

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
AND REVIEW REPORT TO THE UNITHOLDERS**

**FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2022**

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six months period ended 30 June 2022

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Independent Auditors' Report on Review of Interim Condensed Financial Statements To the Unitholders of SEDCO Capital REIT Fund

Introduction

We have reviewed the accompanying interim condensed statement of financial position of SEDCO Capital REIT Fund (the "Fund") managed by SEDCO Capital ("Fund Manager") as at 30 June 2022 and the related interim condensed statements of income and other comprehensive income, changes in net assets attributable to the Unitholders and cash flows for the six months period then ended and the notes which form an integral part of these interim condensed financial statements. The Fund Manager is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ('IAS 34') that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of the 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 ('ISAs'), 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

Other matter

The financial statements of the Fund for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 March 2022 (corresponding to 25 Sha'ban 1443H). Further, the interim condensed financial statements of the Fund for the six months period ended 30 June 2021 were reviewed by another auditor who expressed their unmodified conclusion on those interim condensed financial statements on 12 August 2021 (corresponding to 4 Muharram 1443H).

for Ernst & Young Professional Services

Ahmed Ibrahim Reda
Certified Public Accountant
License No. 356



Jeddah: 17 Muharram 1444H
15 August 2022G

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2022

		<i>30 June</i> 2022 <i>(Unaudited)</i> SR	<i>31 December</i> 2021 <i>(Audited)</i> SR
ASSETS			
NON-CURRENT ASSET			
Investment properties	3	1,764,839,225	1,633,965,863
Derivative instruments at fair value through income statement	5	14,105,204	852,014
TOTAL NON-CURRENT ASSET		1,778,944,429	1,634,817,877
CURRENT ASSETS			
Rent receivables	4	31,777,350	27,500,726
Prepayments and other receivables		2,671,391	5,169,476
Cash and cash equivalents		27,595,363	62,053,842
TOTAL CURRENT ASSETS		62,044,104	94,724,044
TOTAL ASSETS		1,840,988,533	1,729,541,921
LIABILITIES			
NON-CURRENT LIABILITY			
Financing facility from a bank	6	793,060,877	615,511,202
TOTAL NON-CURRENT LIABILITY		793,060,877	615,511,202
CURRENT LIABILITIES			
Dividends payable	7	30,305	9,750,000
Due to a related party	8	5,614,152	4,500,000
Accrued expenses and other payable	9	1,804,788	38,655,155
Deferred revenue	10	9,123,008	17,273,031
Current portion of financing facility from a bank	6	5,137,688	4,141,929
TOTAL CURRENT LIABILITIES		21,709,941	74,320,115
TOTAL LIABILITIES		814,770,818	689,831,317
NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS		1,026,217,715	1,039,710,604
UNITS IN ISSUE	11	117,500,000	117,500,000
Net assets per unit (SR)		8.7338	8.8486

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

For the six months period ended 30 June 2022

	<i>For the six months period ended 30 June 2022 SR</i>	<i>For the six months period ended 30 June 2021 SR</i>
INCOME/ (LOSS)		
Rental income	66,864,240	36,162,646
Murabaha income	242,311	-
Net gain / (loss) on derivative instruments at fair value through income statement	11,529,249	(1,250,073)
TOTAL INCOME	78,635,800	34,912,573
EXPENSES		
Depreciation	14,530,103	8,081,582
Financing fees and bank charges	6 12,673,571	6,158,675
Management, administrative and shariah fees	8 5,592,129	2,981,325
Operating and other expenses	12 5,940,628	4,406,864
Impairment on rent receivables	4.1 -	249,832
Impairment on investment properties	3.5 33,123,508	19,959,511
TOTAL EXPENSES	71,859,939	41,837,789
NET INCOME / (LOSS) FOR THE PERIOD	6,775,861	(6,925,216)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	6,775,861	(6,925,216)



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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

For the six months period ended 30 June 2022

	<i>For the six months period ended 30 June 2022 SR</i>	<i>For the six months period ended 30 June 2021 SR</i>
Net assets attributable to the unitholders at 1 January	1,039,710,604	537,948,379
Total comprehensive income / (loss) for the period	6,775,861	(6,925,216)
Dividend (Note 7)	(20,268,750)	(18,300,000)
Net assets attributable to the unitholders as at 30 June	<u>1,026,217,715</u>	<u>512,723,163</u>

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months period ended 30 June 2022

	<i>For the six months period ended 30 June 2022 SR</i>	<i>For the six months period ended 30 June 2021 SR</i>
OPERATING ACTIVITIES		
Net income / (loss) for the period	6,775,861	(6,925,216)
<i>Adjustments to reconcile net income / (loss) to net cash from operating activities:</i>		
Depreciation	3 14,530,103	8,081,582
Impairment on rent receivables	4.1 -	249,832
Impairment on investment properties	3.5 33,123,508	19,959,511
Net gain / (loss) on derivative instruments at fair value through income statement	(11,529,249)	1,250,073
Financing fees and bank charges	12,673,571	6,158,675
	<u>55,573,794</u>	<u>28,774,457</u>
Net changes in operating assets and liabilities:		
Rent receivables	(4,276,624)	1,789,973
Prepayments and other receivables	2,498,085	(678,052)
Derivative instruments at fair value through income statement	(1,723,941)	(1,608,235)
Due to a related party	1,114,152	(3,830,736)
Accrued expenses and other payable	(36,850,367)	(525,449)
Deferred revenue	(8,150,023)	1,116,983
	<u>8,185,076</u>	<u>25,038,941</u>
INVESTING ACTIVITIES		
Payments made for the acquisition of investment properties	(178,400,907)	-
Payments made for work in progress	(126,066)	(3,786,532)
	<u>(178,526,973)</u>	<u>(3,786,532)</u>
FINANCING ACTIVITIES		
Dividend paid during the period	7 (29,988,445)	(16,650,000)
Proceeds from loans and borrowings	175,000,000	-
Payments of commission on financing facility from a bank	(9,128,137)	(5,782,019)
	<u>135,883,418</u>	<u>(22,432,019)</u>
Net cash from / (used in) financing activities		
	<u>(34,458,479)</u>	<u>(1,179,610)</u>
Net change in cash and cash equivalents		
	<u>62,053,842</u>	<u>20,585,698</u>
Cash and cash equivalents at beginning of the period	62,053,842	20,585,698
Cash and cash equivalents at end of the period	<u>27,595,363</u>	<u>19,406,088</u>

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 2022

1 THE FUND AND ITS ACTIVITIES

SEDCO Capital REIT Fund (the "Fund") is a close-ended Shariah compliant real estate investment traded fund. The Fund is established and managed by Saudi Economic and Development Securities Company ("SEDCO Capital" or the "Fund Manager"), a subsidiary of Saudi Economic and Development Holding Company (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 ("CMA") under License No. 11157-37 dated 23/04/1430 H corresponding to 19/4/2009, manages the Fund. The Fund Manager conducts following securities activities:

- a) Dealing;
- b) Arranging;
- c) Managing and operating funds;
- 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 Capital Market Authority (the "CMA") on 16 Rabi Awal 1439 H (corresponding to 4 December 2017). The offering period for the subscription of the units was from 24 January 2018 to 20 February 2018. Unitholders subscribed for the units of the Fund during the offering period and cash was held in a collection account of SNB Capital. The Fund commenced its activities on 1 April 2018 (the "inception date").

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

The Fund is governed by the Real Estate Investment Funds Regulations (the "Regulations"), issued by the Board of the CMA pursuant to Resolution No. 1-193-2006 dated 19 Jumada Al-Alkhirah 1427H (corresponding to 15 July 2006) and as amended by the Resolution of the Board of the CMA No. 2-22-2021 dated 12 Rajab 1442H, corresponding to (24 February 2021G), detailing requirements for real estate investment funds within the Kingdom of Saudi Arabia.

A special purpose entity was established, Saudi Economic and Development Company for Real Estate Funds (A Limited Liability Company) for legally owning and holding real estate properties on behalf of the Fund and for the benefit of the Unitholders.

2 BASIS OF PREPERATION

a) Statement of compliance

These interim condensed financial statements as at and for the six months period ended 30 June 2022 are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") 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"). The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's annual financial statements as at and for the year ended 31 December 2021.

b) Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention using the accrual basis of accounting, except for measurement of derivative financial instruments which are measured at fair value through income statement.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 2022

2 BASIS OF PREPERATION (continued)

c) 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 (“SR”) which is the Fund’s functional and presentation currency.

d) Significant estimates and assumptions

The accounting estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the Fund’s annual financial statements for the year ended 31 December 2021.

e) Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Fund’s annual financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022 as disclosed in note 2 (f) below.

f) New standards, interpretations and amendments adopted by the Fund

The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed financial statements of the Fund.

- Amendment to IFRS 16, ‘Leases’ – COVID-19 related rent concessions extension of the practical expedient (effective for annual periods beginning on or after 1 April 2021).
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning on or after 1 January 2022):
- Amendments to IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.
- Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 2022

3 INVESTMENT PROPERTIES

3.1 The details of the investment properties as at 30 June 2022 is as follows:

	Type	Location	Cost			Depreciation			Impairment			Net Book value (Unaudited) SR	Fair Value (Unaudited) SR
			Opening SR	Additions during the Year SR	Closing SR	Opening SR	Charge for the period SR	Closing SR	Opening SR	(Charge)/ reversal for the year SR	Closing Impairment SR		
Khalidiyah Business Center	Commercial	Jeddah	148,984,706	-	148,984,706	(7,700,306)	(1,035,020)	(8,735,326)	(953,400)	(3,965,980)	(4,919,380)	135,330,000	135,330,000
Al Ajazzera Compound	Residential	Riyadh	67,648,996	-	67,648,996	(1,979,243)	(264,735)	(2,243,978)	-	-	-	65,405,018	66,605,000
Panda Jeddah	Commercial	Jeddah	39,300,000	-	39,300,000	(1,047,206)	(139,500)	(1,186,706)	-	(393,294)	(393,294)	37,720,000	37,720,000
Panda Riyadh Public Prosecution Building	Commercial	Riyadh	78,765,000	-	78,765,000	(2,112,990)	(281,475)	(2,394,465)	-	-	-	76,370,535	78,420,000
Al Rawda Business Center	Commercial	Jeddah	63,395,580	-	63,395,580	(4,885,226)	(569,778)	(5,455,004)	(5,410,354)	(230,222)	(5,640,576)	52,300,000	52,300,000
Burj Al Hayat Saudi Fransi Building	Commercial	Jeddah	126,503,000	-	126,503,000	(10,052,294)	(1,358,822)	(11,411,116)	(6,393,706)	(3,598,179)	(9,991,885)	105,099,999	105,100,000
Panda Al Rayan	Commercial	Riyadh	41,260,000	-	41,260,000	(2,956,948)	(110,354)	(3,067,302)	(18,903,052)	335,354	(18,567,698)	19,625,000	19,625,000
Alhokair Time Ajdan Walk	Commercial	Dammam	28,519,294	-	28,519,294	(1,539,911)	(223,931)	(1,763,842)	-	-	-	26,755,452	27,175,000
Panda Dammam	Commercial	Dammam	62,545,580	-	62,545,580	(2,538,636)	(373,931)	(2,912,567)	-	-	-	59,633,013	66,125,000
Al Hamra Plaza	Commercial	Dammam	34,206,942	-	34,206,942	(1,520,280)	(223,931)	(1,744,211)	-	(1,172,731)	(1,172,731)	31,290,000	31,290,000
Extra Dammam	Commercial	Al Khobar	356,274,715	-	356,274,715	(19,025,472)	(3,178,675)	(22,204,147)	-	-	-	334,070,568	351,075,000
Iraqah Plaza	Commercial	Dammam	70,170,958	-	70,170,958	(3,381)	(558,657)	(562,038)	(3,882,577)	723,657	(3,158,920)	66,450,000	66,450,000
Manahij School	Commercial	Riyadh	63,776,863	-	63,776,863	(2,988)	(492,270)	(495,258)	(3,528,875)	1,092,270	(2,436,605)	60,845,000	60,845,000
Amjad Qurtuba School	Commercial	Dammam	52,984,181	-	52,984,181	(1,683)	(263,275)	(264,958)	(2,932,498)	133,275	(2,799,223)	49,920,000	49,920,000
Ajdan Entertainment Work in progress (note 3.6)	Commercial	Riyadh	93,955,614	-	93,955,614	(2,790)	(431,329)	(434,119)	(5,200,324)	(4,406,171)	(9,606,495)	83,915,000	83,915,000
	Commercial	Riyadh	71,346,032	-	71,346,032	(1,770)	(263,952)	(265,722)	(3,949,262)	473,952	(3,475,310)	67,605,000	67,605,000
	Commercial	Riyadh	165,807,140	-	165,807,140	(10,470)	(1,773,250)	(1,783,720)	(9,171,670)	(2,981,750)	(12,153,420)	151,870,000	151,870,000
	Commercial	Riyadh	58,457,273	-	58,457,273	(2,355)	(381,267)	(383,622)	(3,234,918)	(2,353,733)	(5,588,651)	52,485,000	52,485,000
	Commercial	Riyadh	122,271,188	-	122,271,188	(5,268)	(859,937)	(865,205)	(6,765,920)	(4,745,063)	(11,510,983)	109,895,000	109,895,000
	Commercial	Al Khobar	-	178,400,907	178,400,907	-	(1,746,014)	(1,746,014)	-	(12,034,893)	(12,034,893)	164,620,000	164,620,000
			13,508,574	126,066	13,634,640	-	-	-	-	-	-	13,634,640	-
			1,759,681,636	178,526,973	1,938,208,609	(55,389,217)	(14,530,103)	(69,919,320)	(70,326,556)	(33,123,508)	(103,450,064)	1,764,839,225	1,778,370,000

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 2022

3 INVESTMENT PROPERTIES (continued)

3.2 The details of the investment properties as at 31 December 2021 is as follows:

	Type	Location	Cost			Depreciation			Impairment			Net Book value (Audited) SR	Fair Value (Audited) SR
			Opening SR	Additions during the Year SR	Closing SR	Opening SR	Charge for the period SR	Closing SR	Opening SR	(Charge)/ reversal for the year SR	Closing Impairment SR		
Khalidiyah Business Center Al Ajazzera Compound	Commercial	Jeddah	148,984,706	-	148,984,706	(5,671,423)	(2,028,883)	(7,700,306)	(2,325,283)	1,371,883	(953,400)	140,331,000	140,331,000
Panda Jeddah	Residential	Riyadh	67,602,009	46,987	67,648,996	(1,450,479)	(528,764)	(1,979,243)	-	-	-	65,669,753	69,320,000
Panda Riyadh	Commercial	Jeddah	39,300,000	-	39,300,000	(768,206)	(279,000)	(1,047,206)	-	-	-	38,252,794	39,325,000
Public Prosecution Building Al Rawda	Commercial	Riyadh	78,765,000	-	78,765,000	(1,550,040)	(562,950)	(2,112,990)	-	-	-	76,652,010	81,100,000
Business Center Burj Al Hayat Saudi Fransi Building	Commercial	Jeddah	63,386,276	9,304	63,395,580	(3,583,476)	(1,301,750)	(4,885,226)	-	(5,410,354)	(5,410,354)	53,100,000	53,100,000
Business Center Burj Al Hayat Saudi Fransi Building	Commercial	Jeddah	126,503,000	-	126,503,000	(7,378,446)	(2,673,848)	(10,052,294)	(7,853,554)	1,459,848	(6,393,706)	110,057,000	110,057,000
Building Panda Al Rayan Alhokair Time	Commercial	Riyadh	41,260,000	-	41,260,000	(2,169,148)	(787,800)	(2,956,948)	-	(18,903,052)	(18,903,052)	19,400,000	19,400,000
Building Panda Al Rayan Alhokair Time	Commercial	Dammam	28,519,294	-	28,519,294	(1,092,048)	(447,863)	(1,539,911)	-	-	-	26,979,383	28,085,000
Building Panda Al Rayan Alhokair Time	Commercial	Dammam	62,545,580	-	62,545,580	(1,790,773)	(747,863)	(2,538,636)	-	-	-	60,006,944	65,175,000
Building Ajdhan Walk Panda Dammam	Commercial	Dammam	34,206,942	-	34,206,942	(1,072,417)	(447,863)	(1,520,280)	-	-	-	32,686,662	33,600,000
Building Ajdhan Walk Panda Dammam	Commercial	Al Khobar	356,274,715	-	356,274,715	(12,668,123)	(6,357,349)	(19,025,472)	-	-	-	337,249,243	357,000,000
Building Al Olaya School EXTRA Dammam	Commercial	Dammam	-	70,170,958	70,170,958	-	(3,381)	(3,381)	-	(3,882,577)	(3,882,577)	66,285,000	66,285,000
Building Al Olaya School EXTRA Dammam	Commercial	Riyadh	-	63,776,863	63,776,863	-	(2,988)	(2,988)	-	(3,528,875)	(3,528,875)	60,245,000	60,245,000
Building EXTRA Dammam Iraqh Plaza	Commercial	Dammam	-	52,984,181	52,984,181	-	(1,683)	(1,683)	-	(2,932,498)	(2,932,498)	50,050,000	50,050,000
Building Iraqh Plaza Al Hamra Plaza	Commercial	Riyadh	-	93,955,614	93,955,614	-	(2,790)	(2,790)	-	(5,200,324)	(5,200,324)	88,752,500	88,752,500
Building Iraqh Plaza Al Hamra Plaza	Commercial	Riyadh	-	71,346,032	71,346,032	-	(1,770)	(1,770)	-	(3,949,262)	(3,949,262)	67,395,000	67,395,000
Building Dar Al Baraa School Manahij School	Commercial	Riyadh	-	165,807,140	165,807,140	-	(10,470)	(10,470)	-	(9,171,670)	(9,171,670)	156,625,000	156,625,000
Building Dar Al Baraa School Manahij School	Commercial	Riyadh	-	58,457,273	58,457,273	-	(2,355)	(2,355)	-	(3,234,918)	(3,234,918)	55,220,000	55,220,000
Building Manahij School Amjad Qurtuba School	Commercial	Riyadh	-	122,271,188	122,271,188	-	(5,268)	(5,268)	-	(6,765,920)	(6,765,920)	115,500,000	115,500,000
Building Amjad Qurtuba School Work in progress (note 3.6)	Commercial	Riyadh	-	7,399,157	7,399,157	-	-	-	-	-	-	13,508,574	-
			<u>1,054,746,679</u>	<u>704,934,957</u>	<u>1,759,681,636</u>	<u>(39,194,579)</u>	<u>(16,194,638)</u>	<u>(55,389,217)</u>	<u>(10,178,837)</u>	<u>(60,147,719)</u>	<u>(70,326,556)</u>	<u>1,633,965,863</u>	<u>1,656,565,500</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

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3 INVESTMENT PROPERTIES (continued)

3.3 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:

	<i>30 June 2022 (Unaudited) SR</i>	<i>31 December 2021 (Audited) SR</i>
Net assets as reported	1,026,217,715	1,039,710,604
Net appreciation in value based on valuation	13,530,775	22,599,637
Net assets at fair value of investment properties	1,039,748,490	1,062,310,241
Net assets per unit, at cost	8.7338	8.8486
Impact on net assets per unit for the appreciation in value	0.1151	0.1923
Net assets per unit at fair value	8.8489	9.0409

3.4 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 estimated useful lives of the buildings in the investment properties is 33 years. Land is not depreciated.

3.5 In accordance with article 36 of the Real Estate Investment Funds Regulations issued by Capital Market Authority (CMA), Kingdom of Saudi Arabia, the Fund Manager estimates the fair value of the Fund's real estate assets based on two valuations prepared by independent valuers. The valuations of the investment properties as at 30 June 2022 were carried out by Jones Lang LaSalle Saudi Arabia Co. and Value Strat (31 December 2021: Value Strat and White Cubes), which are accredited valuers by Saudi Authority for Accredited Valuers (TAQEEM). The fair Value of the investment properties is recorded as the average value between the two accredited valuers. 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 2021.

As at 30 June 2022, accumulated impairment against investment properties amounted to SR 103.5 million (31 December 2021: SR 70.3 million). The movement in the impairment against investment properties is as follows:

	<i>For the six months period ended 30 June 2022 (Unaudited) SR</i>	<i>For the six months period ended 30 June 2021 (Unaudited) SR</i>
Balance at 1 January	70,326,556	10,178,837
Impairment charge for the period	33,123,508	19,959,511
Balance at period end	103,450,064	30,138,348

3.6 Work in progress represents a project of parking lot in Khalidiyah Business Center. The project is expected to be completed in the second half of 2022. The expected cost to complete is SR 3.5 million.

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4 RENT RECEIVABLES

This represents rent receivables from tenants of investment properties in accordance with the terms of the corresponding tenancy agreements.

	<i>30 June 2022 (Unaudited) SR</i>	<i>31 December 2021 (Audited) SR</i>
Gross rent receivables	35,061,403	30,784,779
Allowance for expected credit losses (note 4.1)	(3,284,053)	(3,284,053)
	31,777,350	27,500,726

The gross rent receivables balance is current and is not past due except for receivable balance amounting to SR 3.28 million which is provided in full. Based on the historical experience, no provision is required for the receivable which is less than 30 days due.

4.1 The movement in allowance for expected credit losses:

	<i>For the six months period ended 30 June 2022 (Unaudited) SR</i>	<i>For the six months period ended 30 June 2021 (Unaudited) SR</i>
Balance at 1 January	3,284,053	3,034,221
Charge for the period	-	249,832
Balance at period end	3,284,053	3,284,053

5 DERIVATIVE INSTRUMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each financial position date. The resulting gain/loss is recognized in the statement of income and other comprehensive income.

During the year ended 31 December 2020, the Fund entered into two Commission Rate Swap (CRS) 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 6). The maturity date of the two CRSs are 15 October 2023 and 16 October 2023, respectively.

The fair value and notional amount of the derivative instruments at fair value through income statement are as follows:

	<i>30 June 2022</i>		<i>31 December 2021</i>	
	<i>Positive Fair Value (Unaudited) SR</i>	<i>Notional Amount (Unaudited) SR</i>	<i>Positive / (Negative) Fair Value (Audited) SR</i>	<i>Notional Amount (Audited) SR</i>
Swap 1				
Nominal loan amount	7,658,734	250,000,000	1,066,675	250,000,000
Swap 2				
Nominal loan amount	6,446,470	240,000,000	(214,661)	240,000,000
Total	14,105,204	490,000,000	852,014	490,000,000

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6 FINANCING FACILITY FROM A BANK

The Fund has a financing facility agreement with Al Rajhi Bank with an approved limit of SR 1,050 million repayable in a single bullet payment up to 31 December 2023 and carrying commission at six months SAIBOR + 1.45%. The facility is secured against charge on all the investment properties.

As at 30 June 2022, the Fund has an undrawn amount of SR 250 million (31 December 2021: SR 425 million.)

The Fund has recorded financing charges based on effective commission rate method amounting to SR 12.67 million (30 June 2021: SR 6.16 million).

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

	30 June 2022 (Unaudited) SR	31 December 2021 (Audited) SR
Non-current liabilities	793,060,877	615,511,202
Current liabilities – current portion of financing from a bank	5,137,688	4,141,929
	<u>798,198,565</u>	<u>619,653,131</u>

Current portion of financing from a bank presented above represent accrued commission amounting to SR 5,137,668 (31 December 2021: SR 4,141,929).

7 DIVIDEND PAYABLE

During the period ended 30 June 2022, the Fund declared cash dividends amounting to SR 20.27 million (31 December 2021: 37.8 million; 30 June 2021: SR 18.30 million). During the period ended 30 June 2022, the Fund paid an amount of SR 29.99 million to the Fund's Unitholders (31 December 2021: SR 35.6 million; 30 June 2021: SR 16.65 million). Subsequent to period end, the Fund declared cash dividends amounting to SR 20.56 million.

8 RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions comprise of transactions with the Fund Manager and other affiliates of the Fund Manager 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.

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8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Following are the details of related party transactions during the period:

<i>Related party</i>	<i>Nature of transaction</i>	<i>For the six months period ended 30 June 2022 (Unaudited) SR</i>	<i>For the six months period ended 30 June 2021 (Unaudited) SR</i>
SEDCO Capital (Fund Manager)	Management fees	5,311,551	2,825,071
	Administrative Fees	265,578	141,254
	Shariah Fees	15,000	15,000
	Reimbursement of fees paid on behalf of the Fund	8,769,554	2,441,685
Al Mahmal Trading Company	Property management and rent collection fees	1,278,597	1,826,320
Fund Board	Board remuneration	30,000	30,000

The balance due to a related party as at 30 June 2022 amounted to SR 5,614,152 (31 December 2021: SR 4,500,000) which represents the amount payable to the Fund Manager. Additionally, the balance due to Al Mahmal Trading Company amounted to SR 128,275 (31 December 2021: SR 1,230,602) represents the amount payable for property management and rent collections fees which is presented under accrued expenses and other payable (note 9).

9 ACCRUED EXPENSES AND OTHER PAYABLE

Accrued expenses and other payables comprise of the following:

	<i>30 June 2022 (Unaudited) SR</i>	<i>31 December 2021 (Audited) SR</i>
Security deposits	811,154	831,154
Valuation fee payable	258,000	113,000
Tadawul fee payable	239,495	500,000
Custody fee payable	194,388	108,857
Maintenance fee payable (note 8)	128,275	1,230,602
Accrued professional fees	95,000	57,500
Real estate transaction tax (RETT)	-	33,003,625
Underwriting costs	-	2,532,500
Other payable	78,476	277,917
	1,804,788	38,655,155

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10 DEFERRED REVENUE

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

	30 June 2022 (Unaudited) SR	31 December 2021 (Audited) SR
Balance at 1 January	17,273,031	3,522,464
Rent received during the period / year	20,645,594	33,414,997
Adjusted against revenue earned during the period / year	(28,795,617)	(19,664,430)
Balance at 30 June / 31 December	9,123,008	17,273,031

11 UNITS IN ISSUE

The Fund initially issued a total of 60,000,000 units at the price of SR 10 per unit. During the year ended 31 December 2021, the Fund initiated a capital increase and issued additional 57,500,000 units at SR 10 per unit to reach total number of units issued of 117,500,000 units. During the current period ended 30 June 2022, there was no movement in number of units.

12 OPERATING AND OTHER EXPENSES

Operating and other expenses comprise of the following:

	For the six months period ended 30 June 2022 (Unaudited) SR	For the six months period ended 30 June 2021 (Unaudited) SR
Operating expenses	4,332,407	3,264,064
Tadawul and Edaa fees	590,658	407,207
Professional fees	437,245	237,811
Custody fees	210,716	112,074
Board fees (note 8)	30,000	30,000
Other expenses	339,602	355,708
	5,940,628	4,406,864

13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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 takes place either:

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantages accessible market for the asset or liability.

The Fund's financial assets consist of cash and cash equivalents, rent receivables, derivative instruments at fair value through income statement and other receivables. Its financial liabilities consist of financing facility from a bank, due to a related party, and other payables. All financial assets and financial liabilities as at 30 June 2022 and 31 December 2021 were classified under amortised cost category except for derivative instruments at fair value through income statement which are classified as and measured at fair value.

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13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

The estimated fair values of the Fund's financial assets and liabilities is not considered to be significantly difference from their carrying amounts. The fair value of derivative instruments at fair value through income statement is based on significant observable inputs and therefore classified within level 2 of the fair value hierarchy as at 30 June 2022 and 31 December 2021.

14 LAST VALUATION DAY

The last valuation day of the period was 30 June 2022 (2021: 31 December 2021).

15 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.

16 COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to current period presentation, which are not material in nature to the interim condensed financial statements as a whole.

17 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Fund Board on 15 August 2022G, (corresponding to 17 Muharram 1444H).