

AL MASHA'AR REIT FUND
A Real Estate Investments Traded Fund
(Closed-Ended Fund)
(MANAGED BY MUSCAT CAPITAL)

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

AL MASHA'AR REIT FUND
INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2019

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

THE UNITHOLDERS
AL MASHA'AR REIT FUND
RIYADH, KINGDOM OF SAUDI ARABIA

Introduction:

We have reviewed the accompanying interim financial position of Al Masha'ar REIT Fund ("the Fund") managed by Muscat Capital (the "Fund Manager") as at 30 June 2019 and the related interim statements of comprehensive income, changes in net assets attributable to Unitholders and statement of cash flows for the six month period then ended and the accompanying notes which form an integral part of these interim condensed financial statements. The Fund's management is responsible for the preparation and fair presentation of these interim condensed financial in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

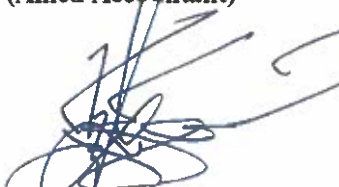
Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of these interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia.

For and on behalf of
Al Bassam & Co.
(Allied Accountant)


Ibrahim A. Al-Bassam
Certified Public Accountant
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04 August 2019
03 Dhul Hijjah, 1440H

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AL MASHA'AR REIT FUND

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

(Amounts in Saudi Riyals)

	Note	30 June 2019 (Unaudited)	31 December 2018 Audited
ASSETS			
Cash and cash equivalents	6	39,437	25,000
Murabaha deposits	7	17,822,999	10,150,978
Investments carried at fair value through profit or loss (FVTPL)	8	648,499	7,669,714
Rent receivable		371,946	530,728
Other receivable		81,004	-
Prepayment and other assets		201,645	17,186
Investment properties, net	9	562,021,773	565,481,182
TOTAL ASSETS		581,187,303	583,874,788
LIABILITIES			
Accrued management fee	12	1,482,874	1,465,168
Accrued expenses and other liabilities		356,512	254,448
TOTAL LIABILITIES		1,839,386	1,719,616
NET ASSETS VALUE		579,347,917	582,155,172
UNITS IN ISSUE (Number)		57,240,000	57,240,000
PER UNIT VALUE		10.12	10.17
PER UNIT FAIR VALUE	11	10.30	10.29

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

AL MASHA'AR REIT FUND**INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

For the six-month period ended 30 June 2019

(Amounts in Saudi Riyals)

	<u>Note</u>	<u>For the six- month period ended 30 June 2019 (Unaudited)</u>	<u>For the period from 27 December 2017 (date of commencement) to 30 June 2018 (Unaudited)</u>
Rentals from investment properties	9	19,159,718	19,740,762
Net realized and unrealized gain from investments carried at FVTPL	10	42,858	164,418
Commission income from Murabaha deposit		61,195	4,129
Total operating income		19,263,771	19,909,309
Depreciation expense	9	(3,459,409)	(3,459,409)
Impairment loss on investment property		-	(845,467)
Management fee	12	(2,886,852)	(2,943,817)
Other expenses		(842,365)	(1,052,063)
Total operating expenses		(7,188,626)	(8,300,756)
Net income for the period		12,075,145	11,608,553
Other comprehensive income		-	-
Total comprehensive income for the period		12,075,145	11,608,553

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

AL MASHA'AR REIT FUND**INTERIM STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)**

For the six month-period ended 30 June 2019

(Amounts in Saudi Riyals)

	Note	For the six-month period ended 30 June 2019 (Unaudited)	For the period from 27 December 2017 (date of commencement) to 30 June 2018 (Unaudited)
Net asset value attributable to the Unitholder at beginning of the period		582,155,172	-
Changes from unit transaction:			
- Subscription of units – Cash		-	172,539,000
- Subscription of units – In-kind contribution	1	-	399,861,000
		-	572,400,000
Dividend paid during the period	16	(14,882,400)	-
Total Comprehensive income for the period		12,075,145	11,608,553
Net asset value attributable to the unitholder at end of the period		<u>579,347,917</u>	<u>584,008,553</u>

Transactions in units for the period are summarized as follows:

	For the six- month period ended 30 June 2019 (Unaudited)	For the period from 27 December 2017 (date of commencement) to 30 June 2018 (Unaudited)
Number of units at the beginning of the period	57,240,000	-
Subscription of units – Cash	-	17,253,900
Subscription of units – In-kind contribution	-	39,986,100
Number of units at the end of the period	<u>57,240,000</u>	<u>57,240,000</u>

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

AL MASHA'AR REIT FUND**INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**

For the six-month period ended 30 June 2019

(Amounts in Saudi Riyals)

		For the six-month period ended 30 June 2019	For the period from 27 December 2017 (date of commencement) to 30 June 2018
	Notes	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES			
Net income for the period		12,075,145	11,608,553
<i>Adjustment to reconcile net income to net cash from operating activities:</i>			
Depreciation on investment properties	9	3,459,409	3,459,409
Impairment loss on investment property		-	845,467
Unrealized gain from investments carried at FVTPL	10	(3,451)	(150,756)
		<u>15,531,103</u>	<u>15,762,673</u>
Changes in operating assets:			
Prepayment and other assets		(184,459)	(551,394)
Rent receivable		158,782	-
Other receivable		(81004)	-
Changes in operating liabilities:			
Deferred rental income		-	18,896,238
Accrued Management fee		17,706	1,480,853
Accrued expenses and other liabilities		102,064	324,051
Net cash from operating activities		<u>15,544,192</u>	<u>35,912,421</u>
INVESTING ACTIVITIES			
Purchase of investment properties	1,9	-	(172,539,000)
Purchase of investments carried at FVTPL		(17,946,775)	(28,648,573)
Sale of investments carried at FVTPL		24,971,441	2,811,438
Purchase of Murabaha placements		(17,827,195)	-
Sale of Murabaha placements		10,155,174	-
Net cash used in investing activities		<u>(647,355)</u>	<u>(198,376,135)</u>
FINANCING ACTIVITIES			
Subscription of units	1	-	172,539,000
Dividend paid during the period	16	(14,882,400)	-
Net cash from financing activities		<u>(14,882,400)</u>	<u>172,539,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		14,437	10,075,286
Cash and cash equivalents at the beginning of the period		25000	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>39,437</u>	<u>10,075,286</u>
Supplemental non-cash transactions			
Purchase of investment through subscription of units in REIT	1,9	-	400,680,000

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

AL MASHA'AR REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2019

(Amounts in Saudi Riyals)

1. THE FUND AND ITS ACTIVITIES

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

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

The REIT acquired three properties, including one amounting to SAR 182,400,000 from Makkah Income Generating Fund, a Private Closed Fund also managed by Muscat Capital. Consideration to this purchase was disbursed by way of a cash payment as well as an "In-Kind" consideration by way of Units in the Al Masha'ar Fund.

The REIT is listed on Tadawul and the units of the REIT shall be traded on Tadawul in accordance with its rules and regulations. The subscribed units of the REIT amount to SAR 572,400,000. The REIT has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of CMA.

The initial terms and conditions of the REIT were approved by CMA on 26 Muharram 1439H (Corresponding to 16 October 2017).

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

In accordance, with the approved terms and conditions of the Fund, On 01 July 2019, the Fund's board of directors recommended to distribute dividends with regards to the period ended 30 June 2019 amounting to SR 0.26 per unit totalling SR 14,882,400 to its unit holders.

2. REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Funds Regulations (the "Regulations") and REIT instructions published by CMA, detailing requirements for real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

3.1 *Statement of compliance*

These unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standard 34: "Interim Financial Reporting", (IAS 34) as endorsed in Kingdom of Saudi Arabia and pronouncement issued by the Saudi Organisation of Certified Public Accountants.

3.2 *Basis of measurement*

These unaudited interim condensed financial statements have been prepared under the historical cost convention except for investments carried at fair value through profit and loss.

3.3 *Functional and presentation currency*

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

AL MASHA'AR REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2019

(Amounts in Saudi Riyals)

3. BASIS OF PREPARATION (continued)

3.4 Critical accounting judgments, estimates and assumption

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are described below. REIT based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of REIT. Such changes are reflected in the assumptions when they occur.

Going Concern

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

Impairment of non-financial assets

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

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

Residual and useful lives of investment properties

The Fund Manager of the REIT 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.

3.5 Expected credit loss

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.

AL MASHA'AR REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2019

(Amounts in Saudi Riyals)

3. BASIS OF PREPARATION (continued)

3.5 Expected credit loss (continued)

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the financial statements of the Fund for the period 31 December 2018 except for those mentioned below:

IFRS 16 Leases

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

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of use asset representing its right to use the underlying asset and lease liability representing its obligation to make lease payments. There are recognition exceptions for short-term leases and low-value items. Lessor accounting remains similar to the current standard – i.e lessor continue to classify leases as finance or operating leases.

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

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

5. MANAGEMENT FEE, OTHER EXPENSES AND TRANSACTION FEE

- MANAGEMENT FEE, OTHER EXPENSES

On a daily basis, the Fund Manager charges the Fund, management fee at the rate of 1 percent per annum of the Fund's net assets value and is paid on quarterly basis.

- TRANSACTION FEE

Further, the Fund Manager charges the Fund, one-time acquisition fee at the rate of 2.5 percent on the acquisition or sale price of the real estate assets, except for Eskan 4, 5 and 6.

AL MASHA'AR REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2019

(Amounts in Saudi Riyals)

6. CASH AND CASH EQUIVALENTS

	<u>Note</u>	<u>30 June 2019</u> <u>(Unaudited)</u>	<u>31 December 2018</u> <u>(Audited)</u>
Cash at bank	12	39,437	25,000
Total		<u>39,437</u>	<u>25,000</u>

7. MURABAHA DEPOSITS

	<u>30 June 2019</u> <u>(Unaudited)</u>	<u>31 December 2018</u> <u>(Audited)</u>
Murabaha deposits	17,822,999	10,150,978
Total	<u>17,822,999</u>	<u>10,150,978</u>

Murabaha deposits are placed for a period ranging from one day to more than three months and earn special commission at an average rate of 2.75% per annum.

8. INVESTMENTS CARRIED AT FVTPL

30 June 2019 (Unaudited)

	<u>Note</u>	<u>Fund manager</u>	<u>Number of</u> <u>units</u>	<u>Cost</u>	<u>Market</u> <u>Value</u>
Muscat Capital Money Market Fund	12	Muscat Capital	60,152	645,048	648,499

31 December 2018 (Audited)

	<u>Note</u>	<u>Fund manager</u>	<u>Number of</u> <u>units</u>	<u>Cost</u>	<u>Market</u> <u>Value</u>
Muscat Capital Money Market Fund	12	Muscat Capital	722,412.9	7,515,549	7,669,714

AL MASHA'AR REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2019

(Amounts in Saudi Riyals)

9. INVESTMENT PROPERTIES

As at 30 June 2019 (Unaudited)

	Note	Land	Building	Total
Cost				
Balance as of 31 December 2018 (Audited)		330,241,376	242,158,624	572,400,000
Additions		-	-	-
Impairment		-	-	-
Balance as of 30 June 2019 (Unaudited)		330,241,376	242,158,624	572,400,000
Accumulated Depreciation				
Balance as of 31 December 2018 (Audited)		-	6,918,818	6,918,818
Charge for the period	9.1	-	3,459,409	3,459,409
Balance as of 30 June 2019 (Unaudited)		-	10,378,227	10,378,227
Book Value:				
as of 30 June 2019 (Unaudited)		330,241,376	231,780,397	562,021,773

As at 31 December 2018 (Audited)

	Note	Land	Building	Total
Cost				
Balance as of 27 December 2017		-	-	-
Additions		330,241,376	242,158,624	572,400,000
Impairment		-	-	-
Balance as of 31 December 2018		330,241,376	242,158,624	572,400,000
Accumulated Depreciation				
Balance as of 27 December 2017		-	-	-
Charge for the period	9.1	-	6,918,818	6,918,818
Balance as of 31 December 2018		-	6,918,818	6,918,818
Book Value:				
as of 31 December 2018		330,241,376	235,239,806	565,481,182

These investment properties represent three following properties:

- The Eskan 4 building is located in Makkah with an annual rental income of SAR 12.8m;
- The Eskan 5 building is located in Makkah with an annual rental income of SAR 12.3m; and
- The Eskan 6 building is located in Makkah with an annual rental income of SAR 13.5m.

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

AL MASHA'AR REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2019

(Amounts in Saudi Riyals)

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

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Unrealized gain from investments carried at FVTPL	3,451	150,756
Realized gain from investments carried at FVTPL	39,407	13,662
Total	42,858	164,418

11. EFFECT OF NET ASSET VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED

In accordance with Article 22 of the Real Estate Investments Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's assets based on an average of two evaluations prepared by independent evaluators. As set out in the terms and conditions of the Fund, net asset value declared are based on the market value obtained. However, in accordance with accounting policy of the fund, investment properties are carried at cost less accumulated depreciation and impairment if any in these interim condensed financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's books.

The fair value of the investment properties is determined by two selected appraisers for each 3 properties i.e. **White Cubes Real Estate Company** and **Value Experts Company**. As of 30 June 2019, the valuation of the investment, properties are as follows:

	First Appraiser	Second Appraiser	Average
30 June 2019 (Unaudited)			
Investment properties	572,400,000	572,400,000	572,400,000
Total	572,400,000	572,400,000	572,400,000
31 December 2018 (Audited)			
Investment properties	572,400,000	572,400,000	572,400,000
Total	572,400,000	572,400,000	572,400,000

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

The investment properties were valued taking into consideration number of factors, including the area and type of property and valuation techniques using significant unobservable inputs, including the financial & fragmentation plot analysis, the cost method, the direct comparison method, and residual value method. As an outcome of the valuation, the Fund Manager, recognized impairment on one of the property, whereby the net surplus on the remaining properties is disclosed below within the analysis of the investment properties fair value versus cost:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Estimated fair value of investment properties based on the average of the two valuers used	572,400,000	572,400,000
Less: the carrying value of investment property	(562,021,773)	(565,481,182)
Estimated fair value in surplus of book value	10,378,227	6,918,818
Units in issue (numbers)	57,240,000	57,240,000
Additional value per unit based on fair value	0.18	0.12

AL MASHA'AR REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2019

(Amounts in Saudi Riyals)

11. EFFECT OF NET ASSET VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED (continued)

Net asset to unitholders:

	<u>30 June 2019</u>	<u>31 December 2018</u>
	(Unaudited)	(Audited)
Net assets attributable to unitholders as per the financial statements before fair value adjustment	579,347,917	582,155,172
Estimated fair value in surplus of book value	<u>10,378,227</u>	<u>6,918,818</u>
Net assets attributable to unitholders based on fair valuation of investment properties	<u>589,726,144</u>	<u>589,073,990</u>

Net asset attributable to each unit:

	<u>30 June 2018</u>	<u>31 December 2018</u>
	(Unaudited)	(Audited)
Book value per unit as per the financial statements before fair value adjustment	10.12	10.17
Increase in value per unit based on fair value	<u>0.18</u>	<u>0.12</u>
Net assets attributable to each unit based on fair valuation	<u>10.30</u>	<u>10.29</u>

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

12. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include "Muscat Capital" being the Fund Manager, (Bank Muscat being the shareholder of Muscat Capital), with the underlying properties of the Fund being custodized with Riyadh Capital (being the custodian of the Funds).

In the ordinary course of its activities, the Fund transacts business with related parties.

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

<u>Related Party</u>	<u>Nature of transaction</u>	<u>June 2019</u> <u>(Unaudited)</u>	<u>June 2018</u> <u>(Unaudited)</u>
		<u>Amount of</u> <u>transaction</u>	<u>Amount of</u> <u>transaction</u>
Muscat Capital	Management fee	(2,886,852)	(2,943,817)
	Admin fee	(144,343)	(147,191)
	Others	(151,560)	(154,547)
Riyadh Capital	Custodial fees	(86,606)	(88,315)
Bank Muscat	Commission income from Murabaha deposit	-	4,129

AL MASHA'AR REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2019

(Amounts in Saudi Riyals)

12. TRANSACTIONS WITH RELATED PARTIES (continued)

The balances resulting from related party transactions are as follows:

		<u>30 June 2019</u> <u>(Unaudited)</u>	<u>31 December 2018</u> <u>(Audited)</u>
<u>Related Party</u>	<u>Nature of transaction</u>	<u>Balance</u>	<u>Balance</u>
Muscat Capital	Management fee	(1,482,874)	(1,465,168)
	Admin fee	(71,084)	(73,528)
	Others	(74,638)	(76,921)
Riyad Capital	Custodial fees	-	(1,900)
Bank Muscat	Current account	39,437	25,000
Muscat Capital Money Market fund	Investments	648,499	7,669,714

13. RISK MANAGEMENT

13.1 Financial 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 unaudited interim condensed financial statements principally include cash and cash equivalents, rent receivable other receivables, accrued management fee and accrued expenses and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial assets and liabilities are offset and net amounts reported in the interim condensed financial statements, when the REIT has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

(a) Market risk

The REIT will be subject to the general conditions of the real estate sector in Saudi Arabia, which itself is influenced by a variety of factors such as, but not limited to the overall macroeconomic growth in the kingdom, interest 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.

(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, other receivable and bank balances.

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. Cash is placed with a reputable financial institution.

AL MASHA'AR REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2019

(Amounts in Saudi Riyals)

13. RISK MANAGEMENT (continued)

13.1 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

(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.

13.2 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 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.

The estimated fair value of the Fund's financial assets and liabilities is not considered to be significantly different. Investments carried at fair value through profit or loss are held in level 1 hierarchy of fair value.

14. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities are classified under amortised cost (except for investments carried at fair value through profit or loss which are classified at fair value) as of 30 June 2019 and 31 December 2018.

15. SEGMENT REPORTING

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

16. DIVIDEND DISTRIBUTION

In accordance with the approved terms and conditions of the Fund on 02 January 2019, the Fund's Board approved to distribute dividends with regards to the six-month period ended 31 December 2018 amounting to SAR 0.26 per unit totalling SAR 14,882,400 to its unit holders. The same was paid on 17 January 2019.

AL MASHA'AR REIT FUND

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17 EVENTS AFTER THE REPORTING DATE

In accordance, with the approved terms and conditions of the Fund, On 1 July 2019, the Fund's board of directors recommended to distribute dividends with regards to the period ended 30 June 2019 amounting to SR 0.26 per unit totalling SR 14,882,400 to its unit holders.

18. SIGNIFICANT STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

19. LAST VALUATION DAY

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

20. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Fund's Board on 04 August 2019 (Corresponding to 03 Dhul Hijjah, 1440H).

Signed on behalf of Fund's Board of Directors

Authorized Signatory

