

SICO SAUDI REIT FUND

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

(Managed by SICO Capital)

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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INDEPENDENT AUDITOR’S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE UNITHOLDERS OF SICO SAUDI REIT FUND (MANAGED BY SICO CAPITAL)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of SICO Saudi REIT Fund (the “Fund”) managed by SICO Capital (the “Fund Manager”) as at 30 June 2023, and the related interim condensed statement of comprehensive income, statement of changes in equity attributable to the unitholders and cash flows for the six – month period then ended, and explanatory notes. The Fund Manager 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”) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statement 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.

Basis of Qualified Conclusion

The Fund’s financial statements for the year ended 31 December 2022 and the interim condensed financial statements for six months period ended 30 June 2022 were audited and reviewed; respectively, by another auditor. We were unable to obtain sufficient appropriate evidence on the opening balances of these interim condensed financial statements as at 1 January 2023 and comparative information. Consequently, we are unable to determine whether any adjustments may be required to these interim condensed financial statements, including opening balances and comparative information.

Qualified Conclusion


Based on our review, except for the possible effects of the matter described in preceding paragraph, 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 as endorsed in the Kingdom of Saudi Arabia.

**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED
FINANCIAL STATEMENTS TO THE UNITHOLDERS OF SICO SAUDI REIT FUND
(MANAGED BY SICO CAPITAL) (CONTINUED)**

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. The interim condensed financial statements of the fund for the six month period ended 30 June 2022 were audited by another auditor who expressed an unmodified opinion on those statements on August 24, 2022.

For Ernst & Young Professional Services



Waleed G. Tawfiq
Certified Public Accountant
License No. (437)

Riyadh: 27 Muharram 1445H
(14 August 2023)



SICO SAUDI REIT FUND

Interim condensed statement of financial position

As at 30 June 2023

(Amounts in Saudi Riyals)

| | Notes | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|-------|--------------------------------|----------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | 5, 13 | 15,323,578 | 5,408,081 |
| Investments carried at fair value through profit or loss (FVTPL) | 6 | 1,532,689 | 1,501,911 |
| Rent receivable | 7 | - | 17,967,973 |
| Prepayment and other assets | | 6,975,025 | 7,010,174 |
| Investment properties | 8 | 512,370,000 | 545,238,000 |
| TOTAL ASSETS | | 536,201,292 | 577,126,139 |
| LIABILITIES | | | |
| Accrued expenses and other liabilities | 11 | 16,621,047 | 17,044,544 |
| Unearned rental income | 7 | 7,726,991 | - |
| Short term borrowings | 10 | 149,891,640 | 149,891,640 |
| TOTAL LIABILITIES | | 174,239,678 | 166,936,184 |
| NET ASSETS (EQUITY) VALUE | | | |
| Net assets attributable to unitholders of redeemable units | | 361,961,614 | 410,189,955 |
| Redeemable units in issue | | 57,240,000 | 57,240,000 |
| Net assets value attributable per unit | | 6.32 | 7.17 |

The attached notes 1 to 17 form part of part of these interim condensed financial statements.

SICO SAUDI REIT FUND
(Formerly known as Al Masha' ar REIT Fund)

Interim condensed statement of comprehensive income / (loss) (unaudited)

For the six-month period at 30 June 2023

(Amounts in Saudi Riyals)

| | Note | For the six-month period ended 30 June 2023 (Unaudited) | For the six-month period ended 30 June 2022 (Unaudited) |
|---|------|--|--|
| INCOME | | | |
| Rentals from investment properties | 8 | 8,648,835 | 18,247,671 |
| Net unrealized gain from investments carried at FVTPL | 9 | 30,778 | 33,627 |
| TOTAL INCOME | | 8,679,613 | 18,281,298 |
| EXPENSES | | | |
| Depreciation expense | 8 | 4,813,289 | 4,813,289 |
| Finance cost | 10 | 5,529,744 | 2,655,072 |
| Other expenses | | 542,237 | 1,323,932 |
| Rent receivable written-off | 7.1 | 17,967,973 | - |
| Impairment charge/ (reversal) on investment properties | 8 | 28,054,711 | (12,696,289) |
| TOTAL EXPENSES | | 56,907,954 | (3,903,996) |
| NET (LOSS) / INCOME FOR THE PERIOD | | (48,228,341) | 22,185,294 |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD | | (48,228,341) | 22,185,294 |

The attached notes 1 to 17 form part of part of these interim condensed financial statements.

SICO SAUDI REIT FUND

Interim condensed statement of changes in net assets (equity) attributable to the unitholders (unaudited)

For the six-month period ended 30 June 2023

(Amounts in Saudi Riyals)

| | For the six-month period ended 30 June 2023 (Unaudited) | For the six-month period ended 30 June 2022 (Unaudited) |
|---|--|--|
| NET ASSETS (EQUITY) VALUE ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD | 410,189,955 | 502,164,162 |
| Dividend paid during the period | - | (8,586,000) |
| Total comprehensive loss / (income) for the period | (48,228,341) | 22,185,294 |
| NET ASSETS (EQUITY) VALUE ATTRIBUTABLE TO THE UNITHOLDER AT END OF THE PERIOD | 361,961,614 | 515,763,456 |

Transactions in units for the period are summarized as follows:

| | For the six-month period ended 30 June 2023 (Unaudited) | For the six-month period ended 30 June 2022 (Unaudited) |
|---|--|--|
| NUMBER OF UNITS AT THE BEGINNING OF THE PERIOD | 57,240,000 | 57,240,000 |
| NUMBER OF UNITS AT THE END OF THE PERIOD | 57,240,000 | 57,240,000 |

The attached notes 1 to 17 form part of part of these interim condensed financial statements.

SICO SAUDI REIT FUND
(Formerly known as Al Masha' ar REIT Fund)
Interim condensed statement of cashflows (unaudited)
At 30 June 2023

| | Note | For the six-month period ended 30 June 2023 (Unaudited) | For the six-month period ended 30 June 2022 (Unaudited) |
|---|------|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net (loss) / income for the period | | (48,228,341) | 22,185,294 |
| <i>Adjustment for:</i> | | | |
| Depreciation on investment properties | 8 | 4,813,289 | 4,813,289 |
| Impairment charge / (reversal) on investment property | 8 | 28,054,711 | (12,696,289) |
| Unrealized gain from investments carried at FVTPL | 9 | (30,778) | (16,202) |
| Realized gain from investments carried at FVTPL | 9 | - | (17,425) |
| Finance cost charge | 10 | 5,529,744 | 2,655,072 |
| | | <u>(9,861,375)</u> | <u>16,923,739</u> |
| Changes in operating assets: | | | |
| Prepayment and other assets | | 35,149 | (2,889,469) |
| Rent receivable | | 17,967,973 | (6,097,794) |
| Changes in operating liabilities: | | | |
| Accrued expenses and other liabilities | | (423,497) | (18,711) |
| Unearned rental income | | 7,726,991 | 3,881,645 |
| | | <u>15,445,241</u> | <u>11,799,410</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Sale of investments carried at FVTPL | | - | 2,900,000 |
| | | <u>-</u> | <u>2,900,000</u> |
| Net cash generated from investing activities | | - | 2,900,000 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Finance cost paid | | (5,529,744) | (2,460,486) |
| Dividend paid during the period | | - | (8,586,000) |
| | | <u>(5,529,744)</u> | <u>(11,046,486)</u> |
| Net cash used in financing activities | | (5,529,744) | (11,046,486) |
| NET INCREASE IN CASH AND EQUIVALENTS | | | |
| Cash and cash equivalents at the beginning of the period | | 9,915,497 | 3,652,924 |
| | | <u>5,408,081</u> | <u>11,013,952</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | | | |
| | | <u>15,323,578</u> | <u>14,666,876</u> |

The attached notes 1 to 17 form part of part of these interim condensed financial statements.

1. INCORPORATION AND ACTIVITIES

SICO Saudi REIT Fund (Formerly known as Al Masha'ar 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 (Formerly known as Muscat 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

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 can be extended at the discretion of the Fund Manager subject to regulatory approvals.

The REIT seeks to achieve long-term capital appreciation and income by 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 Fund is managed by the Fund Manager. Riyad Bank is the custodian of the Fund. All income is reinvested in the Fund and is reflected in the unit price.

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 AND CHANGES TO ACCOUNTING POLICIES (continued)

3.1 Basis of preparation

These unaudited interim condensed financial statements for the six-month period ended 30 June 2023 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the kingdom of Saudi Arabia.

The unaudited 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 2022. In addition, result for the six-month period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

The unaudited interim condensed financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for financial assets held at FVTPL that are measured at fair value. These unaudited interim condensed financial statements are presented in Saudi Arabian Riyals ("SR"), which is the Fund's functional currency. All financial information presented has been rounded to the nearest SR.

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES (continued)**3.2 Basis of measurement and functional and presentation currency****3.2.1 New standards and amendments adopted by the Fund**

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the Fund's annual financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Fund has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

The following new and amended IFRSs, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these financial statements.

| Standard, interpretation and amendments | Description | Effective date |
|--|--|---|
| Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 | 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 a wide variety of practices in accounting for insurance contracts. IFRS 17 fundamentally changes the accounting by 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 |

3.2.2 Significant 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 |

SICO SAUDI REIT FUND

Notes to the unaudited interim condensed financial statements

At 30 June 2023

4. MANAGEMENT FEE, OTHER EXPENSES, AND TRANSACTION FEE

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

5. CASH AND CASH EQUIVALENTS

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|--------------|---|----------------------------------|
| Cash at bank | 15,323,578 | 5,408,081 |
| Total | 15,323,578 | 5,408,081 |

Cash and cash equivalents balance comprise of balances with the custodian which have investment grade credit ratings, as rated by the international rating agencies. As of date, cash balances include current accounts held with Riyadh Bank that do not earn profit.

6. INVESTMENTS CARRIED AT FVTPL

| | Note | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|--------------------------------|------|---|----------------------------------|
| SICO Capital Money Market Fund | 11 | 1,532,689 | 1,501,911 |

The following is the movement in investments during the period

| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|---|----------------------------------|
| Cost: | | |
| At the beginning of the year | 1,501,911 | 4,138,964 |
| Additions during the year | - | 3,289,839 |
| Sold during the year | - | (5,137,525) |
| At the end of the year | 1,501,911 | 2,291,278 |
| Change in fair value: | | |
| Changes in fair value during the year | 30,778 | (737,053) |
| Realized during the year | - | (52,314) |
| Unrealized at the end of the year | 30,778 | (789,367) |
| Net Investments at the end of the year | 1,532,689 | 1,501,911 |

SICO SAUDI REIT FUND

Notes to the unaudited interim condensed financial statements

At 30 June 2023

7. RENT RECEIVABLE / UNEARNED RENTAL

| | 30 June 2023 | 31 December 2022 |
|--|-------------------------|---------------------|
| | (Unaudited) | (Audited) |
| At the beginning of the year | 17,967,973 | (1,411,806) |
| Earned during the year | 8,648,835 | 36,786,301 |
| Received during the year | (16,432,265) | (17,406,522) |
| Written off during the period | (17,967,973) | - |
| (Unearned rentals) / Rent receivable at the end of the year | (7,783,430) | 17,967,973 |

During the period, the fund received advance rent from new tenants amounting to SAR 7.7 million (31 December 2022: SAR Nil).

7.1 Rent receivable write-off

The Fund had a Rent receivables balance of SAR 17.9 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.

8. INVESTMENT PROPERTIES

| | Note | <i>Land SR</i> | <i>30 June 2023 Building SR</i> | <i>Total SR</i> |
|---|------|--------------------|---|---------------------|
| Balance at the beginning of the period | | 381,549,835 | 163,688,165 | 545,238,000 |
| Impairment (charge) / reversal on investment property | | - | (28,054,711) | (28,054,711) |
| Depreciation charge for the year | 8.1 | - | (4,813,289) | (4,813,289) |
| Balance at the end of the period | | 381,549,835 | 130,820,165 | 512,370,000 |

| | | <i>Land SR</i> | <i>31 December 2022 Building SR</i> | <i>Total SR</i> |
|--------------------------------------|-----|--------------------|---|---------------------|
| Balance at the beginning of the year | | 381,549,835 | 257,035,165 | 638,585,000 |
| Impairment on investment property | | - | (83,640,644) | (83,640,644) |
| Depreciation charge for the year | 8.1 | - | (9,706,356) | (9,706,356) |
| Balance at the end of the year | | 381,549,835 | 163,688,165 | 545,238,000 |

SICO SAUDI REIT FUND

Notes to the unaudited interim condensed financial statements

At 30 June 2023

8. INVESTMENT PROPERTIES (continued)

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

| | <i>30 June</i> <i>2023</i> <i>SR</i> | <i>31 December</i> <i>2022</i> <i>SR</i> |
|--------------------------------|--|--|
| Buildings | | |
| ESKAN 4 | 1,236,496 | 2,493,486 |
| ESKAN 5 | 1,192,270 | 2,404,302 |
| ESKAN 6 | 1,002,209 | 2,021,030 |
| I offices | 1,382,312 | 2,787,538 |
| | <hr/> | <hr/> |
| Balance at the end of the year | 4,813,289 | 9,706,356 |
| | <hr/> <hr/> | <hr/> <hr/> |

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 Riyadh 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 2.7 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 4.1 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 2.2 million

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 19.5 million.

The fair value of investment property has been determined by two external and independent property valuers licensed by Taqueem 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 a 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.

8. INVESTMENT PROPERTIES (CONTINUED)

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 30 June 2023 as follows:

White Cubes

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

Qiam Valuation

| 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% |

SICO SAUDI REIT FUND

Notes to the unaudited interim condensed financial statements

At 30 June 2023

8. INVESTMENT PROPERTIES (CONTINUED)

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

| Property | City | Valuer | Market value | |
|--------------|------------------------|----------------|-----------------------|---------------------------|
| | | | 30 June 2023 SR | 31 December 2022 SR |
| Eskan 4 | Makkah Al Mukaramah | White Cubes | 141,780,000 | 134,200,000 |
| | | Qiam Valuation | 120,165,000 | 142,150,000 |
| | | Average | 130,972,500 | 138,175,000 |
| Eskan 5 | Makkah Al Mukaramah | White Cubes | 106,400,000 | 105,600,000 |
| | | Qiam Valuation | 131,832,000 | 166,626,000 |
| | | Average | 119,116,000 | 136,113,000 |
| Eskan 6 | Makkah Al Mukaramah | White Cubes | 139,000,000 | 132,600,000 |
| | | Qiam Valuation | 100,243,000 | 130,300,000 |
| | | Average | 119,621,500 | 131,450,000 |
| I Offices | Riyadh | White Cubes | 138,000,000 | 137,000,000 |
| | | Qiam Valuation | 147,320,000 | 142,000,000 |
| | | Average | 142,660,000 | 139,500,000 |
| Total | | | 512,370,000 | 545,238,000 |

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

9. NET UNREALIZED GAIN FROM INVESTMENTS CARRIED AT FVTPL

| | 30 June 2023 (Unaudited) | 30 June 2022 (Unaudited) |
|---|--------------------------------|--------------------------------|
| Net realized and unrealized gain/ (loss) from investments carried at FVTPL | 30,778 | 33,627 |
| Total | 30,778 | 33,627 |

SICO SAUDI REIT FUND

Notes to the unaudited interim condensed financial statements

At 30 June 2023

10. SHORT TERM BORROWINGS

The Fund has obtained Islamic financing amounting to SAR 149.89 million dated 09 March 2021 from Riyadh 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.

11. 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 Tadawul 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 2023 (Unaudited) Amount of transaction</u> | <u>30 June 2022 (Unaudited) Amount of transaction</u> |
|---|------------------------------|---|---|
| SICO Capital (Previously known as Muscat Capital) | Transaction fee | - | - |
| | Admin fee | (101,705) | (124,509) |
| | 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 2023 (Unaudited)</u> | <u>31 December 2022 (Audited)</u> |
|--|------------------------------|-------------------------------------|---|
| SICO Capital (Previously known as Muscat Capital) | Fee Payable * | 142,431 | 142,431 |
| | Admin fee * | 101,705 | (157,480) |
| | Others * | 61,023 | (5,408) |
| Riyadh Capital | Custodian fees * | 86,781 | (67,190) |
| SICO Capital Money Market fund (Previously known as Muscat Capital Money Market fund) | Investments | 1,532,689 | 1,501,911 |

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

** This is recorded under prepayments and other assets.

SICO SAUDI REIT FUND

Notes to the unaudited interim condensed financial statements

At 30 June 2023

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management believes that the fair value of all other financial assets and liabilities are classified as amortised cost and at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. These are all classified within level 2 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current year or prior year.

13. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

| <i>As at 30 June 2023 (Unaudited)</i> | <i>Within 12 months SR</i> | <i>After 12 months SR</i> | <i>Total SR</i> |
|--|------------------------------------|-----------------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | 15,323,578 | - | 15,323,578 |
| Investments carried at fair value through profit or loss (FVTPL) | 1,532,689 | - | 1,532,689 |
| Prepayment and other assets | 6,975,025 | - | 6,975,025 |
| TOTAL ASSETS | 23,831,292 | - | 23,831,292 |
| LIABILITIES | | | |
| Accrued expenses and other liabilities | 14,641,246 | - | 14,641,246 |
| Unearned rental income | 7,726,991 | - | 7,726,991 |
| TOTAL LIABILITIES | 22,368,237 | - | 22,368,237 |
| | | | |
| <i>As at 31 December 2022 (Audited)</i> | <i>Within 12 months SR</i> | <i>After 12 months SR</i> | <i>Total SR</i> |
| ASSETS | | | |
| Cash and cash equivalents | 5,408,081 | - | 5,408,081 |
| Investments carried at fair value through profit or loss (FVTPL) | 1,501,911 | - | 1,501,911 |
| Prepayments and other assets | 24,978,147 | - | 24,978,147 |
| TOTAL ASSETS | 31,888,139 | - | 31,888,139 |
| LIABILITIES | | | |
| Accrued expenses and other liabilities | 17,044,544 | - | 17,044,544 |
| Unearned rental income | - | - | - |
| TOTAL LIABILITIES | 17,044,544 | - | 17,044,544 |

14. CHANGES IN FUNDS TERMS AND CONDITIONS

The changes to the Fund's terms and conditions reflect the following key changes during the period;

- Resignation of Independent Board Member: Mr. Fahad Al Shammari
- Resignation of Independent Board Member: Mr. Ali Hamiduddin
- Appointment of Independent Board Member: Mr. Imad Awwad
- Appointment of Independent Board Member: Mr. Saleh Al Mahasen
- Resignation of Non-Independent Board Member: Mr. Ibrahim Fatani
- Removal of Non-Independent Board Member: Mr. Mohannad Al Khoweilad

SICO SAUDI REIT FUND

Notes to the unaudited interim condensed financial statements

At 30 June 2023

15. LAST VALUATION DAY

The last valuation day of the period was 30 June 2023 (year ended 31 December 2022: 31 December 2022).

16. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, the Fund Manager has made certain revisions to the Terms and Conditions of the Fund. The latest update was approved by the Capital Market authority (the “CMA”) on 04 Ramadan 1445H (corresponding to 26 March 2023).

17. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These unaudited interim condensed financial statements were approved by the Fund’s management on 27 Muharram 1445H (corresponding to 14 August 2023).

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

Authorized Signatory