews the carrying values of these investment properties every six months or when there are indications of impairment, whichever is earlier. An impairment assessment is performed by determining if the recoverable amounts of these investment properties are less than their carrying values. The Fund Manager engages two independent certified valuers to help the Fund Manager to determine the recoverable amounts. The valuations are carried out using common methodologies and approaches, and this is considered a key audit matter as these methodologies and approaches involve significant judgement and estimates including estimated rental value per sqm per month, occupancy rates, escalations, exit yield, discount rates and others, including economic fluctuations impact on the Fund's business. *Refer to note 10 which includes the disclosure of significant accounting estimates and assumptions for valuation of investment properties. Also, refer to note 5 for the disclosure of material accounting policy information relevant for recognition and measurement of investment properties.*	Our audit procedures included, among others, the following: - Obtained two valuation reports as at 31 December 2023 from real estate valuers that are Taqeem certified and; - Evaluated objectivity, independency, competence and experience of the valuers. - On a sample-basis, we involved our specialists to analyse the significant assumptions and evaluate their impact on the fair values as well as assessing the impact of changes in the key assumptions to the fair values of the investment properties as determined by the valuers. - Evaluated the adequacy of presentation and disclosures in respect of investment properties, including disclosures of key assumptions and judgements. For impairment of investment properties, we have carried out the following audit procedures: - We obtained two valuation reports from independent real estate valuers (Taqeem certified) for each investment properties as at 31 December 2023 and confirmed that the valuation approaches are suitable for use in determining the carrying values as at the reporting date. - Assessed the recoverable amount, which is higher of fair value or value in use of the related investment properties as per the above-mentioned valuation reports.

Other Information

The Fund manager is responsible for the other information in the Fund's annual report. Other information consists of the information included in the Fund's 2023 annual report, other than the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information, and we will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Fund's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF SICO SAUDI REIT FUND
(MANAGED BY SICO CAPITAL COMPANY) (Continued)

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants, the applicable provisions of the Investment Funds Regulations issued by the Board of the Capital Market Authority, and the Fund's terms and conditions and the Information Memorandum, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with

International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF SICO SAUDI REIT FUND
(MANAGED BY SICO CAPITAL COMPANY)(Continued)

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other Matter

The financial statements of the fund for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on March 30, 2023.

for Ernst & Young Professional Services

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

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سجل تجاري ١٠١٠٣٨٣٨٢١
CR. 1010383821
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Riyadh: 18 Ramadan 1445H
(28 March 2024)

Statement of Financial position
As at 31 December 2023
(Amounts in Saudi Riyals)

	Notes	**31 December 2023 *(Audited)***	31 December 2022 *(Audited)*
ASSETS			
Cash and cash equivalents	*7*	**3,421,166**	5,408,081
Investments carried at fair value through profit or loss (FVTPL)	*8*	**11,755,240**	1,501,911
Rent receivable	*9*	**-**	17,967,973
Prepayment and other assets	*11*	**6,161,150**	7,010,174
Investment properties	*10*	**506,190,000**	545,238,000
TOTAL ASSETS		**527,527,556**	577,126,139
LIABILITIES			
Accrued and other liabilities	*12.2*	**17,524,117**	17,044,544
Unearned rental income	*9*	**2,153,739**	-
Short term borrowings	*12.1*	**149,891,640**	149,891,640
TOTAL LIABILITIES		**169,569,496**	166,936,184
NET ASSETS (EQUITY) VALUE		**357,958,060**	410,189,955
UNITS IN ISSUE *(Number)*		**57,240,000**	57,240,000
PER UNIT VALUE		**6.25**	7.17

The accompanying notes 1 to 22 form an integral part of these financial statements.

Statement of comprehensive income / (loss)
For the year ended 31 December 2023
(Amounts in Saudi Riyals)

	Notes	For the year ended **31 December 2023 (Audited)**	 31 December 2022 (Audited)
INCOME			
Rentals from investment properties	*9*	**19,953,417**	36,786,301
Unrealized gain/(loss) from investments carried at FVTPL	*8*	**253,329**	(789,367)
Other income	*8.1*	**789,840**	54,067
TOTAL INCOME		**20,996,586**	36,051,001
EXPENSES			
Impairment charge on investment properties	*10*	**(29,341,644)**	(83,640,644)
Depreciation expense	*10*	**(9,706,356)**	(9,706,356)
Finance cost	*12.1*	**(11,875,750)**	(6,978,368)
Other expenses	*13*	**(22,304,731)**	(19,113,840)
TOTAL EXPENSES		**(73,228,481)**	(119,439,208)
NET LOSS FOR THE YEAR		**(52,231,895)**	(83,388,207)
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(52,231,895)**	(83,388,207)

The accompanying notes 1 to 22 form an integral part of these financial statements.

Statement of changes in net assets (equity) attributable to the unitholders
For the year ended 31 December 2023
(Amounts in Saudi Riyals)

		For the year ended	
		31 December 2023	31 December 2022
	Notes	***(Audited)***	*(Audited)*
NET ASSETS (EQUITY) VALUE ATTRIBUTABLE TO THE UNITHOLDER AT BEGINNING OF THE YEAR		**410,189,955**	502,164,162
Dividend paid during the year	*18*	**-**	(8,586,000)
Total Comprehensive (loss) / income for the year		**(52,231,895)**	(83,388,207)
NET ASSETS (EQUITY) VALUE ATTRIBUTABLE TO THE UNITHOLDER AT END OF THE YEAR		**357,958,060**	410,189,955

Transactions in units for the year are summarized as follows:

	For the year ended	
	31 December 2023	31 December 2023
	(Audited)	*(Audited)*
NUMBER OF UNITS AT THE BEGINNING OF THE YEAR	**57,240,000**	57,240,000
NUMBER OF UNITS AT THE END OF THE YEAR	**57,240,000**	57,240,000

The accompanying notes 1 to 22 form an integral part of these financial statements.

Statement of Cashflows
For the year ended 31 December 2023

	Notes	*For the year ended* **31 December 2023** ***(Audited)***	31 December 2022 *(Audited)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income for the year		**(52,231,895)**	(83,388,207)
Adjustment for			
Depreciation on investment properties	*10*	**9,706,356**	9,706,356
Impairment charge / (reversal) on investment property	*10*	**29,341,644**	83,640,644
Unrealized gain from investments carried at FVTPL	*8*	**(253,329)**	789,367
Other income	*8*	**-**	(52,314)
Finance cost charge	*12.1*	**11,875,750**	6,978,368
Rent write off	*9*	**17,967,973**	-
		16,406,499	17,674,214
Changes in operating assets:			
Prepayment and other assets	*11*	**849,024**	(5,739,273)
Rent receivable	*9*	**-**	(19,379,779)
Changes in operating liabilities:			
Accrued expenses and other liabilities	*12.2*	**479,573**	16,345,489
Unearned rental income	*9*	**2,153,739**	-
Net cash generated from / (used in) operating activities		**19,888,835**	8,900,651
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments carried at FVTPL	*8*	**-**	5,189,840
Purchase of investments carried at FVTPL	*8*	**(10,000,000)**	(2,500,000)
Net cash generated from / (used in) investing activities		**(10,000,000)**	2,689,840
CASH FLOWS FROM FINANCING ACTIVITY			
Finance cost paid	*12*	**(11,875,750)**	(7,768,208)
Dividend paid during the year	*18*	**-**	(8,586,000)
Net cash (used in) / generated from financing activity		**(11,875,750)**	(16,354,208)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(1,986,915)**	(5,605,871)
Cash and cash equivalents at the beginning of the year	*7*	**5,408,081**	11,013,952
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	**3,421,166**	5,408,081

The accompanying notes 1 to 22 form an integral part of these financial statements

1. INCORPORATION AND ACTIVITIES

SICO Saudi REIT Fund (the "REIT" or the "Fund") is a closed-ended Shariah compliant real estate investment traded fund created by an agreement between SICO Capital (the "Fund Manager") and investors (the "Unitholders") in the Fund. The address of the Fund Manager is as follows:

SICO Capital Company
7702 King Fahad Road (5th Floor)
Al Malqa District
Riyadh 13542
P.O. Box 64666

SICO Saudi REIT is listed on the Saudi Stock Exchange ("Tadawul"), and the units of the REIT are traded on Tadawul in accordance with its rules and regulations. The issued units of the REIT equals to 57,240,000. The REIT has a term of 99 years, which can be extended at the discretion of the Fund Manager upon Board approval and subject to regulatory approvals.

When incepted, the REIT primary objective was to achieve long-term capital appreciation and income by investing in income-generating real estate assets with a minimum allocation of 55% of its real estate assets in the Holy Cities of Makkah and Medina, Kingdom of Saudi Arabia. In January 2022, the unitholders of the Fund voted in favor of changing the investment strategy allowing the REIT invests as a minimum of 75% of its assets across the Kingdom of Saudi without particular geographical limitations.

The Fund is managed by SICO Capital ("the Fund Manager"). Riyad Capital is the custodian of the Fund.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") issued by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and effective from 6 Safar 1438H (corresponding 6 November 2016) by the New Investment Fund Regulations ("Amended Regulations") published by the CMA on 16 Sha'aban 1437H (corresponding to 23 May 2016) detailing requirements for all funds within the Kingdom of Saudi Arabia. The Regulations were further Amended by Resolution of the Board of the Capital Market Authority Number 2-22-2021 Dated 12 Rajab1442H (corresponding to 24 February 2021G). The amended regulations are effective from 19 Ramadan 1442H (corresponding to 1 May 2021G).

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in the KSA") ") and the applicable provisions of the Investment Funds Regulations issued by the Board of the Capital Market Authority, and the Fund's terms and conditions and the Information Memorandum.

3.2 Basis of measurement and functional and presentation currency

These 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 REIT Fund's functional and presentation currency.

3.3 Significant 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)

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.

3.3.1 Critical accounting judgements

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.

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.

Business model assessment

Classification and measurement of financial assets depend on the results of the SPPI and the business model test. The Fund determines the business model at a level that reflects how Funds of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Fund monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Monitoring is part of the Fund's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Measurement of fair values

A number of the Fund's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Fund uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted priced included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Fund recognizes transfers between the levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

3. BASIS OF PREPARATION (Continued)

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.

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 Fund of similar financial assets for the purposes of measuring ECL.

In the preparation of the financial statements, management has made certain additional assumptions in the measurement of Expected Credit Loss (ECL). 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.

Useful lives of property and equipment and intangible assets

The Fund's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortization. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

New standards, amendments and interpretations adopted by the Fund

Standard, interpretation and amendments	Description	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8IFRS 1	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which previously permitted wide variety of practices in accounting for insurance contracts. IFRS 17 fundamentally changes the accounting all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- International tax reform – pillar two model rules-	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendment also introduce targeted disclosure requirements for affected companies	Annual period beginning on or after 1 January 2023

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

Standards issued but not yet effective

Standard, interpretation and amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	Annual periods beginning on or after 1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	Annual periods beginning on or after 1 January 2024

5. MATERIAL ACCOUNTING POLICY INFORMATION

5.1 Cash and cash equivalents

Cash and cash equivalents consist of bank balances with local banks.

5.2 Rent Receivables

Rent receivables are initially measured at fair value. The fair values of rent receivable are not significantly different from the carrying values included in the financial statements. An active market is not available, and the Fund intends to realize the carrying value of these receivables through settlement with the counter parties at the time of their respective maturities.

5.3 Investment properties

Investment properties are Real estate assets that are held for capital appreciation and/or rental yields are recorded as investment properties. Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed using the straight-line method. The cost less residual value of investment property is depreciated over the shorter of its useful life or the term of the Fund i.e., 35 years.

Residual values and useful lives of investment properties are subject to review and adjustment, as necessary, when an asset's carrying value exceeds its recoverable amount; it must be written down immediately to its recoverable amount. Capital gains result from the disposal, which arises when the selling value of an asset exceeds its carrying value, recorded in the statement of comprehensive (loss) / income.

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

5.4 Impairment of non-current assets

Properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or every six months whichever falls earlier. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the property is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive (loss) / income.

5.5 Accrued expenses and other liabilities.

A provision is recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

5.6 Rental income recognition

The Fund recognises revenue from rental contracts with customers based on a five-step model:

- Step l. Identify the contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- Step 2: Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Fund expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Fund will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Fund expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment. Rental income arising from operating leases on investment properties is recognized, net of discount, in accordance with the terms of leases over the lease term on a straight-line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

5.7 Dividend income

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

5.8 Net gain or loss on financial assets and liabilities at Fair Value through Profit or Loss ("FVTPL")

Net gains or losses on financial assets and liabilities at FVTPL are changes in the fair value of financial assets held at FVTPL and exclude interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the year. Realised gains and losses on disposals of financial instruments classified as at FVTPL are calculated using the weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made.

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

5.9 Investment transactions

Investments transactions are accounted for as of the trade date.

5.10 Management fees and other expenses

Management fees and other expenses are charged at rates / amounts within limits mentioned in terms and conditions of the REIT. Management fee is calculated and payable quarterly in arrears.

5.11 Zakat

Zakat is the obligation of the unitholders and is not provided for in the financial statements.

5.12 Net Assets (Equity) per unit

The equity per unit is calculated by dividing the equity attributable to unitholders included in the statement of financial position by the numbers of units outstanding at the year end.

Units in issue

The Fund has units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets. They rank pari passu in all respects and have identical terms and conditions. The units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund net assets in the event of the Fund's liquidation.

Units are classified as equity as it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

5.13 Dividend distribution

The REIT has a policy of distributing on annually at least 90% of its net profit, not including profit resulting from the sale of the underlying real estate assets and other investments.

5.14 Financial instruments

Recognition and initial measurement

Receivables from operating leases issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Fund becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable from operating leases without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Receivable from operating leases without a significant financing component is initially measured at the transaction price.

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

A) Financial assets

Classification of financial assets

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

A financial asset is measured at amortized cost if it meets the following conditions:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVOCI if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVOCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in statement of comprehensive income / (loss).
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gain, loss, and impairment are recognized in income statement. Any gain or loss on derecognition is recognized in statement of comprehensive income / (loss).

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period within which the Fund changes its business model for managing financial assets.

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Derecognition

A financial asset is derecognized when:

- the rights to receive cash flows from the asset have expired, or
- the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

a) the Fund has transferred substantially all the risks and rewards of the asset, or
b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Impairment of financial assets

Recognition of credit losses is no longer dependent on the Fund first identifying a credit loss event. Instead, the Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, reasonable and supportable forecasts that affect the actual collectability of the future cash flows of the instrument.

Expected credit losses assessment:

The Fund applies IFRS 9 simplified approach for measuring expected credit losses, which uses a lifetime ECL allowance. The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Fund has identified GDP of the Kingdom of Saudi Arabia (the country in which it renders the services), inflation rate to be the most relevant factor and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach divides the total loss amount modelling into the following parts: Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD). These are briefly described below:

Loss Given Default (LGD): This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Probability of Default (PD): the likelihood of a default over a particular time horizon.

Exposure at Default (EAD): This is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on commitment facilities.

Definition of default
In the above context, the Fund considers default when:

- the customer is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realizing collateral (if any is held by the Fund); or
- the customer is more than 360 days past due on any material credit obligation to the Fund. As the industry norm suggests that such a period fairly represents the default scenario for the Fund, this rebuts the presumption of 90 days mentioned in IFRS 9.

The carrying amount of the asset is reduced using the above model and the loss is recognized in the statement of comprehensive income / (loss). Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery, and all collateral has been realized or has been transferred to the Fund. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognized under other income in the statement of comprehensive income / (loss).

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Fund determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

B) Financial liabilities

All financial liabilities are recognized initially at fair value. The Fund's financial liabilities mainly include trade and other payables, related party balanced and borrowings.

Derecognition

The Fund derecognizes financial liabilities when the contractual obligations are discharged, cancelled or expired.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of the financial asset are modified, the Fund evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Fund recalculates the gross carrying amount of the financial asset and recognizes the amount adjusting the gross carrying amount as modification gain or loss in the statement of comprehensive income / (loss).

Financial liabilities

The Fund derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms are recognized in the statement of comprehensive income / (loss).

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, continue to be measured in accordance with the Fund's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

6. MANAGEMENT FEE, ADMINISTRATION FEES AND 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. The Fund Manager has temporarily suspended charging the Fund with management fees starting from 14 March 2020. Therefore, no management fees was charged during the years ended 2023, and 2022. Administration fees is charged at a rate of 0.05% per annum of the Fund's net assets value and is paid on a quarterly basis.

7. CASH AND CASH EQUIVALENTS

	Note	**31 December 2023** ***(Audited)***	31 December 2022 *(Audited)*
Cash at bank	*7.1*	**3,421,166**	5,408,081
Total		**3,421,166**	5,408,081

7.1 Cash balances includes current accounts held with Riyadh Bank and Banque Saudi Fransi. The Fund does not earn profit on these current accounts.

8. INVESTMENTS CARRIED AT FVTPL

	31 December 2023 ***(Audited)***	31 December 2022 *(Audited)*
SICO Capital Money Market Fund	**11,755,240**	1,501,911

The following is the movement in investments during the year;

	31 December 2023 ***(Audited)***	31 December 2022 *(Audited)*
Cost:		
Balance at the beginning of the year	**1,501,911**	4,138,964
Additions during the year	**10,000,000**	3,289,839
Sold during the year	**-**	(5,137,525)
At the end of the year	**11,501,911**	2,291,278
Change in fair value:		
Changes in fair value during the year:	**253,329**	(737,053)
Realized during the year*	**-**	52,314
Unrealized at the end of the year	**253,329**	(789,367)
Net Investments at the end of the year	**11,755,240**	1,501,911

8.1 Other income pertains to a prior period cash balance previously written off, the write-off was reversed during the year.

9. RENT RECEIVABLE / UNEARNED RENTAL

	Notes	31 December 2023 (Audited)	31 December 2022 (Audited)
Rent receivable / (Unearned rentals) at the beginning of the year		**17,967,973**	(1,411,806)
Earned during the year	*9.1*	**19,953,417**	36,786,301
Received during the year		**(22,107,156)**	(17,406,522)
Written off during the year	*9.2*	**(17,967,973)**	-
Rent receivable / (Unearned rentals) at the end of the year		**(2,153,739)**	17,967,973

9.1 Timing of revenue recognition

	31 December 2023 (Audited)	31 December 2022 (Audited)
Performance obligation satisfied over time	**19,953,417**	36,786,301

9.2 Rent receivable write-off

The Fund had a Rent receivables balance of SAR 17.97 million with Eskan Company for Development and Investment as of 31 December 2022. The lease agreement ended on 26 December 2022 and the tenant vacated the premises after the lease agreement ended. The Fund Manager filed a legal case to recover the rent arrears and a ruling was issued in favour of the tenant. The Fund has written off the entire rent receivable balance of SAR 17.97 million accordingly.

10. INVESTMENT PROPERTIES

As of 31 December 2023:

	Notes	Land	Building	Total
Cost				
Balance as of 1 January 2023		**381,549,835**	**339,722,456**	**721,272,291**
Additions during the year		**-**	**-**	**-**
Balance as of 31 December 2023		**381,549,835**	**339,722,456**	**721,272,291**
Accumulated Depreciation				
Balance as of 1 January 2023		**-**	**39,535,287**	**39,535,287**
Charge for the year	*10.1*	**-**	**9,706,356**	**9,706,356**
Balance as of 31 December 2023			**49,241,643**	**49,241,643**
Accumulated Impairment losses				
Balance as of 1 January 2023		**-**	**136,499,004**	**136,499,004**
Charge for the year		**-**	**29,341,644**	**29,341,644**
Balance as of 31 December 2023		**-**	**165,840,648**	**165,840,648**
Book Value as of 31 December, 2023		**381,549,835**	**124,640,165**	**506,190,000**

10. INVESTMENT PROPERTIES (Continued)

As of 31 December 2022:

		Land	Building	Total
Cost				
Balance as of 1 January 2022		381,549,835	339,722,456	721,272,291
Additions		-	-	-
Balance as of 31 December 2022		381,549,835	339,722,456	721,272,291
Accumulated Depreciation				
Balance as of 1 January 2022		-	29,828,931	29,828,931
Charge for the year	10.1	-	9,706,356	9,706,356
Balance as of 31 December 2022		-	39,535,287	39,535,287
Accumulated Impairment losses				
Balance as of 1 January 2022		-	52,858,360	52,858,360
Charge for the year		-	83,640,644	83,640,644
Balance as of 31 December 2022		-	136,499,004	136,499,004
Book Value as of 31 December 2022		381,549,835	163,688,165	545,238,000

Following are details of the depreciation on each of the property:

	31 December 2023 (Audited)	31 December 2022 *(Audited)*
Buildings		
ESKAN 4	**2,493,486**	2,493,486
ESKAN 5	**2,404,302**	2,404,302
ESKAN 6	**2,021,030**	2,021,030
I offices	**2,787,538**	2,787,538
Balance at the end of the year	**9,706,356**	9,706,356

Title deeds of the investment properties are registered in the name of a Special Purpose Vehicle entity (“the SPV”), Mashaar REIT Real Estate Company, a limited liability company organised and existing under the laws of the Kingdom of Saudi Arabia. The Fund is beneficial owner of the properties for which title deeds are in the name of the SPV. Documents relating to properties are kept in capacity of custodian with Riyad Capital Security Services.

Eskan 4

The property is a hospitality tower composed of 23 floors and located in Al Aziziah district, Makkah Al Mukaramah City. The property sits on a land area measuring 1,288 square meters and a total built up area of 18,053 square meters. The property generates an annual rental income of SAR 2.85 million.

Eskan 5

The property is a hospitality tower composed of 20 floors and located in Prince Abdullah Faisal district, Makkah Al Mukaramah City. The property sits on a land area measuring 1 383 square meters and a total built up area of 19,905 square meters. The property generates an annual rental income of SAR 3.21 million

Eskan 6

The property is a hospitality tower composed of 18 floors and located in Al Aziziah district, Makkah Al Mukaramah City. The property sits on a land area measuring 1,458 square meters and a total built up area of 15,201 square meters. The property generates an annual rental income of SAR 3.42 million.

10. INVESTMENT PROPERTIES (Continued)

I Offices
The property is an office building located in Al Rabie district, Riyadh city. The property sits on a land area measuring 6,156 square meters and total built up area of 23,220 square meters. The property generates an annual rental income of SAR 10.47million.

The fair value of investment property has been determined by two external and independent property valuers licensed by Taqeem i.e., White Cubes Real Estate Company and Qiam Valuation Company (2022: White Cubes Real Estate Company and Qiam Valuation Company). They are accredited independent valuers with recognised and relevant professional qualifications.

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 average of the two market values obtained.

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

Measurement data of fair value according to IFRS 13 as at 31 December 2023 as follows:

White Cubes – License No. 1210000474

Properties	**Valuation approach**	**Key inputs and valuation assumptions**	**Rate**
Eskan 4	DRC Approach	Building cost per square meter (SAR)	SAR 3,987/sqm
		Average Developer Profit %	30%
Eskan 5	DRC Approach	Building cost per square meter (SAR)	SAR 3,956/sqm
		Average Profit Margin %	30%
Eskan 6	DRC Approach	Building cost per square meter (SAR)	SAR 4,093/sqm
		Average Profit Margin %	20%
I offices	Income Approach	Capitalization rate	8%

Qiam Valuation– License No. 1210000052

Properties	**Valuation approach**	**Key inputs and valuation assumptions**	**Rate**
Eskan 4	DCF	Discount rate	9%
Eskan 5	DCF	Discount rate	9%
Eskan 6	DCF	Discount rate	9%
I offices	DCF	Discount rate	9%

10. INVESTMENT PROPERTIES (Continued)

Details of valuation reports by the independent valuers are as follows:

Property	City	Valuer	Market value 31 December 2023 (Audited)	31 December 2022 (Audited)
Eskan 4	Makkah Al Mukaramah	White Cubes	**141,780,000**	134,200,000
		Qiam Valuation	**119,793,000**	142,150,000
		Average	**130,786,500**	138,175,000
Eskan 5	Makkah Al Mukaramah	White Cubes	**106,400,000**	105,600,000
		Qiam Valuation	**127,381,000**	166,626,000
		Average	**116,890,500**	136,113,000
Eskan 6	Makkah Al Mukaramah	White Cubes	**139,000,000**	132,600,000
		Qiam Valuation	**96,894,000**	130,300,000
		Average	**117,947,000**	131,450,000
I Offices	Riyadh	White Cubes	**138,000,000**	137,000,000
		Qiam Valuation	**143,132,000**	142,000,000
		Average	**140,566,000**	139,500,000
Total			**506,190,000**	545,238,000

11. PREPAYMENT AND OTHER ASSETS

	31 December 2023	31 December 2022
VAT refund	**3,699,625**	4,937,031
Prepayments to supplier	**2,331,090**	1,975,913
Other advances	**130,435**	97,230
	6,161,150	7,010,174

12. BORROWINGS AND ACCRUED LIABILITIES

12.1 SHORT TERM BORROWINGS:

The Fund has obtained short term borrowings 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 to achieve the objectives of the Fund. The title of the properties of the Fund are kept as a collateral against the borrowing amount. Finance cost of SAR 11.78 million (2022; SAR 6.98 million) was charged during the year and SAR 11.88 million was paid during the year (2022,SAR 7.77 million)

12. BORROWINGS AND ACCRUED LIABILITIES (Continued)

12.2 Accrued and other liabilities

	31 December 2023	31 December 2022
Accrual for litigation and claims	**15,993,927**	15,993,927
Other accruals	**1,530,190**	1,050,617
	17,524,117	17,044,544

13. OTHER EXPENSES

	Notes	31 December 2023 *(Audited)*	31 December 2022 *(Audited)*
Rent receivable write-off	9.2	**17,967,973**	**-**
Legal and professional charges	*13.1*	**36,521**	15,993,927
Director Board Fees		**20,000**	20,000
REITs - Basic Registry Services		**400,000**	400,000
Admin Fee		**192,936**	254,510
Custodian Fees		**175,000**	175,000
Listing Fee		**106,095**	152,706
Sharia Board Fees		**18,750**	37,500
Audit Fees MG		**47,500**	35,500
Write off		**1,276,681**	**-**
Other expenses		**2,063,275**	2,044,697
Total		**22,304,731**	19,113,840

13.1 A tenant filed two legal cases against the fund to claim back the rental amounts paid for the below rental periods:

- From 27 December 2019 till 26 December 2020.
- From 27 December 2020 till 26 December 2021.
- From 27 December 2021 till 26 December 2022.

The legal courts ruled in favor of the tenant to claim back a total amount of SAR 15,993,927 through executive decisions.

14. EFFECT OF NET ASSET (EQUITY) VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED

Net asset (Equity) value:

	31 December 2023	31 December 2022
Net assets (Equity) attributable to unitholders as per the financial statements before fair value adjustment of investment property	**523,798,708**	546,688,959
Estimated fair value in total surplus/(impairment) of book value	**(165,840,648)**	(136,499,004)
Net assets (Equity) attributable to unitholders based on fair valuation of investment properties	**357,958,060**	410,189,955

Net asset attributable to each unit:

	31 December 2023	31 December 2022
Net Assets (Equity) value per unit as per the financial statements before fair value adjustment of investment property	**9.15**	9.55
Increase/(decrease) in value per unit based on fair value	**(2.90)**	(2.38)
Net assets (Equity) attributable to each unit based on fair valuation	**6.25**	7.17

15. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Fund include SICO 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 Riyad Capital (being the custodian of the Funds).

The Fund is liable to pay quarterly, the management fees at an annual rate of 1% of the net assets (equity) of the Fund attributable to Unitholders for management services as set out in the Fund's terms and conditions. However, in light of the Fund manager's announcement on Tadawul to waiver the charging of management fees since 15 March 2020, no management fees have been accrued during the current and prior periods.

The Fund pays fixed custodian fees of SAR 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**:**

Related Party	**Nature**	**31 December 2023** ***(Audited)***	31 December 2022 *(Audited)*
SICO Capital	Admin fee	**(192,936)**	(254,510)
	Others	**-**	(38,176)
SICO Money Market Fund	Investment	**11,755,240**	1,501,911
Riyad Capital	Custodial fees	**(175,000)**	(175,000)

16. RISK MANAGEMENT

16.1 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 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.

16. RISK MANAGEMENT (Continued)

(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 31 December) due to a reasonably possible change in equity of FVTPL investments, with all other variables held constant, is as follows:

		31 December 2023	31 December 2022
Effect on Net Assets	**±5%**	**587,762**	75,096

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 short term borrowings 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 31 December) due to a reasonably possible change in commission rate, with all other variables held constant, is as follows:

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

		31 December 2023	31 December 2022
Effect on Net Assets	**±1%**	**1,498,916**	1,498,916

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 its rent receivable and cash at bank.

16. RISK MANAGEMENT (Continued)

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.

Rating of Financial Institution	**31 December 2023**	31 December 2022
Cash at bank		
BBB+	**2,631,325**	5,405,776
A-	**789,841**	2,305
	3,421,166	5,408,081

The measurement category and the carrying amount of financial assets in accordance with IFRS 9 are as follows:

	Measurement category	**31 December 2023**	31 December 2022
Investments carried at FVTPL	FVTPL	**11,755,240**	1,501,911
Total financial assets		**11,755,240**	1,501,911

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

	Note	**31 December 2023**	31 December 2022
Cash and cash equivalents	*7*	**3,421,166**	5,408,081
Rent Receivable		**-**	17,967,973

(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 short-term borrowings 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:

31 December 2023	**Carrying amount**	**Up to three months**	**More than 3 months and up to one year**	**More than one year**
Short term borrowings	**149,891,640**	**149,891,640**	**-**	**-**
Accrued expenses and other liabilities	**17,524,117**	**17,524,117**	**-**	**-**
	-	**-**	**-**	**-**
	167,415,757	**167,415,757**	**-**	**-**

16. RISK MANAGEMENT (Continued)

31 December 2022	Carrying amount	Up to three months	More than 3 months and up to one year	More than one year
Short term borrowings	149,891,640	149,891,640	-	-
Accrued expenses and other liabilities	17,044,544	17,044,544	-	-
	166,936,184	166,936,184	-	-

(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.

16.2 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.

As of December 31, 2023, and 2022 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.

31 December 2023	**Carrying value**	**Fair Value**			
		Level 1	**Level 2**	**Level 3**	**Total**
<u>Financial assets measured at fair value</u>					
Investments carried at Fair Value Through Profit or Loss (FVTPL)	**11,755,240**	**11,755,240**	**-**	**-**	**11,755,240**

31 December 2022	Carrying value	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>					
Investments carried at Fair Value Through Profit or Loss (FVTPL)	1,501,911	1,501,911	-	-	1,501,911

17. SEGMENT REPORTING

The Fund has invested in four real estate investment properties 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.

18. DIVIDEND DISTRIBUTION

There is no dividend distribution for the year ended 31 December 2023 (2022: SAR 8,586,000 was paid to unitholders).

19. ZAKAT

The Ministry of Finance, through Ministerial Resolution No. (29791) dated 9 Jumada-al-Awwal 1444 H (which corresponds to December 3, 2022), has approved the Zakat Rules for Investment Funds that are permitted by the CMA. These rules take effect from January 1, 2023, and require Investment Funds to register with the Zakat, Tax, and Customs Authority (ZATCA). The Rules also mandate Investment Funds to submit a zakat information declaration to ZATCA within 120 days after the end of their fiscal year, which should include audited financial statements, records of related party transactions, and any other data requested by ZATCA. According to the Rules, Investment Funds are not subject to Zakat if they do not engage in unstipulated economic or investment activities as per their CMA-approved Terms and Conditions. The Zakat collection will be applied to the Fund's Unitholders. During the current year, the Fund Manager has completed the registration of the Fund with ZATCA and will be submitting the zakat information declaration as required.

20. EVENTS AFTER THE REPORTING DATE

As of the date of approval of these financial statements, there have been no significant subsequent events requiring disclosure to or adjustment in these financial statements.

21. LAST VALUATION DAY

The last valuation day of the year was at 31 December 2023.

22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund’s Board on 27 March 2024 (Corresponding to 17 Ramadan, 1445H).