

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**CONDENSED INTERIM  
FINANCIAL STATEMENTS (UNAUDITED)**  
For the six-month period ended 30 June 2021  
together with  
**Independent auditor's report**  
**on review of condensed interim financial statements**  
**to the unitholders**



## KPMG Professional Services

Zahran Business Center  
Prince Sultan Street  
P.O. Box 55078  
Jeddah 21534  
Kingdom of Saudi Arabia  
Headquarter in Riyadh

Commercial Registration No 4030290792

## كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال  
شارع الأمير سلطان  
ص.ب 55078  
جده 21534  
المملكة العربية السعودية  
المركز الرئيسي الرياض

سجل تجاري رقم 4030290792

# Independent auditor's report on review of condensed interim financial statements

To the unitholders of SEDCO Capital REIT Fund

## Introduction

We have reviewed the accompanying 30 June 2021 condensed interim financial statements of **SEDCO Capital REIT Fund (the "Fund")** managed by **SEDCO Capital (the "Fund Manager")** which comprises:

- the condensed interim statement of financial position as at 30 June 2021;
- the condensed interim statement of comprehensive income for the six-month period ended 30 June 2021;
- the condensed interim statement of changes in net assets (equity) attributable to the unitholders for the six-month period ended 30 June 2021;
- the condensed interim statement of cash flows for the six-month period ended 30 June 2021; and
- the notes to the condensed interim financial statements.

The Fund Manager is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

## Scope of review

We conducted our review in accordance with the 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 interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2021 condensed interim financial statements of **SEDCO Capital REIT Fund (the "Fund")** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Professional Services,

Nasser Ahmed Al Shutairy  
License No. 454



Jeddah, 12 August 2021  
Corresponding to 4 Muharram 1443H

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (15,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة منقطة، مسجلة في المملكة العربية السعودية، رأس مالها (15,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للفرزات وشركاه محاسبون ومراجعون قانونيون"، و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة

Commercial Registration of the headquarter in Riyadh is 1010425494.

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**CONDENSED INTERIM STATEMENT FINANCIAL POSITION (UNAUDITED)**

As at 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

	<u>Notes</u>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents		19,406,088	20,585,698
Rent receivables	8	13,879,833	15,919,638
Prepayments and other receivables		6,938,094	6,260,042
<b>Total current assets</b>		<b>40,224,015</b>	<b>42,765,378</b>
<b>Non-current assets</b>			
Investment properties	9	981,118,702	1,005,373,263
<b>Total assets</b>		<b>1,021,342,717</b>	<b>1,048,138,641</b>
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities</b>			
Dividends payable	10	9,150,000	7,500,000
Due to related party	11	3,084,349	6,915,085
Accrued expenses and other payable	12	2,219,823	2,745,272
Deferred revenue	13	4,639,447	3,522,464
Financing facility from a bank	14	2,933,323	1,468,518
Derivative instruments at fair value through profit or loss	15	945,208	1,303,370
<b>Total current liabilities</b>		<b>22,972,150</b>	<b>23,454,709</b>
<b>Non-current liabilities</b>			
Financing facility from a bank	14	485,647,404	486,735,553
<b>Total liabilities</b>		<b>508,619,554</b>	<b>510,190,262</b>
<b>Net assets (equity) attributable to the unitholders</b>		<b>512,723,163</b>	<b>537,948,379</b>
<b>Units in issue (number)</b>	16	<b>60,000,000</b>	<b>60,000,000</b>
<b>Net assets (equity) per unit (SAR)</b>		<b>8.5454</b>	<b>8.9658</b>

The accompanying notes 1 to 23 form an integral part  
of these condensed interim financial statements

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

	<u>Notes</u>	<b>30 June 2021</b>	30 June <u>2020</u>
Rental income		<b>36,162,646</b>	37,502,254
Murabaha income		--	1,167
		<b>36,162,646</b>	37,503,421
<b>EXPENSES</b>			
Depreciation		<b>8,081,582</b>	8,132,234
Management, administrative and shariah fee	7	<b>2,981,325</b>	3,107,449
Operating and other expenses	17	<b>4,406,864</b>	3,622,314
Impairment on rent receivables	8.1	<b>249,832</b>	1,500,000
Impairment on investment properties	9	<b>19,959,511</b>	6,263,811
Unrealized loss on derivative instruments at fair value through profit or loss	15.1	<b>1,250,073</b>	1,512,444
Financing fee and charges		<b>6,158,675</b>	11,588,573
<b>Total expenses</b>		<b>43,087,862</b>	35,726,825
Net (loss) / profit for the period		<b>(6,925,216)</b>	1,776,596
<b>Total comprehensive (loss) / profit for the period</b>		<b>(6,925,216)</b>	1,776,596

The accompanying notes 1 to 23 form an integral part of these condensed interim financial statements

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY)  
ATTRIBUTABLE TO THE UNITHOLDERS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

---

	<u>2021</u>	<u>2020</u>
Net assets (equity) attributable to the unitholders at 1 January	537,948,379	561,523,849
Total comprehensive (loss) / profit for the period	(6,925,216)	1,776,596
Dividend (Note 10)	(18,300,000)	(9,148,683)
Net asset (equity) attributable to the unitholders as at 30 June	<u>512,723,163</u>	<u>554,151,762</u>

The accompanying notes 1 to 23 form an integral part  
of these condensed interim financial statements

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

	<u>Note</u>	<b>30 June 2021</b>	30 June <u>2020</u>
Net (loss) / profit for the period		<b>(6,925,216)</b>	1,776,596
<b>Cash flow from operating activities</b>			
<i>Adjustment for:</i>			
Depreciation	9	<b>8,081,582</b>	8,132,234
Impairment on rent receivables	8.1	<b>249,832</b>	1,500,000
Impairment on investment properties	9	<b>19,959,511</b>	6,263,811
		<b>21,365,709</b>	17,672,641
Net changes in operating assets and liabilities:			
Rent receivables		<b>1,789,973</b>	(3,871,660)
Prepayments and other receivables		<b>(678,052)</b>	(826,264)
Additions to investment properties during the period		<b>(24,564)</b>	(33,000)
Payments made for work in progress		<b>(3,761,968)</b>	(1,664,240)
Due to related party		<b>(3,830,736)</b>	(1,370,405)
Accrued expenses and other payable		<b>(525,449)</b>	(867,254)
Derivative instruments at fair value through profit or loss		<b>(358,162)</b>	1,512,444
Deferred income		<b>1,116,983</b>	(3,223,165)
Financing facility from a bank		<b>376,656</b>	3,299,989
<b>Net cash generated from operating activities</b>		<b>15,470,390</b>	10,629,086
<b>Cash flow from financing activities</b>			
Dividend paid during the period	10	<b>(16,650,000)</b>	(19,048,683)
<b>Net cash used in financing activities</b>		<b>(16,650,000)</b>	(19,048,683)
<b>Net change in cash and cash equivalents:</b>		<b>(1,179,610)</b>	(8,419,597)
Cash and cash equivalents at beginning of the period		<b>20,585,698</b>	34,534,020
<b>Cash and cash equivalents at end of the period</b>		<b>19,406,088</b>	26,114,423

The accompanying notes 1 to 23 form an integral part of these condensed interim financial statements

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

---

**1 THE FUND AND ITS ACTIVITIES**

SEDCO Capital REIT Fund (the "Fund") is a close-ended Shariah compliant real estate investment fund, established and managed by Saudi Economic and Development Securities Company ("SEDCO Capital" or the "Fund Manager"), a subsidiary of The SEDCO Holding (the "Company"), for the benefit of the Fund's unitholders. The Fund is ultimately supervised by the Fund Board.

SEDCO Capital, a Saudi closed joint stock company licensed by the Capital Market Authority (the "CMA") as a licensed person under License No. 11157-37 dated 23 Rabi Al Thani 1430H (corresponding to 19 April 2009) manages the Fund. The Fund Manager conducts following securities' activities:

- a) Dealing;
- b) Arranging;
- c) Managing;
- d) Advising; and
- e) Custody;

The Fund's objective is to provide periodic rental income to its unitholders by investing mainly in developed properties generating income, in addition to potential capital growth of total value of Fund's assets when assets are sold later, or target assets are developed or expanded.

The Fund invests mainly in developed income generating real estate assets. The Fund may invest part of its assets and cash surplus in Murabaha transactions and short term deposits in Saudi Riyals with banks that are licensed by the Saudi Central Bank ("SAMA") and operate in Saudi Arabia. The Fund may invest up to 25% of the Fund's total assets in public money market funds and Murabaha deposits.

The terms and conditions of the Fund were approved by the CMA on 16 Rabi Awal 1439H (corresponding to 04 December 2017). The offering period for the subscription of the units was from 24 January 2018 to 20 February 2018. The unitholders subscribed for the units of the Fund during the offering period and cash was held in a collection account of SNB Capital Company. The Fund commenced its activities on 01 April 2018 (the "inception date").

The Fund's term will be ninety nine (99) years following the date of listing its units on Tadawul. The term of the Fund may be extended at the Fund Manager's discretion subject to the CMA approval.

The Fund has been established and units are offered in accordance with the Real Estate Investment Funds Regulations issued by the CMA under Resolution No. 1-193-2006, dated 19 Jumada al-Thani 1427H, (The "Real Estate Investment Funds Regulations"), and in accordance with the instructions issued by the CMA in respect of traded real estate investment funds pursuant to Resolution No. 6-130-2016, dated 23 Muharram 1438H (corresponding to 24 October 2016), ("Real Estate Investment Funds Instructions") detailing requirements for all the Real Estate Investment Funds within the Kingdom of Saudi Arabia.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

---

**2 BASIS OF PREPERATION**

These condensed interim financial statements have been prepared for the six-month period ended 30 June 2021 in accordance with requirement of IAS 34 “Interim Financial Reporting” that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”). These condensed interim financial statements should be read in conjunction with the Fund’s annual audited financial statements as at and for the year ended 31 December 2020.

These condensed interim financial statements do not include all the financial information and disclosure required in the annual financial statements in accordance with requirements of IFRS endorsed in Kingdom of Saudi Arabia and other standards pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”)

**3 BASIS OF MEASUREMENT**

These condensed interim financial statements have been prepared under the historical cost convention using the accrual basis of accounting and the going concern concept except for derivative financial instruments measured at fair value through comprehensive income statement.

**4 FUNCTIONAL AND PRESENTATION CURRENCY**

Items included in these condensed interim financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These financial statements are presented in Saudi Arabian Riyal (“SAR”) which is the Fund’s functional and presentation currency.

**5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of the condensed interim financial statements requires the Fund Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. The significant accounting judgments and estimates applied in the preparation of these financial statements are as follows:

*Useful lives of investment properties*

The Fund Manager determines the estimated useful lives of investment properties for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. The Fund Manager reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

---

**5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)**

*Impairment of investment properties*

At each reporting date, the Fund Manager reviews the carrying amounts of investment properties to determine if there is any indication of impairment. If any such indication exists, then the investment properties' recoverable amount is estimated using independent valuer.

The recoverable amount of an investment property is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the property. In process of determining the value in use based on the estimated future cash flows, the management also performs sensitivity analysis, which include assessing the effect of reasonably possible reductions in occupancy and increase in operating expenditures on the forecasted cash flows to evaluate the impact on the currently estimated headroom for the investment properties.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the condensed interim statement of comprehensive income.

*Impairment of financial assets*

The Fund assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial instrument assets carried at amortised cost. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

**6 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in these condensed interim financial statements are the same as those applied in the last annual financial statements.

**6.1 *Cash and cash equivalents***

For the purposes of the statement of cash flows, cash and cash equivalent consists of bank balances and other short term highly liquid investments with original maturities of three months or less, which are available to the Fund without any restrictions. Cash and cash equivalents are carried at amortised cost in the condensed interim statement of financial position.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

---

**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**6.2 *Financial instruments***

Rent receivable is the major financial assets. Financial liabilities mainly include accrued expenses and other payables.

*Initial recognition*

A financial asset or financial liability (unless it is a rent receivable / other receivable without a significant financing component) is initially measured at fair value plus, for an item not carried at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Rent receivable without a significant financing component is initially measured at transaction price.

*Derecognition*

Assets is derecognized, when the contractual rights to the cash flows from the financial asset expires. A financial liability (or a part of financial liability) can only be derecognized when it is extinguished, that is, when the obligation specified in the contract is either discharged, cancelled or expired.

*Subsequent measurement*

Subsequent to initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in the condensed interim statement of comprehensive income when an asset is newly originated. The Fund recognizes loss allowances for ECL on rent receivable and due from related parties at an amount equal to lifetime ECL.

**6.3 *Investment properties***

Investment properties are non-current assets held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of operations, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in condensed interim statement of comprehensive income.

**6.4 *Accrued expenses and other payables***

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

---

**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**6.5 Provisions**

A provision is recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

**6.6 Financing**

Financing is initially recognized at fair value, net of transaction costs incurred. Financing facilities are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the condensed interim statement of comprehensive income over the period of the facility using the effective interest method. Fees paid on the establishment of financing facilities are recognised as transaction costs of the facility to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

**6.7 Revenue recognition**

Rental income from investment properties is recognized on an accrual basis in accordance with the terms of the corresponding contract. Capital gain resulting from the sale of investment property is recognized upon the execution of the corresponding sale contract.

Income from Murabaha placements is recognized using the effective profit rate over the period of the contract.

**6.8 Zakat and income tax**

Taxation/zakat is the obligation of the unitholders and therefore, no provision for such liability is made in these financial statements.

**6.9 Dividend payable**

Interim and final dividends are recorded as liability in the period in which they are approved by the Fund Board.

**6.10 Commission income and expense**

Commission income or expense is recognised using the effective interest method. The 'effective commission rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

---

**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**6.11 *Offsetting***

Financial assets and financial liabilities are offset and the net amount is reported in the condensed interim financial position only when there is legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Fund.

**6.12 *Net assets (equity) per unit***

The equity per unit is calculated by dividing the Equity attributable to unitholders included in the condensed interim statement of financial position by the numbers of units issued.

**7 ADMINISTRATION AND OTHER FEES**

***Administration and management fees***

The Fund Manager is entitled to receive an administration and management fee of 0.05% and 1% respectively per annum of the Fund's fair value calculated at the beginning of each period semi-annually.

***Performance fee***

The Fund Manager is entitled to performance fee with respect to 20% of any cash dividend distributions in excess of 7% annually and 10% of any realized capital gain from the sale of real estate asset.

***Financing arrangement fee***

The Fund Manager is entitled to receive a fee equal to 1.25% for each external financing made available to the fund. The fees are paid to the Fund Manager once the financing is available after deducting bank arrangement fees, valuation fees, legal fees and due diligence fees associated with obtaining the financing.

***Brokerage and acquisition fees***

The Fund Manager is entitled to receive a brokerage fee up to 2.50% and acquisition fee of 0.75% of the purchase price / sale proceeds of any real estate property. The brokerage and acquisition fee is capitalized as a part of cost of property.

***Custody fee***

The Custodian is entitled to receive a custody fee up to SAR 30,000 one-time fee plus 0.04% of NAV as per the latest audited financial statements not to be less than SAR 200,000.

***Shariah fee***

The Fund Manager is entitled to receive annual Shariah fee amounting to SAR 30,000.

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

**7 ADMINISTRATION AND OTHER FEES (continued)**

*Edaa fee*

The depository company is entitled to receive a fee for creating the unitholder register (SAR 50,000 plus 2 SAR for each unit holder not to exceed SAR 500,000) and for managing the unitholder register (SAR 400,000) annually.

*Tadawul fee*

Tadawul is entitled to receive a one-time fee for listing of the fund equal to SAR 50,000 and an annual fee of 0.03% of the Fund's unit market value for continuing the listing of the Fund.

**8 RENT RECEIVABLES**

This represents rent receivables from investment properties in accordance with the terms of the corresponding tenancy agreements. Rent receivables is as follows:

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Rent receivables	<b>17,163,886</b>	18,953,859
Expected credit losses (Note 8.1)	<b>(3,284,053)</b>	(3,034,221)
	<b><u>13,879,833</u></b>	<u>15,919,638</u>

8.1 The movement in allowance for expected credit losses:

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Balance at 1 January	<b>3,034,221</b>	1,034,221
Charge for the period / year	<b>249,832</b>	2,000,000
Balance at 30 June / 31 December	<b><u>3,284,053</u></b>	<u>3,034,221</u>

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

**9 INVESTMENT PROPERTIES**

9.1 The details of the investment properties as at 30 June 2021 is as follows:

	Type	Location	Cost			Depreciation			Impairment			Net book value	Fair value
			Opening	Addition during the period	Closing	Opening	Charge for the period	Closing	Opening	Charge for the period	Closing		
Khalidiyah Business Center	Commercial	Jeddah	148,984,706	--	148,984,706	5,671,423	1,014,441	6,685,864	2,325,283	662,559	2,987,842	139,311,000	139,311,000
Al Ajazzera Compound	Residential	Riyadh	67,602,009	15,260	67,617,269	1,450,479	264,068	1,714,547	--	--	--	65,902,722	68,940,000
Panda Jeddah	Commercial	Jeddah	39,300,000	--	39,300,000	768,206	139,500	907,706	--	--	--	38,392,294	39,325,000
Panda Riyadh	Commercial	Riyadh	78,765,000	--	78,765,000	1,550,040	281,475	1,831,515	--	--	--	76,933,485	81,100,000
Public Prosecution Building	Commercial	Jeddah	63,386,276	9,304	63,395,580	3,583,476	650,804	4,234,280	--	--	--	59,161,300	65,935,000
Al Rawda Business Center	Commercial	Jeddah	126,503,000	--	126,503,000	7,378,446	1,336,924	8,715,370	7,853,554	--	7,853,554	109,934,076	110,371,000
Burj Al Hayat (See 9.6)	Commercial	Riyadh	41,260,000	--	41,260,000	2,169,148	393,900	2,563,048	--	19,296,952	19,296,952	19,400,000	19,400,000
Saudi Fransi Building	Commercial	Dammam	28,519,294	--	28,519,294	1,092,048	223,931	1,315,979	--	--	--	27,203,315	28,085,000
Panda Al Rayan	Commercial	Dammam	62,545,580	--	62,545,580	1,790,773	373,931	2,164,704	--	--	--	60,380,876	65,175,000
Alhokair Time	Commercial	Dammam	34,206,942	--	34,206,942	1,072,417	223,931	1,296,348	--	--	--	32,910,594	33,600,000
Ajdan Walk	Commercial	Al Khobar	356,274,715	--	356,274,715	12,668,123	3,178,677	15,846,800	--	--	--	340,427,915	357,000,000
Work in progress (See 9.5)			7,399,157	3,761,968	11,161,125	--	--	--	--	--	--	11,161,125	--
			<b>1,054,746,679</b>	<b>3,786,532</b>	<b>1,058,533,211</b>	<b>39,194,579</b>	<b>8,081,582</b>	<b>47,276,161</b>	<b>10,178,837</b>	<b>19,959,511</b>	<b>30,138,348</b>	<b>981,118,702</b>	<b>1,008,242,000</b>

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

**9 INVESTMENT PROPERTIES (continued)**

9.2 The details of the properties as at 31 December 2020 is as follows:

	Type	Location	Cost			Depreciation			Impairment			Net book value	Fair value
			Opening	Addition during the year	Closing	Opening	Charge for the year	Closing	Opening	Charge for the year	Closing		
Khalidiyah Business Center	Commercial	Jeddah	148,984,706	--	148,984,706	3,679,809	1,991,614	5,671,423	--	2,325,283	2,325,283	140,988,000	140,988,000
Al Ajazzera Compound	Residential	Riyadh	67,572,046	29,963	67,602,009	921,069	529,410	1,450,479	--	--	--	66,151,530	67,860,000
Panda Jeddah	Commercial	Jeddah	39,300,000	--	39,300,000	489,206	279,000	768,206	--	--	--	38,531,794	39,825,000
Panda Riyadh	Commercial	Riyadh	78,765,000	--	78,765,000	987,090	562,950	1,550,040	--	--	--	77,214,960	81,600,000
Public Prosecution Building	Commercial	Jeddah	63,269,676	116,600	63,386,276	2,276,103	1,307,373	3,583,476	--	--	--	59,802,800	65,935,000
Al Rawda Business Center	Commercial	Jeddah	126,495,000	8,000	126,503,000	4,751,099	2,627,347	7,378,446	6,722,901	1,130,653	7,853,554	111,271,000	111,271,000
Burj Al Hayat	Commercial	Riyadh	41,260,000	--	41,260,000	1,381,348	787,800	2,169,148	--	--	--	39,090,852	40,900,000
Saudi Fransi Building	Commercial	Dammam	28,519,294	--	28,519,294	644,185	447,863	1,092,048	--	--	--	27,427,246	28,285,000
Panda Al Rayan	Commercial	Dammam	62,545,580	--	62,545,580	1,042,910	747,863	1,790,773	--	--	--	60,754,807	65,175,000
Alhokair Time	Commercial	Dammam	34,206,942	--	34,206,942	624,554	447,863	1,072,417	--	--	--	33,134,525	33,600,000
Ajdan Walk	Commercial	Al Khobar	356,274,715	--	356,274,715	6,310,774	6,357,349	12,668,123	--	--	--	343,606,592	357,000,000
Work in progress (See 9.5)			2,576,115	4,823,042	7,399,157	--	--	--	--	--	--	7,399,157	--
			<b>1,049,769,074</b>	<b>4,977,605</b>	<b>1,054,746,679</b>	<b>23,108,147</b>	<b>16,086,432</b>	<b>39,194,579</b>	<b>6,722,901</b>	<b>3,455,936</b>	<b>10,178,837</b>	<b>1,005,373,263</b>	<b>1,032,439,000</b>

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

**9. INVESTMENT PROPERTIES (continued)**

9.3 At the reporting date, had the investment properties been carried at their respective fair values, the net assets value and per unit value of the Fund would have been as follows:

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Net assets as reported	<b>512,723,163</b>	537,948,379
Net appreciation in value based on valuation as at	<b>27,123,298</b>	27,065,737
<b>Net assets at fair value of investment properties</b>	<b>539,846,461</b>	565,014,116
Net assets per unit, at cost	<b>8.5454</b>	8.9658
Impact on net assets per unit for the appreciation in value	<b>0.4521</b>	0.4511
<b>Net assets per unit at fair value</b>	<b>8.9975</b>	9.4169

9.4 In accordance with article 21 of the Real Estate Investment Funds Regulations issued the CMA, Saudi Arabia, the Fund manager estimates the fair value of the Fund's real estate assets based on two valuations prepared by the independent valuers to assess an impairment in the carrying value of any property. However, in accordance with IFRS as endorsed in Kingdom of Saudi Arabia, investments in real estate properties are carried at cost less accumulated depreciation less impairment in these financial statements.

The valuation of the investment properties as at 30 June 2021 and 31 December 2020 was carried out by Value Strat and White Cubes, which are accredited valuers by the Saudi Authority for Accredited Valuers (TAQEEM). Key assumptions taken for valuation includes the rental income, occupancy rates, escalations, exit yield and discount rates, which were broadly in range with the assumptions taken in the valuations carried out as at 31 December 2020.

9.5 Work in progress represents a project of parking lot in Khalidiyah Business Center. The project is expected to be completed in the fourth quarter of the year ending 31 December 2021.

9.6 Considering that Burj Al Hayat is an income generating asset, which is being valued under the income capitalization methodology, an impairment was recorded on the subject property (which resulted by the average valuation of two valuers). The impairment was caused by the recent tenant / operator contract termination and considering the new lease offers in calculating the fair value. The new lease contract is not signed during the six-month period ended 30 June 2021.

**10 DIVIDEND PAYABLE**

During the six-month period ended 30 June 2021, the Fund declared a dividend amounting to SAR 18.30 million (30 June 2020: SAR 9.15). During the six-month period ended 30 June 2021, the Fund paid dividend amounting to SAR 16.65 million (30 June 2020: SAR 19.05 million).



**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

**11 RELATED PARTY TRANSACTIONS AND BALANCES**

Related party transactions comprise of transactions with the Fund Manager and other affiliates of SEDCO Capital in the ordinary course of business, undertaken on mutually agreed terms. These transactions were carried out on the basis of approved term and conditions of the Fund. All related party transactions were approved by the Fund Board. Significant related party transactions and balances are summarized below:

Name of Related party	Transactions for the period ended 30 June 2021 (Unaudited)		Transactions for the period ended 30 June 2020 (Unaudited)		Balance at	
	Management fee / admin fee / shariah advisory fee	Rental received from tenant / reimbursement of fee paid on behalf of the Fund	Management fee / admin fee / shariah advisory fee	Rental received from tenant / reimbursement of fee paid on behalf of the Fund	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b><u>Due to related party</u></b>						
Saudi Economic and Development Securities Company ("Fund Manager")	2,981,325	--	3,107,449	475,033	3,084,349	6,915,085
<b><u>Rent receivables</u></b>						
Al Mahmal Trading Company	--	--	--	443,000	--	--
<b><u>Accrued expenses and other payable</u></b>						
Al Mahmal Trading Company	2,825,071	--	2,283,784	--	922,884	1,465,270
Fund Board's remuneration	30,000	--	--	30,000	30,000	22,500

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

**12 ACCRUED EXPENSES AND OTHER PAYABLES**

Accrued expenses and other payables at comprise of the following:

	<b>30 June 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Security deposits	876,654	876,654
Custody fee payable	229,213	117,139
Valuation fee payable	113,000	113,000
Tadawul fee payable	--	95,000
Accrued audit fee	37,500	50,000
Maintenance fee payable (note 11)	922,884	1,465,270
Other payable	40,572	28,209
	<b><u>2,219,823</u></b>	<b><u>2,745,272</u></b>

**13 DEFERRED REVENUE**

This represents rental income received in advance in respect of investment properties. Movement in deferred revenue is as follows:

	<b>30 June 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Balance at 1 January	3,522,464	5,033,571
Rent received during the period / year	27,560,511	14,482,694
Adjusted against revenue earned during the period / year	<b><u>(26,443,528)</u></b>	<b><u>(15,993,801)</u></b>
Balance at 30 June / 31 December	<b><u>4,639,447</u></b>	<b><u>3,522,464</u></b>

**14 FINANCING FACILITY FROM A BANK**

During the year ended 31 December 2018, the Fund entered into a financing facility agreement with a local bank with an approved limit of SAR 600 million repayable in a single bullet payment up to 31 December 2024 and carrying profit at twelve months SAIBOR + 1.9%. The loan was obtained from Al Rajhi Bank through a Special Purpose Vehicle (SPV). The facility is secured against charge on all the investment properties except for Panda Jeddah as it is under progress.

During the year ended 31 December 2020, the Fund has negotiated a reduced profit rate to six months SAIBOR + 1.45%. All other terms as per the original financing facility agreement remains the same. As at 30 June 2021, the Fund has an undrawn amount of SAR 110 million.

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

**14 FINANCING FACILITY FROM A BANK (continued)**

The above-mentioned financing arrangement has been disclosed in the statements of financial position as follows:

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Non-current liabilities	485,647,404	486,735,553
Current liabilities	<u>2,933,323</u>	<u>1,468,518</u>
	<u><b>488,580,727</b></u>	<u>488,204,071</u>

Current liabilities presented above include accrued profit amounting to SAR 1,845,173 (31 December 2020: SAR 1,468,518) on financing facility from a bank.

**15 DERIVATIVE INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

During the year ended 31 December 2020, the Fund entered into two Profit Rate Swap (PRS) agreements with a commercial bank to swap its exposure to the variability in cash flows arising from variable portion of the agreed rate (SAIBOR) on financing facility obtained from a bank (Note 14). The maturity date of the instruments are 15 October 2023 and 16 October 2023 respectively. As at 30 June 2021, these derivative instruments have negative fair value.

The fair value and notional amount of the derivative instruments at fair value through profit or loss are as follows:

	<u>30 June 2021</u>		<u>31 December 2020</u>	
	<u>Negative Fair Value</u>	<u>Notional Amount</u>	<u>Negative Fair Value</u>	<u>Notional Amount</u>
<b>Swap 1</b>				
Nominal loan amount	(272,586)	250,000,000	(412,840)	250,000,000
Profit Rate Swap	0.84%	1.43%	0.91%	1.43%
<b>Swap 2</b>				
Nominal loan amount	(672,622)	240,000,000	(890,530)	240,000,000
Profit Rate Swap	0.84%	1.69%	0.91%	1.69%

15.1 Movement in derivative financial instruments is as follows:

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Balance at 1 January	1,303,370	--
Unrealized loss on derivative instruments at fair value through profit or loss recognized during the period / year	1,250,073	2,178,483
Payments made during the period / year	(1,608,235)	(875,113)
Balance at 30 June / 31 December	<u><b>945,208</b></u>	<u>1,303,370</u>

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

---

**16 UNITS IN ISSUE**

The Fund has issued 60 million units at the price of SAR 10 per unit. During the period there was no movement in number of units. As at 30 June 2021 the number of units are 60,000,000 (31 December 2020: 60,000,000).

**17 OPERATING AND OTHER EXPENSES**

Operating and other expenses comprise of the following:

	<b>30 June 2021 (Unaudited)</b>	30 June 2020 (Unaudited)
Operating expenses	3,264,064	2,529,521
Tadawul and Edaa fees (Note 7)	407,207	275,033
Professional fees	237,811	121,890
Custody fees (Note 7)	112,074	117,485
Board fees	30,000	30,000
Other expenses	355,708	548,385
	<u>4,406,864</u>	<u>3,622,314</u>

**18 FINANCIAL RISK MANAGEMENT**

**18.1 Financial risk factors**

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines. The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

**(a) Market risk**

*(i) Foreign exchange risk*

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency.

The Fund does not have any significant foreign exchange risk since the majority of its transactions are carried out in SAR.

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

**18. FINANCIAL RISK MANAGEMENT (continued)**

**18.1 Financial risk factors (continued)**

**(a) Market risk (continued)**

*(ii) Commission rate risk*

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

The Fund's commission rate risks arise mainly from its financing facility from a bank and profit rate swap, which is at floating rate of interest and is subject to re-pricing on a regular basis.

*(iii) Price risk*

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. As of the date of condensed interim statement of financial position, the Fund is not exposed to price risk.

**(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 bank balances and rent receivables.

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits.

As at the reporting date, the Fund's maximum exposure to credit risk is represented by the respective carrying values of its financial assets exposed to credit risk which is as follows:

Maximum exposure to credit risk at the reporting date:

	<b>30 June <u>2021</u> (Unaudited)</b>	31 December <u>2020</u> (Audited)
<u>Assets</u>		
Cash and cash equivalents	<b>19,406,088</b>	20,585,698
Gross rent receivables (Note 8)	<b>17,163,886</b>	18,953,859
	<b><u>36,569,974</u></b>	<u>39,539,557</u>

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

---

**18. FINANCIAL RISK MANAGEMENT (continued)**

**18.1 Financial risk factors (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's terms and conditions provide redemption of units on liquidation of the Fund. The Fund's financial liabilities primarily consist of payables which are expected to be settled within one month from the date of condensed interim statement of financial position.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, principally through rental income, or by taking short / long term loans from the financial institutions.

All financial assets and liabilities of the Fund at the statement of financial position date are current.

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

**18 FINANCIAL RISK MANAGEMENT (continued)**

**18.1 Financial risk factors (continued)**

All financial liabilities of the Fund at the date of statement of financial position are current.

<b>Financial liabilities</b>	<b>As at 30 June 2021</b>					<b>As at 31 December 2020</b>				
	<b>0 to 3 months</b>	<b>Less than 1 year</b>	<b>More than 1 year</b>	<b>Contractual liability</b>	<b>Carrying amount</b>	<b>0 to 3 months</b>	<b>Less than 1 year</b>	<b>More than 1 year</b>	<b>Contractual liability</b>	<b>Carrying amount</b>
Dividends payable	9,150,000	--	--	9,150,000	9,150,000	7,500,000	--	--	7,500,000	7,500,000
Derivative instruments at fair value through profit or loss	--	945,208	--	945,208	945,208	--	1,303,370	--	1,303,370	1,303,370
Due to related party	3,084,349	--	--	3,084,349	3,084,349	6,915,085	--	--	6,915,085	6,915,085
Accrued expenses and other payable	2,219,823	--	--	2,219,823	2,219,823	2,745,272	--	--	2,745,272	2,745,272
Deferred revenue	4,639,447	--	--	4,639,447	4,639,447	3,522,464	--	--	3,522,464	3,522,464
Financing facility from a bank	--	2,933,323	485,647,404	488,580,727	488,580,727	--	1,468,518	486,735,553	488,204,071	488,204,071
Total undiscounted financial liabilities	19,093,619	3,878,531	485,647,404	508,619,554	508,619,554	20,682,821	2,771,888	486,735,553	510,190,262	510,190,262

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

---

**18 FINANCIAL RISK MANAGEMENT (continued)**

**18.1 Financial risk factors (continued)**

**(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.

**18.2 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 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.

The fair value of a financial asset or a financial 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.

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 financial assets and financial liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is 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.

**Fair values of financial instruments**

The Fund is exposed to risks as a result of using financial instruments. The following explains the Fund's objectives, policies and operations to manage these risks and methods used to measure them in addition to quantitative information related to these risks in the accompanying financial statements.



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

---

**18 FINANCIAL RISK MANAGEMENT (continued)**

**18.2 Fair value estimation (continued)**

There were no significant changes that may expose the Fund to financial instrument risks through its objectives, policies and operations to manage these risks and methods used that are different from what have been used in prior years unless otherwise indicated.

The Fund's management considers the fair value for loan, balances of related parties, rent receivables, derivative instruments at fair value through profit or loss, accruals and other payables approximate to their carrying value because of the short term nature of financial instruments.

There were no transfers between level 1, 2 or 3 during the six-month period ended 30 June 2021. Financial instruments are exposed to change in value risk as a result of changes in commission rates of the financial assets and liabilities with variable commission. Actual commission rate and period of re-pricing or maturity of financial assets and liabilities were mentioned in the related notes.

**19 AMENDMENTS TO EXISTING STANDARDS AND PRONOUNCEMENTS ISSUED**

The adoption of the following amendments to the existing standards had no significant impact on the condensed interim financial statements for the current period or prior periods and is expected to have no significant effect in future periods:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); and
- Extension to COVID-19 Related Rent Concession (Amendments to IFRS 16).

**PRONOUNCEMENTS ISSUED AND NOT YET EFFECTIVE**

A number of new pronouncements are effective for annual periods beginning on or after 01 January 2021 and earlier application is permitted; however, the entity has not early adopted the new or amended standards in preparing these condensed interim financial statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37);
- Amendments to update a reference to “References to Conceptual Framework (Amendment to IFRS 3)”.
- Annual Improvements to IFRS Standards 2018-2020;
- Property, Plant and Equipment: Proceeds from Intended Use (Amendment to IAS 16);
- IFRS 17 Insurance Contracts and amendments to IFRS 17;
- Definition of Accounting Estimates (Amendments to IAS 8);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

---

**20 IMPACT OF COVID-19**

The outbreak of coronavirus (“COVID-19”) since early 2020 and its spread across mainland China and then globally caused disruptions to businesses and economic activities including the KSA. The World Health Organisation declared COVID-19 as a pandemic in March 2020, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Fund to re-assess its judgments and the key sources of estimation applied to the condensed interim financial statements for the six-month period ended 30 June 2021.

During the period, management has assessed the overall impact on the Fund’s operations and business aspects and considered factors like effects on recoverability of rentals as they become due. However, the Fund is constantly monitoring the situation through its task force given with the responsibility to constantly assess developing events, mitigate as much as possible negative impact and steer the organisation towards adapting to current realities. Accordingly, the potential risks around recoverability of rentals due to random and prolonged lockdowns are constantly monitored and the stakeholders are being kept informed for any material deviations on a timely basis.

Based on this assessment, no significant adjustments were required in the condensed interim financial statements for the six-month period ended 30 June 2021. However, in view of the ongoing uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and /or liabilities in future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

**21 LAST VALUATION DAY**

The last valuation day of the period was 30 June 2021 (2020: 31 December 2020).

**22 EVENTS AFTER THE END OF THE REPORTING PERIOD**

There are no events subsequent to the statement of financial position date which requires adjustments of or disclosure in the financial statements or notes thereto.

**23 APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

These financial statements have been approved by the Fund Board on 11 August 2021, corresponding to 3 Muharram 1443H.