# OMAN REIT FUND

## REVISED FINANCIAL STATEMENTS
## FOR THE PERIOD FROM 20 DECEMBER 2020 (DATE OF INCORPORATION) TO 31 DECEMBER 2021


**Registered office:**

P. O. Box 176
Postal Code 130, Azaiba
Sultanate of Oman

**Principal place of business:**

P. O. Box 176
Postal Code 130, Azaiba
Sultanate of Oman

**Pages**

# Independent Auditor's Report

To the Unitholders of
Oman REIT Fund
P.O. Box 176
Postal Code 130
Sultanate of Oman

## Report on the Audit of the Revised Financial Statements

### Opinion

We have audited the revised financial statements of Oman REIT Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the period from 20 December 2020 (date of incorporation) to 31 December 2021, and notes to the revised financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying revised financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2021, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Revised Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the revised financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter

The previously issued set of financial statements of the Fund for the period from 20 December 2020 (date of incorporation) to 31 December 2021, were audited by another auditor who expressed an adverse opinion on those statements on 27 March 2022. These are the revised financial statements of the Fund for the same period, which are re-issued by the management on 8 June 2022 (note 2).

# Independent Auditor’s Report (continued)

**Key Audit Matter**

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the revised financial statements of the current period. This matter was addressed in the context of our audit of the revised financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| **Valuation of investment properties**<br><br>As at 31 December 2021, the Fund’s investment properties amounted to RO 44.4 million which represented 91% of the Fund’s total assets.<br><br>The investment properties are stated at their fair values based on valuations from professionally qualified external valuers. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are sensitive to key assumptions applied, including those relating to capitalisation rate, void rate and operating costs, i.e., a change in assumptions may have an impact on the valuation.<br><br>We have identified the valuation of investment properties as a key audit matter due to the significance of the investment properties in the context of the Fund’s revised financial statements as a whole and because of the significant judgements involved in determining the fair value.<br><br>The accounting policies and disclosures relating to investment properties are set out in notes 2 and 9 to the revised financial statements, respectively. | Our audit procedures in this area included the following:<br><br>• Assessed the external valuer's qualification, experience and expertise in the properties being valued and considered their objectivity and independence;<br><br>• Involved our internal valuation specialists to assess the appropriateness of the assumptions applied to key inputs as well as assessing the methodology used by the Fund's management based on our knowledge of the business and industry;<br><br>• Read the valuation report of the properties valued by the independent external valuation expert and confirmed the valuation approach adopted by management is in accordance with International Financial Reporting Standards and suitable for use in determining the fair value for the purpose of the financial statements; and<br><br>• Assessed the appropriateness of the related disclosures in the financial statements in accordance with IFRSs. |

**Other Information included in the Fund’s 2021 Revised Annual Report**

Other information consists of the information included in the Fund’s 2021 Revised Annual Report, other than the revised financial statements and our auditor’s report thereon. Those charged with governance and management are responsible for the other information. We obtained the revised Chairman’s report and Corporate Governance report prior to the date of our auditor’s report.

Our opinion on the revised financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

# Independent Auditor's Report (continued)

**Other Information included in the Fund's 2021 Revised Annual Report (continued)**

In connection with our audit of the revised financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the revised financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the revised financial statements in accordance with IFRSs and the relevant requirements of the Capital Market Authority (the "CMA") of the Sultanate of Oman, and for such internal control as management determines is necessary to enable the preparation of revised financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the revised 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 Revised Financial Statements**

Our objectives are to obtain reasonable assurance about whether the revised 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 ISAs 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 revised financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the revised 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 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.

# Independent Auditor’s Report (continued)

**Auditor’s Responsibilities for the Audit of the Revised Financial Statements (continued)**

- 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 revised 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.
- Evaluate the overall presentation, structure and content of the revised financial statements, including the disclosures, and whether the revised 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the revised financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In our opinion, the revised financial statements of the Fund comply, in all material respects, with the relevant requirements of the CMA of the Sultanate of Oman.

**Nasser Al Mugheiry**
**Licence No. L1024587**
**ABU TIMAM**
*(Chartered Certified Accountants)*

**8 June 2022**

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE PERIOD FROM 20 DECEMBER 2020 (DATE OF INCORPORATION) to 31 DECEMBER 2021**

| | *Notes* | **For the period from 20 December 2020 to 31 December 2021 RO** |
|---|---|---|
| Rental income | 4 | **4,372,528** |
| Property operating expenses | | **(1,268,021)** |
| **Net property income** | | **3,104,507** |
| Other income | 5 | **60,633** |
| Management fees | 6 | **(455,572)** |
| Administration and custodian expenses | 7 | **(321,014)** |
| Board member fees | 18 | **(30,900)** |
| Net loss on fair value of investment properties | 9 | **(528,049)** |
| **Profit for the period** | | **1,829,605** |
| Other comprehensive income for the period | | **-** |
| **Total comprehensive income for the period** | | **1,829,605** |
| **Basic and diluted earnings per unit** | 8 | **0.004** |

The accompanying notes on pages 10 to 24 form an integral part of these revised financial statements.

The report of the Auditor is set forth on page 2.

# OMAN REIT FUND

**STATEMENT OF FINANCIAL POSITION**
**AT 31 DECEMBER 2021**

| | *Notes* | **31 December 2021 RO** |
|---|---|---|
| **ASSETS** | | |
| Investment properties | 9 | **44,420,000** |
| Accounts receivable | 10 | **1,924,261** |
| Other receivables | 11 | **22,404** |
| Bank balances | 12 | **2,293,978** |
| **TOTAL ASSETS** | | **48,660,643** |
| | | |
| **LIABILITIES** | | |
| Accounts payable | 13 | **203,993** |
| Other payables | 14 | **1,157,558** |
| **TOTAL LIABILITIES** | | **1,361,551** |
| | | |
| **Net assets attributable to unitholders** | | **47,299,092** |
| | | |
| **NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNIT HOLDERS** | 15 | **0.100** |

These revised financial statements were approved by the Board of Directors on 8 June 2022 and signed on its behalf by:

Hilal Hamed Abdullah Al Hasani
Chairman

Name
Board Member

The accompanying notes on pages 10 to 24 form an integral part of these revised financial statements.

The report of the Auditor is set forth on page 2.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS**
**FOR THE PERIOD FROM 20 DECEMBER 2020 (DATE OF INCORPORATION) to 31 DECEMBER 2021**

| | *Notes* | **No. of units** | **Net assets RO** |
|---|---|---|---|
| Units issued during the period | | 654,758,940 | 65,475,894 |
| Unpaid units | 9 | (183,572,554) | (18,357,255) |
| | | **471,186,386** | **47,118,639** |
| Total comprehensive income for the period | | | 1,829,605 |
| Dividends | 16 | | (1,649,152) |
| **At 31 December 2021** | | **471,186,386** | **47,299,092** |

The accompanying notes on pages 10 to 24 form an integral part of these revised financial statements.

The report of the Auditor is set forth on page 2.

**STATEMENT OF CASH FLOWS**
**FOR THE PERIOD FROM 20 DECEMBER 2020 (DATE OF INCORPORATION) to 31 DECEMBER 2021**

| | *Notes* | For the period from 20 December 2020 to 31 December 2021 RO |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Profit for the period | | **1,829,605** |
| **Adjustments for:** | | |
| Finance income | | **(38,926)** |
| Allowance for expected credit losses | | **7,200** |
| Net loss on fair value of investment properties | 9 | **528,049** |
| **Operating profit before working capital changes** | | **2,325,928** |
| **Changes in working capital:** | | |
| Accounts receivable | | **(1,931,461)** |
| Other receivables | | **(22,404)** |
| Accounts payable | | **203,993** |
| Other payables | | **700,008** |
| **Net cash generated from operating activities** | | **1,276,064** |
| | | |
| **Cash flows from investing activities:** | | |
| Additions to investment properties (i) | | **(2,366,210)** |
| Finance income received | | **38,926** |
| **Net cash used in investing activities** | | **(2,327,284)** |
| | | |
| **Cash flows from financing activities:** | | |
| Issue of units (i) | | **4,994,350** |
| Dividends paid | 16 | **(1,649,152)** |
| **Net cash generated from financing activities** | | **3,345,198** |
| | | |
| **Cash and cash equivalents at the end of the period** | 12 | **2,293,978** |

Note (i): During the period, the Fund received investment properties from the unitholders and issued units in lieu of those properties in the amount of RO 42,124,289, which were non-cash transactions.

The accompanying notes on pages 10 to 24 form an integral part of these revised financial statements.

The report of the Auditor is set forth on page 2.

## 1 Legal status and activities

Oman REIT Fund (the "Fund") is a Real Estate Investment Fund (REIT) registered in the Sultanate of Oman and constituted as a joint investment account as per the Regulations of the Capital Market Authority ("CMA") of Sultanate of Oman. The term of the Fund is 99 calendar years from the date of registration in the fund's registry in the CMA or until the liquidation of the Fund.

The Fund was established by Trust Fund Management SPC (the "Fund Manager"), a Single Person Company registered in the Sultanate of Oman in accordance with the Commercial Companies Law of Oman, as amended, and approved by the CMA in accordance with the administrative decision No. 84/2020 on 20 December 2020.

The registered address of the Fund is PO Box 176, Postal Code 130, Azaiba, Sultanate of Oman.

During the period, the Fund proceeded with initial public offering (IPO). The Fund closed its IPO on 9 February 2021 and its units were listed on the Muscat Stock Exchange on 28 February 2021.

The principal activities of the Fund are investing, directly or indirectly, in a diversified portfolio of income-producing real estate assets in Oman that are used primarily for residence, office, light industrial/logistics and retail purposes, as well as real estate-related assets in connection with the foregoing.

The Fund's initial capital was RO 65,475,894 representing 654,758,940 units. During the period, 183,572,554 units were unpaid and there were 471,186,386 net units of RO 47,118,639. The major unitholder which holds 89.4% of these units is Ministry of Defence Pension Fund ("MODPF").

## 2 Summary of significant accounting policies

### Basis of preparation

The revised financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards board (IASB).

These revised financial statements are presented in Rial Omani (RO) which is considered as the currency of the primary economic environment in which the Fund operates ('the functional and presentation currency').

### Revised financial statements

The previously issued set of financial statements of the Fund for the period from 20 December 2020 (date of incorporation) to 31 December 2021, were not adopted by the unitholders in the ordinary general meeting held on 17 April 2022. These are the revised financial statements of the Fund for the same period, which are re-issued by the management on 8 June 2022 and these supersede the previously issued financial statements.

### Basis of measurement

These revised financial statements have been prepared on a historical cost basis, except for investment properties that are measured at fair value.

### New and amended Standards and Interpretations

Several new Standards and amendments to existing Standards, and Interpretations have been published by the IASB which have become effective in this period but have not been disclosed as this is the first period since the incorporation of the Fund and accordingly, the Fund has applied all these standards in the accounting policies.

## 2 Summary of significant accounting policies (continued)

**New and amended Standards and Interpretations issued but not yet effective**
At the date of authorisation of these revised financial statements, several new, but not yet effective Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Fund.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current period have not been disclosed as they are not expected to have a material impact on the Fund's revised financial statements.

**Summary of significant accounting policies**
The significant accounting policies adopted in the preparation of the revised financial statements are set out below:

**Revenue recognition**

*Rental income*
Leases in which the Fund does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Minimum lease payments are recognised on a straight-line basis over the lease term and contingent rents are recognised as revenue in the period in which they are earned, net of value added tax (VAT). Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. When the Fund provides incentives to its customers, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

*Interest income*
Interest income is recognised as the interest accrues using the effective interest method, under which the rate exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**Investment properties**
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Fund considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Fund accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**Dividends**
Dividends are at the discretion of the Fund. Dividend to the Fund's unitholders is accounted for as a deduction from net assets attributable to unitholders. The Fund recognises a liability to pay a dividend when it is approved by the unitholders.

## 2 Significant accounting policies (continued)

### Financial assets

**Initial recognition and measurement**
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Fund has applied the practical expedient, the Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset. The Fund's financial assets includes bank balances and accounts and other receivables.

**Subsequent measurement**
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at fair value through profit or loss
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

***a) Financial assets at fair value through profit and 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.

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 amortised 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 recognised in the statement of comprehensive income. This category includes derivative instruments and listed equity investments which the Fund had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of comprehensive income when the right of payment has been established.

## 2 Significant accounting policies (continued)

### Financial assets (continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category. The Fund does not have any such instruments.

***(b) Financial assets at amortised cost (debt instruments)***
This category is the most relevant to the Fund. The Fund measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- 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.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Fund's financial assets at amortised cost includes bank balances and accounts and other receivables.

**Derecognition**
A financial asset (or, where applicable a part of a financial asset or part of a Fund of similar financial assets) is primarily derecognised 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.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

**Impairment of financial assets**
For accounts receivable, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Fund considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Fund may also consider a financial asset to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## 2 Significant accounting policies (continued)

### Financial liabilities

**Initial recognition and measurement**
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Fund's financial liabilities includes other payables and account payables.

**Subsequent measurement**
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

***(a) Financial liabilities at fair value through profit or loss***
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Fund that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Fund has not designated any financial liability as at fair value through profit or loss.

***(b) Financial liabilities at amortised cost***
This is the category most relevant to the Fund. After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

**Derecognition**
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

**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 recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## 2 Significant accounting policies (continued)

### Provisions
Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Fund expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed to the statement of comprehensive income.

### Accounts and other payables
Liabilities are recognised for amounts to be paid for goods and services received, whether billed by the supplier or not.

### Cash and bank balances
For the purpose of the statement of cash flows, cash and bank balances consist of cash and bank balances and net of outstanding bank overdrafts (if any).

### Net assets attributable to unitholders
Net assets attributable to unitholders are classified as financial liabilities as they do not meet the conditions to be classified as equity. The net assets value (NAV) is calculated by dividing the net assets of the Fund by the numbers of units outstanding at period end.

### Contingencies
Contingent liabilities are not recognised in the revised financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the revised financial statements but disclosed when an inflow of economic benefits is probable.

### Segment information
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic decisions maker.

The Fund’s operating activities are disclosed in note 1 to the revised financial statements. The strategic business unit offers similar products and services and is managed as one segment. For the strategic business unit, the Chief Executive Officer reviews internal management reports on a monthly basis.

Performance is measured based on the profit for the period, as included in the internal management reports. The Chief Executive Officer considers the business of the Fund as one operating segment and monitors accordingly.

### Fair value measurement
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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

## 2 Significant accounting policies (continued)

**Fair value measurement (continued)**
The principal or the most advantageous market must be accessible by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the revised financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the revised financial statements on a recurring basis, the Fund determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 3 Financial risk management

The Fund has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Fund’s exposure to each of the above risks, the Fund’s objectives, policies and processes for measuring and managing risk, and the Fund’s management of capital. Further quantitative disclosures are included throughout these revised financial statements. The Fund’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund’s financial performance. The Board of Directors has overall responsibility for establishing and overseeing the Fund’s risk management framework. The Board has entrusted the management with the responsibility of developing and monitoring the Fund’s risk management policies and procedures and its compliance with them.

The Fund’s principal financial liabilities comprise accounts and other payables. The main purpose of these financial liabilities is to finance for the Fund’s operations. The Fund has financial assets such as accounts and other receivables and bank balances.

The Fund is exposed to market risk, credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks which are summarised below:

**Market risk**
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk.

## 3 Financial risk management (continued)

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, the Fund is not exposed to any interest rate risk.

### Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Fund is not exposed to any currency risk as it deals mainly in Rial Omani.

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Fund is exposed to credit risk on cash and bank balances and accounts receivables.

The Fund limits its credit risk with regards to bank balances by only dealing with reputable banks in the Sultanate of Oman. With respect to credit risk arising from the financial assets of the Fund, including cash and bank balances and accounts receivables, the Fund's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments in the statement of financial position.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

| | **31 December 2021 RO** |
|---|---:|
| Bank balances | **2,293,978** |
| Accounts and other receivables | **1,946,665** |
| | **4,240,643** |

### Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund limits its liquidity risk by ensuring that sufficient funds are provided by the unitholders.

The table below summarises the maturity profile of the Fund's financial assets and liabilities based on contractual undiscounted payments:

| **31 December 2021** | **Less than 12 months RO** |
|---|---:|
| Accounts payable | **203,993** |
| Other payables | **1,157,558** |
| | **1,361,551** |

### Capital management

For the purpose of the Fund's capital management, capital includes unitholders' funds. The primary objective of the Fund's capital management is to maximise the unitholders' value.

The Fund manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Fund may adjust the dividend payment to unitholders, return capital to unitholders or issue new units.

## 4 Rental income

| | For the period from 20 December 2020 to 31 December 2021 RO |
|---|---|
| Rental income | **4,372,528** |

Information regarding the Fund's operating segments is set out below in accordance with IFRS 8 - Operating segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Fund that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Fund operates in one business segment that of real estate. No geographical analysis has been disclosed as 100% of the Fund's revenue is from customers based in the Sultanate of Oman.

## 5 Other income

| | For the period from 20 December 2020 to 31 December 2021 RO |
|---|---|
| Interest income | **38,926** |
| Parking fees | **21,707** |
| | **60,633** |

## 6 Management fees

| | For the period from 20 December 2020 to 31 December 2021 RO |
|---|---|
| Management fees (note 18) | **455,572** |

In accordance with the Investment Management Agreement entered between the Fund and Fund Manager dated 1 January 2021, the Fund Manager is entitled to receive an annual management fee calculated at a rate of 1% per annum of the Fund's total investment properties value, calculated on a monthly basis and payable quarterly in arrears from the incorporation date of the Fund.

## 7 Administration and custodian expenses

| | For the period from 20 December 2020 to 31 December 2021 RO |
|---|---|
| Preliminary expenses | **193,368** |
| Custodian fees (note 18) | **40,638** |
| Fees and subscription | **38,495** |
| Legal and professional expenses | **28,885** |
| Allowance for expected credit losses | **7,200** |
| Insurance expense | **11,148** |
| Others | **1,280** |
| | **321,014** |

## 8 Basic and diluted earnings per unit

Basic earnings per unit are calculated by dividing the profit for the period by the weighted average number of eligible units outstanding during the period.

| | 31 December 2021 RO |
|---|---|
| Profit attributable to unitholders of the Fund | **1,829,605** |
| Weighted average number of eligible units | **471,186,386** |
| Basic earnings per unit | **0.004** |

The diluted earnings per unit are identical to the basic earnings per unit as there are no dilutive potential equity instruments.

## 9 Investment properties

| | 31 December 2021 RO |
|---|---|
| Additions | **44,948,049** |
| Net loss on fair value of investment properties | **(528,049)** |
| **31 December** | **44,420,000** |

The Fund's investment properties comprise of buildings held for rental income and capital appreciation which are located in the Sultanate of Oman.

Note 19 sets out how the fair value of the investment properties has been determined.

Details of the investment properties are as follows:

| | 31 December 2021 RO |
|---|---|
| KOM 4 (ii) | **14,300,000** |
| Oasis mall | **6,600,000** |
| Misfah warehouse (iii) | **4,000,000** |
| E&Y building | **3,800,000** |
| Bait Al Sharq | **3,120,000** |
| Alwafi Complex | **2,500,000** |
| Bait Moznah | **2,000,000** |
| City Residence | **1,750,000** |
| Center Point | **1,400,000** |
| Orchid Complex | **900,000** |
| Mawalah warehouse | **850,000** |
| Lulu Salalah | **890,000** |
| Bait Al Majd | **700,000** |
| Bait Ruwi | **650,000** |
| Bait Al Qurum | **560,000** |
| Rusail factory | **400,000** |
| | **44,420,000** |

i. The Fund received control over all the investment properties during the period against which it issued units to the unitholders. At the reporting date, the title deeds of the properties were in the name of the major unitholder, MODPF, except for (iii). They were held for the beneficial interest of the Fund. Subsequent to the reporting date, the transfers of the title deeds, except for (ii) and (iii), were completed in the name of the Fund.

ii. The Fund has received the property, KOM 4, on leasehold terms for a period of 99 years. Accordingly, the property is recorded as a right-of-use asset and carried at fair value at the reporting date.

## 9 Investment properties (continued)

iii. Misfah Warehouse property is registered in the name of Al Misfah Real Estate Service and Development SPC, a related party of MODPF. It is mortgaged with a bank against a loan taken by the related party. At the date of authorisation of the revised financial statements, the related party is in process of arranging the release of the mortgage and the title deed is expected to be transferred to the Fund before the end of Q3 2022.

Details of the property income during the period are as follows:

| | For the period from 20 December 2020 to 31 December 2021 RO |
|---|---|
| Rental income | **4,372,528** |
| Direct operating expenses | **(1,268,021)** |
| **Net property income** | **3,104,507** |

During the period, the Fund was supposed to receive 4 additional properties, against which the Fund had initially issued units to the unitholders (183,572,554 units). However, the Fund did not receive the control over those properties and hence, the amount was unpaid until the Fund decided to reduce the unitholders' fund by cancelling those units, which was approved in the EGM dated 13 January 2022.

## 10 Accounts receivable

| | 31 December 2021 RO |
|---|---|
| **Financial assets:** | |
| Accounts receivable | **1,931,461** |
| Less: allowance for expected credit losses | **(7,200)** |
| | **1,924,261** |

Outstanding balances at the period-end are unsecured and interest free and settlement occurs in cash.

Set out below is the information about the credit risk exposure on the Fund's accounts receivable:

| **31 December 2021** | **< 30 days RO** | **30 – 90 days RO** | **> 90 days RO** | **Total RO** |
|---|---|---|---|---|
| Gross carrying amount | 1,613,378 | 127,643 | 190,440 | **1,931,461** |
| Less: allowance for expected credit losses | (600) | (1,200) | (5,400) | **(7,200)** |
| | **1,612,778** | **126,443** | **185,040** | **1,924,261** |

## 11 Other receivables

| | 31 December 2021 RO |
|---|---|
| **Non-financial assets:** | |
| Prepayments | **3,648** |
| Others | **18,756** |
| | **22,404** |

## 12 Bank balances

| | 31 December 2021 RO |
|---|---|
| Bank balances | **2,293,978** |

Bank balances includes balances with reputed commercial banks in Oman and are denominated in Omani Rial. The management believes that the expected credit loss is immaterial to the revised financial statements as a whole.

There are no restrictions on bank balances at the time of approval of these revised financial statements.

## 13 Accounts payable

| | 31 December 2021 RO |
|---|---|
| **Financial liabilities:** | |
| Management fee payable | **120,691** |
| Accounts payable | **83,302** |
| | **203,993** |

All amounts are short-term. The carrying values of accounts payable are considered to be a reasonable approximation of fair values.

## 14 Other payables

| | 31 December 2021 RO |
|---|---|
| **Financial liabilities:** | |
| Other payables | **575,737** |
| Custodian fee payable (note 18) | **40,638** |
| **Non-financial liabilities:** | |
| Provision for stamp duty on investment properties | **457,550** |
| Unearned income | **54,768** |
| Security deposits | **28,865** |
| | **1,157,558** |

All amounts are short-term. The carrying values of other payables are considered to be a reasonable approximation of fair values.

## 15 Net assets per unit

Net assets per unit is calculated by dividing the equity attributable to the unitholders of the Fund at the reporting date by the number of units outstanding at the reporting date as follows:

| | 31 December 2021 |
|---|---|
| Net assets (RO) | **47,299,092** |
| Number of units outstanding at 31 December | **471,186,386** |
| Net assets per units (RO) | **0.100** |

## 16 Dividends

Pursuant to the Board of Directors meetings held on 29 July 2021 and 31 October 2021, the Fund announced cash dividends of RO 0.00175 per unit and RO 0.00175 per unit, respectively, on the basis of quarterly financial statements of the Fund. Accordingly, dividends amounting to RO 824,576 and RO 824,576 million were paid in August 2021 and November 2021, respectively.

## 17 Taxation

In accordance with Article 117 of Income Tax Law, income accruing to investment funds set up in Sultanate of Oman, under the Capital Market Authority Law, is exempt from taxation.

## 18 Related party transactions and balances

The Fund enters into certain transactions in the ordinary course of business with the unitholders, Board members of the Fund, Fund manager and entities under their control.

During the period, transactions with related parties were as follows:

| | For the period from 20 December 2020 to 31 December 2021 RO |
|---|---|
| Rental income | **2,242,203** |
| Property operating expenses | **735,290** |
| Management fees (note 6) – Fund Manager | **455,572** |
| Additions to investment properties, net | **44,948,049** |
| Administration and custodian expenses (note 7) | **40,638** |
| Board member fees | **30,900** |

Balances with related parties in the statement of financial position are as follows:

| | 31 December 2021 RO |
|---|---|
| **Due from a related party:** | |
| Accounts receivable | **1,463,759** |
| **Due to related parties:** | |
| Other payables | **536,627** |
| Management fee payable (note 6) – Fund Manager | **120,691** |
| Custodian fee payable | **40,638** |
| | **697,956** |

Outstanding balances at the period end are unsecured, interest free, repayable on demand and settlement occurs in cash. There have been no guarantees provided or received for any related party balances.

## 19 Fair value

(a) Financial instruments

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and accounts receivable. Financial liabilities consist of account and other payables. The 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 fair values of financial assets and liabilities are not materially different from their carrying values.

(b) Non-financial instruments

Description of valuation techniques used and key inputs to valuation of investment properties:

| | Valuation technique | Significant unobservable inputs | Range 2021 |
|---|---|---|---|
| Investment properties | Income approach (investment method) | Capitalisation rate | 6.5% - 10.75% |
| | | Void rate | 3% - 10% |
| | | Operating costs | 3% - 8% |

Investment properties are stated at fair values, determined based on independent valuations performed by an independent third party, based on market basis, supported by market evidence.

## 19 Fair value (continued)

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long-term vacancy rate.

The following table provides the fair value measurement hierarchy of the Fund's assets.

| | Fair value measurement using | |
|---|---|---|
| **31 December 2021** | **Date of valuation** | **Significant unobservable inputs (Level 3)** |
| Investment properties (note 9) | 31 December 2021 | **44,420,000** |

There were no transfers between the levels during the period.

## 20 Maturity analysis of financial assets and liabilities

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

| **31 December 2021** | **Within 12 months RO** |
|---|---|
| **Financial assets** | |
| Accounts receivable | **1,924,261** |
| Bank balances | **2,293,978** |
| | **4,218,239** |
| | |
| **Financial liabilities** | |
| Accounts payable | **203,993** |
| Other payables | **616,375** |
| | **820,368** |

## 21 Contingencies and commitments

### 21.1 Contingent liabilities

As mentioned in note 9, one of the Fund's properties, Misfah Warehouse, is registered in the name of a related party, Al Misfah Real Estate Service and Development SPC. This property is pledged against a loan taken by the related party from a local bank in Oman for an amount of RO 3,050,000.

## 22 Significant accounting judgements, estimates and assumptions

The preparation of the Fund's revised financial statements requires management to make judgements, 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.

**Estimates and assumptions**

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

***Fair valuation measurement***

Management uses valuation techniques to determine the fair value of financial instruments and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the asset. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (note 9).

***Provision for expected credit losses of accounts receivable***

The Fund uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Fund's historical observed default rates. The Fund will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., and gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Fund's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Fund's accounts receivable is disclosed in note 10.

## 23 Subsequent events after the reporting date

No adjusting or significant non-adjusting events, other than the events mentioned in note 9, have occurred between the reporting date and the date of authorization of these revised financial statements.

## 24 Comparative figures

No comparative figures have been presented in these revised financial statements as this is the first accounting period since the incorporation of the Fund.