

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

**CONDENSED INTERIM
FINANCIAL STATEMENTS (Unaudited)**
For the six months period ended 30 June 2020
With
**INDEPENDENT AUDITOR'S
REVIEW REPORT TO THE UNITHOLDERS**



KPMG Al Fozan & Partners
Certified Public Accountants

Zahrán Business Centre, 9th Floor
Prince Sultan Street
PO Box 55078
Jeddah 21534
Kingdom of Saudi Arabia

Telephone +966 12 698 9595
Fax +966 12 698 9494
Internet www.kpmg.com/sa

License No. 46/11/323 issued 11/3/1992

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 2020 condensed interim financial statements of SEDCO Capital REIT Fund (the "Fund") managed by SEDCO Capital (the "Fund Manager") which comprises:

- the condensed statement of financial position as at 30 June 2020;
- the condensed statement of comprehensive income for the six months period ended 30 June 2020;
- the condensed statement of changes in net assets (equity) attributable to unitholders for the six months period ended 30 June 2020;
- the condensed statement of cash flows for the six months period ended 30 June 2020; 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 2020 condensed interim financial statements of **SEDCO Capital REIT 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 Al Fozan & Partners
Certified Public Accountants

Nasser Ahmed Al Shutaini
License No. 454

Jeddah, 16 Dhul-Hijjah 1441H
Corresponding to 6 August 2020



SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

CONDENSED INTERIM STATEMENT FINANCIAL POSITION (Unaudited)

As at 30 June 2020

Expressed in Saudi Arabian Riyals

	<u>Notes</u>	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents		26,114,423	34,534,020
Rent receivables	8	10,006,092	7,634,432
Prepayments and other receivables		7,090,572	6,264,308
Total current assets		43,211,087	48,432,760
Non-current assets			
Investment properties	9	1,007,239,221	1,019,938,026
Total assets		1,050,450,308	1,068,370,786
<u>LIABILITIES</u>			
Current Liabilities			
Dividends payable	10	--	9,900,000
Due to related parties	11	3,683,108	5,053,513
Accrued expenses and other payable	12	1,433,344	2,300,598
Deferred revenue	13	1,810,406	5,033,571
Derivative instruments at fair value through profit or loss	15	1,512,444	--
Financing facility from a bank	14	1,667,765	25,326,863
Total current liabilities		10,107,067	47,614,545
Non-current liabilities			
Financing facility from a bank	14	486,191,479	459,232,392
Total liabilities		496,298,546	506,846,937
Net asset (equity) attributable to unitholders		554,151,762	561,523,849
Units in issue (number)	16	60,000,000	60,000,000
Net asset (equity) per unit (SAR)		9.2359	9.3587

The accompanying notes 1 to 22 form 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 months period ended 30 June 2020

Expressed in Saudi Arabian Riyals

	<u>Notes</u>	30 June 2020	30 June <u>2019</u>
Rental income		37,502,254	37,747,807
Murabaha income		1,167	842,317
		37,503,421	38,590,124
EXPENSES			
Depreciation		8,132,234	8,071,728
Management, administrative and shariah fee	7	3,107,449	3,190,929
Operating and other expenses	17	3,622,314	3,622,505
Impairment on rent receivables	8.1	1,500,000	--
Impairment on investment properties	9	6,263,811	--
Unrealised loss on derivative instruments at fair value through profit or loss	15	1,512,444	--
Financing fee and charges		11,588,573	13,786,670
Total expenses		35,726,825	28,671,832
Net income for the period		1,776,596	9,918,292
Other comprehensive income for the period		--	--
Total comprehensive income for the period		1,776,596	9,918,292

The accompanying notes 1 to 22 form integral part of these condensed interim financial statements

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

**CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSET (EQUITY)
ATTRIBUTABLE TO UNITHOLDERS (Unaudited)**

For the six months period ended 30 June 2020

Expressed in Saudi Arabian Riyals

	<u>2020</u>	<u>2019</u>
Net assets (equity) attributable to Unitholders at 1 January	561,523,849	578,983,917
Total comprehensive income for the period	1,776,596	9,918,292
Dividend	(9,148,683)	(19,800,000)
Net asset (equity) attributable to unitholders as at 30 June	<u>554,151,762</u>	<u>569,102,209</u>

The accompanying notes 1 to 22 form 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 2020

Expressed in Saudi Arabian Riyals

	Note	30 June 2020	30 June 2019
Net income for the period		1,776,596	9,918,292
Cash flow from operating activities			
<i>Adjustment for:</i>			
Depreciation	9	8,132,234	8,071,728
Impairment on rent receivables	8.1	1,500,000	--
Impairment on investment properties	9	6,263,811	--
Unrealised loss on derivative instruments at fair value through profit or loss	15	1,512,444	--
		<u>19,185,085</u>	<u>17,990,020</u>
Net changes in operating assets and liabilities:			
Rent receivables		(3,871,660)	2,171,066
Financial assets at amortised cost		--	(90,076,208)
Prepayments and other receivables		(826,264)	15,726,974
Investment properties		(1,697,240)	(780,346)
Due to related Parties		(1,370,405)	(13,517,507)
Accrued expenses and other payable		(867,254)	(984,917)
Deferred income		(3,223,165)	12,639,710
Net cash generated from / (used in) operating activities		<u>7,329,097</u>	<u>(56,831,208)</u>
Cash flow from financing activities			
Financing facility from a bank		3,299,989	739,972
Dividend paid during the period		(19,048,683)	(19,050,000)
Net cash used in financing activities		<u>(15,748,694)</u>	<u>(18,310,028)</u>
Net change in cash and cash equivalents:		(8,419,597)	(75,141,236)
Cash and cash equivalents at beginning of the period		34,534,020	111,955,644
Cash and cash equivalents at end of the period		<u><u>26,114,423</u></u>	<u><u>36,814,408</u></u>

The accompanying notes 1 to 22 form 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 2020

Expressed in Saudi Arabian Riyals

1 THE FUND AND ITS ACTIVITIES

SEDCO Capital REIT Fund (the "Fund") is a closed-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 "CMA" as a licensed person 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;
- d) Advising;
- 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 Arabian Monetary Agency and operate in Saudi Arabia. The Fund may invest upto 25% of the fund's total assets in public money market funds and murabaha deposit.

The terms and conditions of the Fund were approved by the Capital Market Authority (the "CMA") on 16 Rabi Awal 1439 H (corresponding to December 4, 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 collection account of NCB Capital. The Fund commenced its activities on April 01, 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 has been established and units are offered in accordance with the Real Estate Investment Funds Regulations issued by CMA under Resolution No. 1-193-2006, dated 19/6/1427H, (The "Real Estate Investment Funds Regulations"), and in accordance with the instructions issued by CMA in respect of traded real estate investment funds pursuant to Resolution No. 6-130-2016, dated 23/1/1438H, corresponding to 24/10/2016G, ("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 2020

Expressed in Saudi Arabian Riyals

2 BASIS OF PREPERATION

These condensed interim financial statements have been prepared for the six month period ended 30 June 2020 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 Certified Public Accountants (“SOCPA”). These condensed interim financial statements should be read in conjunction with the fund’s last financial statement as at and for the year ended 31 December 2019.

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 Certified Public 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 profit and loss 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 (“SR”) which is the Fund’s functional and presentation currency.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim financial statements requires 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. 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 2020

Expressed in Saudi Arabian Riyals

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 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 statement of financial position.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six month period ended 30 June 2020

Expressed in Saudi Arabian Riyals

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 *Financial instruments*

Initial recognition

Rent receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instrument.

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

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial Assets

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six month period ended 30 June 2020

Expressed in Saudi Arabian Riyals

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 *Financial instruments (continued)*

Derecognition (continued)

Financial liabilities

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivative instruments at fair value through profit or loss

The Fund holds derivative financial instruments to hedge profit rate risk exposures. However, the Fund did not designate its derivative instruments as hedging instruments.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss. Fair values are obtained by reference to quoted market prices and/or valuation models as appropriate.

Impairment

The Fund recognises loss allowances for ECLs on financial assets measured at amortised cost. The Fund also recognises loss allowances for ECLs on lease receivables, which are disclosed as part of trade and other receivables.

The Fund measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for trade receivables (including lease receivables) and contract assets are always measured at an amount equal to lifetime ECLs.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six month period ended 30 June 2020

Expressed in Saudi Arabian Riyals

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 profit or loss 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.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six month period ended 30 June 2020

Expressed in Saudi Arabian Riyals

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

6.11 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet 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 asset (equity) per unit

The equity per unit is calculated by dividing the Equity attributable to Unitholders included in the 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 Fund’s fair value calculated at the beginning of each period semiannually.

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 fees

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.

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 2020

Expressed in Saudi Arabian Riyals

7 ADMINISTRATION AND OTHER FEES (continued)

Brokerage fee and acquisition fee

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.

Edaa fees

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 onetime fee for listing of the fund equal to SR 50,000 and an annual fee of 0.03% of the Fund's unit market value for the continuing of listing for the Fund.

8 RENT RECEIVABLES

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

	30 June <u>2020</u> (Unaudited)	31 December <u>2019</u> (Audited)
Rent receivables	12,540,313	8,668,653
Expected credit losses (Note 8.1)	<u>(2,534,221)</u>	<u>(1,034,221)</u>
	<u>10,006,092</u>	<u>7,634,432</u>

8.1 The movement in allowance for expected credit losses:

	<u>2020</u> (Unaudited)	<u>2019</u> (Audited)
Balance at 1 January	1,034,221	464,763
Charge for the year	1,500,000	569,458
Balance at 30 June / 31 December	<u>2,534,221</u>	<u>1,034,221</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 2020

Expressed in Saudi Arabian Riyals

9 INVESTMENT PROPERTIES

9.1 The details of the investment properties as at June 30, 2020 is as follows.

	<u>Type</u>	<u>Location</u>	<u>Cost</u>			<u>Depreciation</u>			<u>Impairment</u>			<u>Net book value</u>	<u>Fair value</u>
			<u>Opening</u>	<u>Addition during the period</u>	<u>Closing</u>	<u>Opening</u>	<u>Charge for the period</u>	<u>Closing</u>	<u>Opening</u>	<u>Charge for the period</u>	<u>Closing</u>		
Khalidiyah Business Center	Commercial	Jeddah	148,984,706	--	148,984,706	3,679,809	1,049,321	4,729,130	--	3,567,576	3,567,576	140,688,000	140,688,000
Al Ajazzera Compound	Residential	Riyadh	67,572,046	--	67,572,046	921,069	264,761	1,185,830	--	--	--	66,386,216	67,840,000
Panda Jeddah	Commercial	Jeddah	39,300,000	--	39,300,000	489,206	139,500	628,706	--	--	--	38,671,294	39,825,000
Panda Riyadh	Commercial	Riyadh	78,765,000	--	78,765,000	987,090	281,475	1,268,565	--	--	--	77,496,435	81,600,000
Public prosecution building	Commercial	Jeddah	63,269,676	33,000	63,302,676	2,276,103	649,045	2,925,148	--	--	--	60,377,528	65,935,000
Al Rawda Business Center	Commercial	Jeddah	126,495,000	--	126,495,000	4,751,099	1,353,764	6,104,863	6,722,901	2,696,235	9,419,136	110,971,001	110,971,000
Burj AlHayat	Commercial	Riyadh	41,260,000	--	41,260,000	1,381,348	393,900	1,775,248	--	--	--	39,484,752	40,350,000
Saudi Fransi Building	Commercial	Dammam	28,519,294	--	28,519,294	644,185	223,931	868,116	--	--	--	27,651,178	27,885,000
Panda Al rayan	Commercial	Dammam	62,545,580	--	62,545,580	1,042,910	373,931	1,416,841	--	--	--	61,128,739	65,175,000
Alhokair Time	Commercial	Dammam	34,206,942	--	34,206,942	624,554	223,931	848,485	--	--	--	33,358,457	33,600,000
Ajdan Walk	Commercial	Al Khobar	356,274,715	--	356,274,715	6,310,774	3,178,675	9,489,449	--	--	--	346,785,266	357,000,000
Work in progress			2,576,115	1,664,240	4,240,355	--	--	--	--	--	--	4,240,355	--
			<u>1,049,769,074</u>	<u>1,697,240</u>	<u>1,051,466,314</u>	<u>23,108,147</u>	<u>8,132,234</u>	<u>31,240,381</u>	<u>6,722,901</u>	<u>6,263,811</u>	<u>12,986,712</u>	<u>1,007,239,221</u>	<u>1,030,869,000</u>

SEDCO CAPITAL REIT FUND
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9 INVESTMENT PROPERTIES (continued)

9.2 The details of the properties as at December 31, 2019

	Type	Location	Cost			Depreciation			Impairment			Net book value	Fair value
			Opening	Addition during the period	Closing	Opening	Charge for the period	Closing	Opening	Reversal for the period	Closing		
Khalidiyah Business Center	Commercial	Jeddah	148,984,706	--	148,984,706	1,581,168	2,098,641	3,679,809	--	--	--	145,304,897	151,321,000
Al Ajazzera Compound	Residential	Riyadh	67,465,000	107,046	67,572,046	394,757	526,312	921,069	--	--	--	66,650,977	69,860,000
Panda Jeddah	Commercial	Jeddah	39,300,000	--	39,300,000	210,206	279,000	489,205	--	--	--	38,810,794	39,800,000
Panda Riyadh	Commercial	Riyadh	78,765,000	--	78,765,000	424,140	562,950	987,090	--	--	--	77,777,910	81,600,000
Public prosecution building	Commercial	Jeddah	63,269,676	--	63,269,676	978,013	1,298,090	2,276,103	--	--	--	60,993,573	67,000,000
Al Rawda Business Center	Commercial	Jeddah	126,495,000	--	126,495,000	2,135,846	2,615,253	4,751,099	9,798,729	(3,075,828)	6,722,901	115,021,000	115,021,000
Burj AlHayat	Commercial	Riyadh	41,260,000	--	41,260,000	593,548	787,800	1,381,348	--	--	--	39,878,652	40,350,000
Saudi Fransi Building	Commercial	Dammam	28,519,294	--	28,519,294	196,323	447,862	644,185	--	--	--	27,875,109	28,100,000
Panda Al rayan	Commercial	Dammam	62,545,580	--	62,545,580	295,047	747,863	1,042,910	--	--	--	61,502,670	63,500,000
Alhokair Time	Commercial	Dammam	34,206,942	--	34,206,942	176,691	447,863	624,554	--	--	--	33,582,388	33,900,000
Ajdan Walk	Commercial	Al Khobar	354,722,215	1,552,500	356,274,715	--	6,310,774	6,310,774	--	--	--	349,963,941	357,000,000
Work in progress			--	2,576,115	2,576,115	--	--	--	--	--	--	2,576,115	--
			<u>1,045,533,413</u>	<u>4,235,661</u>	<u>1,049,769,074</u>	<u>6,985,739</u>	<u>16,122,408</u>	<u>23,108,147</u>	<u>9,798,729</u>	<u>(3,075,828)</u>	<u>6,722,901</u>	<u>1,019,938,026</u>	<u>1,047,452,000</u>

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9. INVESTMENT PROPERTIES (continued)

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

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Equity as reported	554,151,762	561,523,849
Net appreciation in value based on valuation as on	23,629,779	27,513,974
Equity at fair value of investment properties	577,781,541	589,037,823
Equity per unit, at cost	9.2359	9.3587
Impact on equity per unit for the appreciation in value	0.3938	0.4586
Equity per unit at fair value	9.6297	9.8173

9.4 In accordance with article 21 of the Real Estate Investment Funds Regulations issued by Capital Market Authority (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 June 30, 2020 and December 31, 2019 is carried out by Value Strat and White Cubes, which are accredited valuers by 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 December 31, 2019.

10 DIVIDEND PAYABLE

During the period ending 30 June 2020, the Fund declared a dividend amounting to SR 9.15 million (30 June 2019: SR 9.9 million). During the period, the Fund paid dividend amounting to SR 19 million (30 June 2019: 39.6 million).

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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. All related party transactions are approved by the Fund Board. Significant related party transactions are summarized below:

<u>Related party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	Amount of transaction June 30, 2020 (Unaudited)	Amount of transaction June 30, 2019 (Unaudited)	Balance at June 30, 2020 (Unaudited)	Balance at December 31, 2019 (Audited)
<u>Due to related party</u>	Fund Manager	Management fees	2,945,189	3,010,409		
Saudi Economic and Development Securities Company (“Fund Manager”)		Admin fee	147,260	150,250		
		Shariah advisory fee	15,000	15,000		
		Reimbursement of fees paid on behalf of the fund	475,033	19,826,001	3,683,108	5,053,513
<u>Rent receivables</u>						
Al Mahmal Trading Company	Affiliate	Rent income	443,000	443,000	--	--
					260,452	--
<u>Accrued expenses and other payable</u>	(See note 12)					
Al Mahmal Trading Company	Affiliate	Property management and rent collection fees	2,283,784	4,336,971	12,985	1,050,873
Fund Board’s remuneration	Fund Board	Remuneration	30,000	30,000	--	--

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12 ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables at comprise of the following:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Security deposits	876,654	876,654
Custody fee payable	237,960	120,475
Valuation fee payable	110,621	62,785
Tadawul fees payable	95,000	95,000
Audit fee payable	37,500	36,250
Maintenance fee payable	12,985	1,050,873
Other payable	62,624	58,561
	<u>1,433,344</u>	<u>2,300,598</u>

13 DEFERRED REVENUE

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

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at the beginning as at	5,033,571	2,664,013
Rent received during the period	4,622,131	23,310,250
Adjusted against revenue earned	(7,845,296)	(20,940,692)
	<u>1,810,406</u>	<u>5,033,571</u>

14 FINANCING FACILITY FROM A BANK

During the year ended 31 December 2018, the Fund has entered into a financing facility agreement with a local bank with an approved limit of SR 600 million repayable in a single bullet payment up to December 31, 2024 and carrying profit at twelve months Sibor + 1.9%. The loan has been 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 period ended 30 June 2020, the Fund has negotiated a reduced profit rate to six months Sibor + 1.45%. All other terms as per the original financing facility agreement remains the same. As at June 30, 2020, the Fund has an undrawn amount of SR 110 million.

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14 FINANCING FACILITY FROM A BANK (CONTINUED)

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Non-current liabilities	486,191,479	459,232,392
Current liabilities	1,667,765	25,326,863
	<u>487,859,244</u>	<u>484,559,255</u>

Current liabilities presented above include accrued profit on financing facility from a bank.

15 DERIVATIVE INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the period 30 June 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 (Sibor) on financing facility obtained from a bank (Note 14). The maturity date of the instrument are 15 October 2023 and 16 October 2023 respectively. As at 30 June 2020, 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 2020</u>		<u>31 December 2019</u>	
	<u>Negative Fair Value</u>	<u>Notional Amount</u>	<u>Negative Fair Value</u>	<u>Notional Amount</u>
Swap 1				
Nominal loan amount	(487,880)	250,000,000	--	--
Profit Rate Swap	1.23%	1.43%	--	--
Swap 2				
Nominal loan amount	(1,024,564)	240,000,000	--	--
Profit Rate Swap	1.23%	1.69%	--	--

Movement in derivative financial instruments is as follows:

	2020 (Unaudited)	2019 (Audited)
Change in fair value and balance at 30 June	<u>1,512,444</u>	<u>--</u>

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16 UNITS IN ISSUE

The Fund has issued 60 million units and during the period there was no movement in the number of units.

17 OPERATING AND OTHER EXPENSES

Operating and other expenses comprise of the following:

	June 30, <u>2020</u> (Unaudited)	June 30 <u>2019</u> (Unaudited)
Operating expenses	2,529,521	3,034,280
Tadawul and edaa fees	275,033	175,178
Professional fees	121,890	104,335
Custody fees	117,485	30,829
Board fees	30,000	30,000
Other expenses	548,385	247,883
	<u>3,622,314</u>	<u>3,622,505</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

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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 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:

	June 30 <u>2020</u> (Unaudited)	December 31, <u>2019</u> (Audited)
<u>Assets</u>		
Cash and cash equivalents	26,114,423	34,534,020
Rent receivables (See note 8)	12,540,313	8,668,653
	<u>38,654,736</u>	<u>49,368,351</u>

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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 statement of financial position date.

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.

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18 FINANCIAL RISK MANAGEMENT (CONTINUED)

18.1 Financial risk factors (continued)

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

Financial liabilities	As at June 30, 2020						As at December 31, 2019					
	On demand	Less than 3 months	Less than 1 year	More than 1 year	Contractual liability	Carrying amount	On demand	Less than 3 months	Less than 1 year	More than 1 year	Contractual liability	Carrying amount
Dividends payable	--	--	--	--	--	--	--	--	--	--	9,900,000	9,900,000
Derivative instruments at fair value through profit or loss	--	--	1,512,444	--	1,512,444	1,512,444	--	--	--	--	--	--
Due to related parties	--	3,683,108	--	--	3,683,108	3,683,108	--	5,053,513	--	--	5,053,513	5,053,513
Accrued expenses and other payable	--	1,433,344	--	--	1,433,344	1,433,344	--	2,300,598	--	--	2,300,598	2,300,598
Deferred revenue	--	1,810,406	--	--	1,810,406	1,810,406	--	5,033,571	--	--	5,033,571	5,033,571
Financing facility from a bank	--	--	1,667,765	486,191,479	487,859,244	487,859,244	--	--	25,326,863	459,232,392	484,559,255	484,559,255
	--	6,926,858	3,180,209	486,191,479	496,298,546	496,298,546	--	12,387,682	25,326,863	459,232,392	506,846,937	506,846,937

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18 FINANCIAL RISK MANAGEMENT (continued)

18.1 Financial risk factors (continued)

(a) 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.

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18 FINANCIAL RISK MANAGEMENT (continued)

18.2 Fair value estimation

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 terms of financial instruments.

There were no transfers between level 1, 2 or 3 during the reporting period. 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 STANDARDS ISSUED BUT NOT YET EFFECTIVE

New currently effective requirements: This table lists the recent changes to the standards that are required to be applied by an entity with an annual reporting beginning on 1 January 2020.

Effective date	New standards or amendments
1 January 2020	Amendments to References to Conceptual Framework in IFRS standards
	Definition of a Business Combination (Amendments to IFRS 3)
	Definition of Material (Amendments to IAS 1 and IAS 8)
	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The management believes that the above pronouncement have no material impact on these condensed interim financial statements.

Forthcoming requirements:

Effective date	New standards or amendments
1 January 2023	IFRS 17 Insurance Contracts
1 January 2023	Classification of liabilities as Current or Non-current (Amendments to IAS1)
Available for optional adoption / effective date deferred indefinitely	Sales or Contributions of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28)

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20 SUBSEQUENT EVENTS

The spread of novel coronavirus (COVID-19) across multiple geographies was confirmed in early 2020, causing disruptions to businesses and economic activities. Due to this some of the Fund's investment properties were impaired for which the corresponding impact was taken in these financial statements. However, since the extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, the Fund manager will continue to monitor the situation with focus on availability of sufficient cash balances to the Fund and accordingly update unitholders for material deviations. Changes in circumstances may require enhanced disclosures or recognition of adjustments in the financial statements of the Fund subsequently.

21 LAST VALUATION DAY

The last valuation day of the period was 30 June 2020 (2019: 31 December 2019).

22 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Fund Board on 15 Dhul-Hijjah 1441H, corresponding to 5 August 2020.