

## OMAN REIT FUND

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 SEPTEMBER 2022

#### 1 Legal status of the Fund

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 "Previous 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. On 7 July 2022, FIM Partners Muscat SPC, a Single Person Company registered in the Sultanate of Oman in accordance with the Commercial Companies Law of Oman, was appointed as the fund manager for the Fund (the "Fund Manager") and replaced the Previous Fund Manager.

The registered address of the Fund is PO Box 1963, Postal Code 130, Bousher, Sultanate of Oman.

During 2021, the Fund proceeded with an 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 Fund's initial capital was RO 65,475,894 representing 654,758,940 units. During the period ended 31 December 2021, 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 Principal activities

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.

#### 3 Summary of significant accounting policies

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the statutory financial statements for the period ended 31 December 2021.

#### 4 Rental income

	(Unaudited) Period from 1 January 2022 to 30 September 2022 RO	(Unaudited) Period from 1 January 2021 to 30 September 2021 RO
Rental income	<u>2,745,155</u>	<u>3,412,079</u>

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

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	(Unaudited) Period from 1 January 2022 to 30 September 2022 RO	(Unaudited) Period from 1 January 2021 to 30 September 2021 RO
Interest income	53,394	24,467
Parking fees	33,460	335
	<u>86,854</u>	<u>24,802</u>

**6 Management fees**

	(Unaudited) Period from 1 January 2022 to 30 September 2022 RO	(Unaudited) Period from 1 January 2021 to 30 September 2021 RO
Management fees (note 18)	<u>346,886</u>	<u>351,464</u>

In accordance with the Investment Management Agreement entered between the Fund and Fund Manager dated 7 July 2022, the Fund Manager is entitled to receive a management fee calculated at a rate of 0.9% per annum of the Fund's NAV, calculated on a monthly basis and payable quarterly in arrears.

In accordance with the Investment Management Agreement entered between the Fund and Previous Fund Manager dated 1 January 2021, the Previous Fund Manager was entitled to receive a management fee calculated at a rate of 1.0% per annum of the Fund's NAV, calculated on a monthly basis and payable quarterly in arrears from the incorporation date of the Fund.

**7 General and administrative expenses**

	(Unaudited) Period from 1 January 2022 to 30 September 2022 RO	(Unaudited) Period from 1 January 2021 to 30 September 2021 RO
Fees and subscription	31,723	18,807
Custodian fees (note 18)	23,389	25,796
Legal and professional expenses	14,157	5,626
Insurance expense	13,009	7,428
Allowance for expected credit losses	1,800	-
Preliminary expenses	-	193,367
Others	43,994	342
	<u>128,072</u>	<u>251,366</u>

**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.

	(Unaudited) Period from 1 January 2022 to 30 September 2022 RO	(Unaudited) Period from 1 January 2021 to 30 September 2021 RO
Profit attributable to unitholders of the Fund (RO)	1,440,342	1,977,353
Weighted average number of eligible units	<u>471,186,386</u>	<u>471,186,386</u>
Basic earnings per unit (RO)	<u>0.003</u>	<u>0.004</u>

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

**9 Investment properties**

(Unaudited) 30 September	(Audited) 31 December
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	2022 RO	2021 RO
<b>Opening balance</b>	<b>44,420,000</b>	-
Additions	-	44,948,049
Net loss on fair value of investment properties	-	(528,049)
<b>Closing balance</b>	<b>44,420,000</b>	<b>44,420,000</b>

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:

	(Unaudited) 30 September 2022 RO	(Audited) 31 December 2021 RO
KOM 4 (ii)	14,300,000	14,300,000
Oasis mall	6,600,000	6,600,000
Misfah warehouse (iii)	4,000,000	4,000,000
E&Y building	3,800,000	3,800,000
Bait Al Sharq	3,120,000	3,120,000
Alwafi Complex	2,500,000	2,500,000
Bait Moznah	2,000,000	2,000,000
City Residence	1,750,000	1,750,000
Center Point	1,400,000	1,400,000
Orchid Complex	900,000	900,000
Mawalal warehouse	850,000	850,000
Lulu Salalah	890,000	890,000
Bait Al Majd	700,000	700,000
Bait Ruwi	650,000	650,000
Bait Al Qurum	560,000	560,000
Rusail factory	400,000	400,000
	<b>44,420,000</b>	<b>44,420,000</b>

- i. The Fund received control over all the investment properties during the previous period against which it had issued units to the unitholders. At 31 December 2021, the title deeds of the properties were held in the name of the Fund, except for (ii), which was acquired by the Fund on leasehold terms, and (iii) which was held in the name of a related party of the major unitholder, MODPF, for the beneficial interest of the Fund. In the period ended 30 September 2022, the transfer of the title deed, except (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.
- iii. Misfah Warehouse property is registered in the name of Al Misfah Real Estate Service and Development SPC, a related party of MODPF. It was previously mortgaged with a local commercial bank against a loan taken by the related party. At the date of authorisation of the condensed interim financial information, the related party has cleared the bank loan and released the mortgage with the bank and the title deed is expected to be transferred to the Fund before the end of Q4 2022.
- iv. The investment properties were last revalued as at 31 December 2021. Management determined that the effect of changes in fair values between the last valuation and the reporting date is immaterial.

**9 Investment properties (continued)**

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

(Unaudited)

(Unaudited)

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	Period from 1 January 2022 to 30 September 2022 RO	Period from 1 January 2021 to 30 September 2021 RO
Rental income	2,745,155	3,412,079
Property operating expenses	(888,409)	(831,098)
Net property income	<u>1,856,746</u>	<u>2,580,981</u>

**10 Accounts receivable**

	(Unaudited) 30 September 2022 RO	(Audited) 31 December 2021 RO
<b>Financial assets:</b>		
Accounts receivable	1,681,175	1,931,461
Less: allowance for expected credit losses	(9,000)	(7,200)
	<u>1,672,175</u>	<u>1,924,261</u>

All amounts are short-term. The net carrying value of accounts receivable is considered a reasonable approximation of fair value. Outstanding balances at the period-end are unsecured and interest free and settlement occurs in cash.

**11 Other receivables**

	(Unaudited) 30 September 2022 RO	(Audited) 31 December 2021 RO
<b>Non-financial assets:</b>		
Prepayments	39,996	3,648
Others	-	18,756
	<u>39,996</u>	<u>22,404</u>

All amounts are short-term. The net carrying value of other receivables is considered a reasonable approximation of fair value.

**12 Bank balances**

	(Unaudited) 30 September 2022 RO	(Audited) 31 December 2021 RO
Bank balances	<u>2,346,443</u>	<u>2,293,978</u>

Bank balances include 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 condensed interim financial information.

There are no restrictions on bank balances at the time of approval of this condensed interim financial information.

**13 Accounts payable**

	(Unaudited) 30 September 2022 RO	(Audited) 31 December 2021 RO
<b>Financial liabilities:</b>		
Accounts payable	166,512	83,302

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Management fee payable	109,194	120,691
	<u>275,706</u>	<u>203,993</u>

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

**14 Other payables**

	(Unaudited) 30 September 2022 RO	(Audited) 31 December 2021 RO
<b>Financial liabilities:</b>		
Other payables	162,935	575,737
Custodian fee payable (note 18)	24,234	40,638
<b>Non-financial liabilities:</b>		
Provision for stamp duty on investment properties	60,012	457,550
Security deposits	40,898	28,865
Unearned income	117,767	54,768
	<u>405,846</u>	<u>1,157,558</u>

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

**15 Net asset value 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:

	(Unaudited) 30 September 2022 RO	(Audited) 31 December 2021 RO
Net assets (RO)	47,797,062	47,299,092
Number of units outstanding at the reporting date	471,186,386	471,186,386
Net asset value per unit (RO)	<u>0.101</u>	<u>0.100</u>

**16 Dividends**

During 2022, pursuant to the Board of Directors meetings held on 4 July 2022 and 27 July 2022, the Fund had announced cash dividends of RO 0.001 per unit and RO 0.001 per unit, respectively, on the basis of quarterly financial statements of the Fund. Accordingly, dividends amounting to RO 471,186 and RO 471,186 were paid in July 2022 and August 2022, 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:

(Unaudited) Period ended 30 September	(Unaudited) Period ended 30 September
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	2022 RO	2021 RO
Rental income	1,177,518	1,765,926
Property operating expenses	658,004	556,933
Management fees (note 6) – Fund Manager	346,886	351,464
Administration and custodian expenses (note 7)	23,389	25,796
Board member fees	28,300	25,600

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

	(Unaudited) 30 September 2022 RO	(Audited) 31 December 2021 RO
<b>Due from a related party:</b>		
Accounts receivable	<u>929,068</u>	<u>1,463,759</u>
<b>Due to related parties:</b>		
Other payables	128,326	536,627
Management fee payable (note 6) – Fund Manager	109,194	120,691
Custodian fee payable	<u>24,234</u>	<u>40,638</u>
	<u>261,754</u>	<u>697,956</u>

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 measurement****(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 accounts 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
Investment properties	Income approach (investment method)	Capitalisation rate Void rate Operating costs	6.5% - 10.75% 3% - 10% 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

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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	
		Total RO	Significant unobservable inputs (Level 3) RO
30 September 2022	Date of valuation		
Investment properties (note 9)	31 December 2021	44,420,000	44,420,000

There were no transfers between the levels during the period.

## 20 Contingencies and commitments

### 20.1 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. Upto the period ended 30 June 2022, this property was pledged against a loan taken by the related party from a local bank in Oman for an amount of RO 3,050,000. However, as at the reporting date, the loan has been repaid by the related party and the mortgage on the property has been released.

## 21 Significant accounting judgements, estimates and assumptions

The preparation of the Fund's condensed interim financial information 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 condensed interim financial information was 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.

## 21 Significant accounting judgements, estimates and assumptions (continued)

### 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

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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.

#### **22 Subsequent events after the reporting date**

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization of this condensed interim financial information.