

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 2023**

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six months period ended 30 June 2023

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Independent Auditor's Review Report on the 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 2023 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 explanatory notes. 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 statements 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 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.

for Ernst & Young Professional Services

Ahmed Ibrahim Reda
Certified Public Accountant
License No. (356)

Jeddah: 27 Muharram 1445H
14 August 2023G



SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2023

		30 June 2023 (Unaudited) SR	31 December 2022 (Audited) SR
ASSETS			
NON-CURRENT ASSET			
Investment properties	3	2,240,481,847	1,760,383,078
TOTAL NON-CURRENT ASSET		2,240,481,847	1,760,383,078
CURRENT ASSETS			
Derivative instruments at fair value through income statement ("FVTIS")	4	9,950,559	21,645,322
Rent receivables	5	66,736,545	29,577,661
Prepayments and other receivables		6,380,451	6,275,396
Cash and cash equivalents	6	72,597,081	26,550,920
TOTAL CURRENT ASSETS		155,664,636	84,049,299
TOTAL ASSETS		2,396,146,483	1,844,432,377
LIABILITIES			
NON-CURRENT LIABILITY			
Financing facility from a bank	7	787,148,437	785,924,480
TOTAL NON-CURRENT LIABILITY		787,148,437	785,924,480
CURRENT LIABILITIES			
Dividend payable	8	11,626	21,296,875
Due to a related party	9	25,887,309	15,322,392
Accrued expenses and other payable	10	8,519,164	2,716,258
Deferred revenue	11	8,374,853	13,482,685
Current portion of financing facility from a bank	7	9,342,005	8,293,739
TOTAL CURRENT LIABILITIES		52,134,957	61,111,949
TOTAL LIABILITIES		839,283,394	847,036,429
NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS		1,556,863,089	997,395,948
UNITS IN ISSUE	12	186,944,444	117,500,000
Net assets per unit (SR)		8.3279	8.4885

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 2023

		<i>For the six months period ended 30 June 2023 SR</i>	<i>For the six months period ended 30 June 2022 SR</i>
INCOME/ (LOSS)			
Rental income		73,817,816	66,864,240
Murabaha income	6	1,640,863	242,311
Net (loss) / gain on derivative instruments at FVTIS		(3,288,698)	11,529,249
TOTAL INCOME		72,169,981	78,635,800
EXPENSES			
Management, administrative and shariah fees	9	5,434,065	5,592,129
Depreciation		14,843,144	14,530,103
Financing fees and bank charges	7	27,093,350	12,673,571
Impairment charge on investment properties		36,835,525	33,123,508
Operating and other expenses	13	10,137,381	5,940,628
TOTAL EXPENSES		94,343,465	71,859,939
NET (LOSS)/ INCOME FOR THE PERIOD		(22,173,484)	6,775,861
Other comprehensive income		-	-
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD		(22,173,484)	6,775,861

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 2023

	<i>For the six months period ended 30 June 2023 SR</i>	<i>For the six months period ended 30 June 2022 SR</i>
Net assets attributable to the unitholders at 1 January	997,395,948	1,039,710,604
Total comprehensive (loss)/ income for the period	(22,173,484)	6,775,861
Dividend (note 8)	(18,359,375)	(20,268,750)
Issue of additional units during the period (note 12)	600,000,000	-
Net assets attributable to the unitholders as at 30 June	<u>1,556,863,089</u>	<u>1,026,217,715</u>

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 2023

	<i>For the six months period ended 30 June 2023 SR</i>	<i>For the six months period ended 30 June 2022 SR</i>
OPERATING ACTIVITIES		
Net (loss) / income for the period	(22,173,484)	6,775,861
<i>Adjustments to reconcile net (loss) / income to net cash from operating activities:</i>		
Depreciation	14,843,144	14,530,103
Impairment charge on investment properties	36,835,525	33,123,508
Net loss / (gain) on derivative instruments at FVTIS	3,288,698	(11,529,249)
Financing fees and bank charges	27,093,350	12,673,571
	59,887,233	55,573,794
Net changes in operating assets and liabilities:		
Rent receivables	(37,158,884)	(4,276,624)
Prepayments and other receivables	(105,055)	2,498,085
Derivative instruments at FVTIS	8,406,065	(1,723,941)
Due to a related party	10,564,917	1,114,152
Accrued expenses and other payable	5,802,906	(36,850,367)
Deferred revenue	(5,107,832)	(8,150,023)
Net cash from operating activities	42,289,350	8,185,076
INVESTING ACTIVITIES		
Payments made for the acquisition of investment properties	(531,284,375)	(178,400,907)
Payments made for work in progress	(493,063)	(126,066)
Net cash used in investing activities	(531,777,438)	(178,526,973)
FINANCING ACTIVITIES		
Proceeds from issuance of new units	12 600,000,000	-
Dividend paid during the period	8 (39,644,624)	(29,988,445)
Proceeds from financing facility from a bank	-	175,000,000
Movement in financing facility from a bank	(24,821,127)	(9,128,137)
Net cash from financing activities	535,534,249	135,883,418
Net change in cash and cash equivalents	46,046,161	(34,458,479)
Cash and cash equivalents at beginning of the period	26,550,920	62,053,842
Cash and cash equivalents at end of the period	72,597,081	27,595,363

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 2023

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 2023 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") and to comply with the applicable provisions of the Investment Funds Regulations issued by Capital Market Authority, and the Fund's terms and conditions. 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 2022.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

At 30 June 2023

2 BASIS OF PREPERATION (continued)

b) Basis of measurement

These interim condensed 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.

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 judgements, estimates and assumptions

The accounting judgements, 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 2022.

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 2022, except for the adoption of new standards effective as of 1 January 2023 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 2023, but do not have an impact on the interim financial statements of the Fund.

Standard, interpretation, amendments	Description	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 01 January 2023.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 01 January 2023.
IFRS 17, ‘Insurance contracts’, as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 01 January 2023.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

At 30 June 2023

2 BASIS OF PREPERATION (continued)

g) Standards issued but not yet effective

The International Accounting Standards Board (IASB) has issued the following standards and amendments which will become effective on or after 1 January 2024. the Fund has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed financial statements of the Fund.

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.</p> <p>Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.</p> <p>Note that the IASB has issued a new exposure draft proposing changes to this amendment.</p>	Deferred until accounting periods starting not earlier than 1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	1 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	1 January 2024

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

At 30 June 2023

3 INVESTMENT PROPERTIES

3.1 The details of the investment properties as at 30 June 2023 is as follows:

	Type	Location	Cost			Depreciation			Impairment			Net Book value (Unaudited) SR	Fair Value (Unaudited) SR
			Opening SR	Additions during the period SR	Closing SR	Opening SR	Charge for the period SR	Closing SR	Opening SR	(Charge)/ reversal for the period SR	Closing Impairment SR		
Khalidiyah Business Center	Commercial	Jeddah	166,425,964	-	166,425,964	(9,770,345)	(1,011,380)	(10,781,725)	(19,970,619)	(3,850,120)	(23,820,739)	131,823,500	131,823,500
Al Jazeera Residential Compound	Residential	Riyadh	67,702,885	-	67,702,885	(2,578,956)	(265,544)	(2,844,500)	-	-	-	64,858,385	70,189,500
Hyper Panda	Commercial	Jeddah	39,300,000	-	39,300,000	(1,326,206)	(139,500)	(1,465,706)	-	-	-	37,834,294	39,014,000
Hyper Panda	Commercial	Riyadh	78,765,000	-	78,765,000	(2,675,940)	(281,474)	(2,957,414)	-	-	-	75,807,586	78,383,000
Public Prosecution Building	Commercial	Jeddah	63,395,580	-	63,395,580	(6,024,783)	(581,621)	(6,606,404)	(4,620,799)	3,769,123	(851,676)	55,937,500	55,937,500
Al Rawda Business Center	Commercial	Jeddah	126,503,000	-	126,503,000	(12,769,938)	(1,317,506)	(14,087,444)	(9,148,062)	(2,154,994)	(11,303,056)	101,112,500	101,112,500
Al Hayat Tower Apartments Hotel	Commercial	Riyadh	41,260,000	-	41,260,000	(3,177,656)	(117,566)	(3,295,222)	(18,422,344)	353,066	(18,069,278)	19,895,500	19,895,500
Banque Saudi Fransi Building	Commercial	Dammam	28,519,294	-	28,519,294	(1,987,774)	(223,931)	(2,211,705)	-	-	-	26,307,589	26,581,500
Hyper Panda	Commercial	Dammam	62,545,580	-	62,545,580	(3,286,499)	(373,931)	(3,660,430)	-	-	-	58,885,150	70,165,000
Al Hokair Time Centre	Commercial	Dammam	34,206,942	-	34,206,942	(1,968,143)	(223,931)	(2,192,074)	-	-	-	32,014,868	33,858,000
Ajdan Walk	Commercial	Al Khobar	356,274,715	-	356,274,715	(25,382,818)	(3,178,677)	(28,561,495)	-	-	-	327,713,220	354,461,000
Hyper Panda (Branch & Parking)	Commercial	Dammam	70,170,958	-	70,170,958	(1,120,696)	(593,641)	(1,714,337)	(1,550,262)	1,550,262	-	68,456,621	69,062,000
Al Olaya School	Commercial	Riyadh	63,776,863	-	63,776,863	(987,528)	(531,412)	(1,518,940)	(919,335)	919,335	-	62,257,923	68,471,000
Extra Store	Commercial	Dammam	52,984,181	-	52,984,181	(528,234)	(270,049)	(798,283)	(2,480,947)	1,532,049	(948,898)	51,237,000	51,237,000
Iraqah Plaza	Commercial	Riyadh	93,955,614	-	93,955,614	(865,449)	(372,606)	(1,238,055)	(9,115,165)	(4,970,894)	(14,086,059)	78,631,500	78,631,500
Al Hamra Plaza	Commercial	Riyadh	71,346,032	-	71,346,032	(529,673)	(280,196)	(809,869)	(2,866,359)	2,642,196	(224,163)	70,312,000	70,312,000
Dar Al Baraa School	Commercial	Riyadh	165,807,140	-	165,807,140	(3,556,970)	(1,877,522)	(5,434,492)	(2,220,170)	2,220,170	-	160,372,648	162,478,500
Al Manahij School	Commercial	Riyadh	58,457,273	-	58,457,273	(764,890)	(354,380)	(1,119,270)	(5,027,383)	2,158,880	(2,868,503)	54,469,500	54,469,500
Amjad Qurtuba School	Commercial	Riyadh	122,271,188	-	122,271,188	(1,725,141)	(803,310)	(2,528,451)	(10,541,047)	2,055,310	(8,485,737)	111,257,000	111,257,000
Ajdan Entertainment	Commercial	Al Khobar	178,400,907	-	178,400,907	(3,492,027)	(1,591,756)	(5,083,783)	(10,283,880)	778,756	(9,505,124)	163,812,000	163,812,000
Atelier La Vie (note 3.6)	Commercial	Jeddah	-	531,284,375	531,284,375	-	(453,211)	(453,211)	-	(43,838,664)	(43,838,664)	486,992,500	486,992,500
Work in progress			-	493,063	493,063	-	-	-	-	-	-	493,063	-
			<u>1,942,069,116</u>	<u>531,777,438</u>	<u>2,473,846,554</u>	<u>(84,519,666)</u>	<u>(14,843,144)</u>	<u>(99,362,810)</u>	<u>(97,166,372)</u>	<u>(36,835,525)</u>	<u>(134,001,897)</u>	<u>2,240,481,847</u>	<u>2,298,144,000</u>

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital)

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

At 30 June 2023

3 INVESTMENT PROPERTIES (continued)

3.2 The details of the investment properties as at 31 December 2022 is as follows:

	Type	Location	Cost				Depreciation			Impairment			Net Book value SR	Fair Value SR
			Opening SR	Additions during the year SR	Transfers SR	Closing SR	Opening SR	Charge for the year SR	Closing SR	Opening SR	(Charge)/reversal for the year SR	Closing impairment SR		
Al Khaldiyah Business Centre	Commercial	Jeddah	148,984,706	-	17,441,258	166,425,964	(7,700,306)	(2,070,039)	(9,770,345)	(953,400)	(19,017,219)	(19,970,619)	136,685,000	136,685,000
Al Jazeera Residential Compound	Residential	Riyadh	67,648,996	53,889	-	67,702,885	(1,979,243)	(599,713)	(2,578,956)	-	-	-	65,123,929	67,660,000
Hyper Panda	Commercial	Jeddah	39,300,000	-	-	39,300,000	(1,047,206)	(279,000)	(1,326,206)	-	-	-	37,973,794	38,775,000
Hyper Panda	Commercial	Riyadh	78,765,000	-	-	78,765,000	(2,112,990)	(562,950)	(2,675,940)	-	-	-	76,089,060	77,485,000
Public Prosecution Building	Commercial	Jeddah	63,395,580	-	-	63,395,580	(4,885,226)	(1,139,557)	(6,024,783)	(5,410,354)	789,555	(4,620,799)	52,749,998	52,750,000
Al Rawdah Business Centre	Commercial	Jeddah	126,503,000	-	-	126,503,000	(10,052,294)	(2,717,644)	(12,769,938)	(6,393,706)	(2,754,356)	(9,148,062)	104,585,000	104,585,000
Al Hayat Tower Apartments Hotel	Commercial	Riyadh	41,260,000	-	-	41,260,000	(2,956,948)	(220,708)	(3,177,656)	(18,903,052)	480,708	(18,422,344)	19,660,000	19,660,000
Banque Saudi Fransi Building	Commercial	Dammam	28,519,294	-	-	28,519,294	(1,539,911)	(447,863)	(1,987,774)	-	-	-	26,531,520	27,065,000
Hyper Panda	Commercial	Dammam	62,545,580	-	-	62,545,580	(2,538,636)	(747,863)	(3,286,499)	-	-	-	59,259,081	67,595,000
Al Hokair Time Centre	Commercial	Dammam	34,206,942	-	-	34,206,942	(1,520,280)	(447,863)	(1,968,143)	-	-	-	32,238,799	32,990,000
Ajdan Walk	Commercial	Al Khobar	356,274,715	-	-	356,274,715	(19,025,472)	(6,357,346)	(25,382,818)	-	-	-	330,891,897	351,345,000
Hyper Panda (Branch & Parking)	Commercial	Dammam	70,170,958	-	-	70,170,958	(3,381)	(1,117,315)	(1,120,696)	(3,882,577)	2,332,315	(1,550,262)	67,500,000	67,500,000
Al Olaya School	Commercial	Riyadh	63,776,863	-	-	63,776,863	(2,988)	(984,540)	(987,528)	(3,528,875)	2,609,540	(919,335)	61,870,000	61,870,000
Extra Store	Commercial	Dammam	52,984,181	-	-	52,984,181	(1,683)	(526,551)	(528,234)	(2,932,498)	451,551	(2,480,947)	49,975,000	49,975,000
Iraqh Plaza	Commercial	Riyadh	93,955,614	-	-	93,955,614	(2,790)	(862,659)	(865,449)	(5,200,324)	(3,914,841)	(9,115,165)	83,975,000	83,975,000
Al Hamra Plaza	Commercial	Riyadh	71,346,032	-	-	71,346,032	(1,770)	(527,903)	(529,673)	(3,949,262)	1,082,903	(2,866,359)	67,950,000	67,950,000
Dar Al Baraa School	Commercial	Riyadh	165,807,140	-	-	165,807,140	(10,470)	(3,546,500)	(3,556,970)	(9,171,670)	6,951,500	(2,220,170)	160,030,000	160,030,000
Al Manahij School	Commercial	Riyadh	58,457,273	-	-	58,457,273	(2,355)	(762,535)	(764,890)	(3,234,918)	(1,792,465)	(5,027,383)	52,665,000	52,665,000
Amjad Qortuba School	Commercial	Riyadh	122,271,188	-	-	122,271,188	(5,268)	(1,719,873)	(1,725,141)	(6,765,920)	(3,775,127)	(10,541,047)	110,005,000	110,005,000
Ajdan Entertainment	Commercial	Al Khobar	-	178,400,907	-	178,400,907	-	(3,492,027)	(3,492,027)	-	(10,283,880)	(10,283,880)	164,625,000	164,625,000
Work in progress			13,508,574	3,932,684	(17,441,258)	-	-	-	-	-	-	-	-	-
			<u>1,759,681,636</u>	<u>182,387,480</u>	<u>-</u>	<u>1,942,069,116</u>	<u>(55,389,217)</u>	<u>(29,130,449)</u>	<u>(84,519,666)</u>	<u>(70,326,556)</u>	<u>(26,839,816)</u>	<u>(97,166,372)</u>	<u>1,760,383,078</u>	<u>1,795,190,000</u>

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

At 30 June 2023

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 2023</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2022</i> <i>(Audited)</i> <i>SR</i>
Net assets as reported	1,556,863,089	997,395,948
Net appreciation in value based on valuation	58,155,216	34,806,922
Net assets at fair value of investment properties	1,615,018,305	1,032,202,870
Net assets per unit, at cost	8.3279	8.4885
Impact on net assets per unit for the appreciation in value	0.3111	0.2962
Net assets per unit at fair value	8.6390	8.7847

- 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 and work in progress are 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 2023 were carried out by Jones Lang LaSalle Saudi Arabia Co. and Esnad (31 December 2022: Jones Lang LaSalle and Value Strat), 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 2022.
- 3.6 The impairment charge on the new property acquired by the Fund during the current period ended 30 June 2023, is due to capitalizing the additional acquisition costs incurred related to Real Estate Transaction Tax and the associated Fund Manager fees.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

At 30 June 2023

4 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 or loss is recognized in the statement of income and other comprehensive income.

During 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 7). The maturity dates 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:

	30 June 2023		31 December 2022	
	Positive Fair Value (Unaudited) SR	Notional Amount (Unaudited) SR	Positive Fair Value (Audited) SR	Notional Amount (Audited) SR
Swap 1				
Nominal loan amount	5,222,181	250,000,000	11,410,187	250,000,000
Swap 2				
Nominal loan amount	4,728,378	240,000,000	10,235,135	240,000,000
Total	<u>9,950,559</u>	<u>490,000,000</u>	<u>21,645,322</u>	<u>490,000,000</u>

5 RENT RECEIVABLES

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

	30 June 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Gross rent receivables	73,520,598	36,361,714
Allowance for expected credit losses	(6,784,053)	(6,784,053)
	<u>66,736,545</u>	<u>29,577,661</u>

The gross rent receivables balance is current and is not past due except for receivable balance amounting to SR 8.60 million (31 December 2022: SR 6.78 million). Total allowance for expected credit losses amounted to SR 6.78 million (31 December 2022: SR 6.78 million) which is maintained against defaulted parties.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

At 30 June 2023

6 CASH AND CASH EQUIVALENTS

	<i>30 June 2023 (Unaudited) SR</i>	<i>31 December 2022 (Audited) SR</i>
Bank balances	2,597,081	1,550,920
Murabaha deposits with original maturities of less than three months (note (a) below)	70,000,000	25,000,000
	72,597,081	26,550,920

a) During the period, the Fund earned finance income of SR 1,640,863 (30 June 2022: SR 242,311) at the rate of return ranging from 3.60% to 5.80% (30 June 2022: 0.50% to 1.80%).

7 FINANCING FACILITY FROM A BANK

During 2022, the Fund settled a financing facility agreement with a local commercial bank with an approved limit of SR 1,050 million and entered into a new financing facility agreement with another local commercial bank with an approved limit of SR 1,175 million. The new facility carries a commission of six months SAIBOR + 1% to be paid every six months and the principal is repayable in a single bullet payment on 16 October 2028. The facility is secured against all existing investment properties.

As at 30 June 2023, the Fund has an undrawn amount of SR 375 million (31 December 2022: SR 375 million). The Fund has recorded financing charges based on effective commission rate method amounting to SR 27.09 million (30 June 2022: SR 12.67 million).

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

	<i>30 June 2023 (Unaudited) SR</i>	<i>31 December 2022 (Audited) SR</i>
Non-current liabilities	787,148,437	785,924,480
Current liabilities – current portion of financing facility from a bank	9,342,005	8,293,739
	796,490,442	794,218,219

Current portion of financing facility from a bank presented above represent accrued commission amounting to SR 9,342,005 (31 December 2022: SR 8,293,739).

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

At 30 June 2023

8 DIVIDEND PAYABLE

During the period ended 30 June 2023, the Fund declared cash dividends amounting to SR 18.36 million, SR 0.1562 per unit (31 December 2022: 83.42 million, SR 0.1812 per unit; 30 June 2022: SR 20.27 million, SR 0.1725 per unit). During the period ended 30 June 2023, the Fund paid an amount of SR 39.64 million to the Fund's Unitholders (31 December 2022: SR 71.88 million; 30 June 2022: SR 29.99 million). Subsequent to period end, the Fund declared cash dividends amounting to SR 25 million, SR 0.1341 per unit.

9 RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions comprise of transactions with the Fund Manager and Al-Inma Investment Company (the Fund Custodian), the Fund Board, 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.

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 2023 (Unaudited) SR</i>	<i>For the six months period ended 30 June 2022 (Unaudited) SR</i>
SEDCO Capital (Fund Manager)	Management fees	5,161,014	5,311,551
	Administrative Fees	258,051	265,578
	Shariah Fees	15,000	15,000
	Brokerage and acquisition fees	14,159,375	6,157,531
	Payments made on behalf of the Fund	-	2,612,023
	Settlement to the Fund Manager	(9,028,523)	(13,247,531)
Al Mahmal Trading Company (Affiliate of Fund Manager)	Rent income	502,055	443,000
	Property management and rent collection fees	1,215,873	1,278,597
Al-Inma Investment Company (Custodian)	Custody fees	208,562	210,716
Fund Board	Board remuneration	30,000	30,000

The balance due to a related party as at 30 June 2023 amounted to SR 25,887,309 (31 December 2022: SR 15,322,392) which represents the amount payable to the Fund Manager. Additionally, the balance due to Al Mahmal Trading Company amounted to SR 1,417,038 (31 December 2022: SR 1,115,929) represents the amount payable for property management and rent collections fees which is presented under accrued expenses and other payable (note 10). Moreover, the balance due to the custodian of the Fund amounted to SR 204,744 (31 December 2022: SR 207,336), which is presented under accrued expenses and other payable (note 10). Moreover, the balance due to Fund Board amounted to SR 30,000 (31 December 2022: Nil) which is presented under accrued expenses and other payable (note 10).

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

At 30 June 2023

10 ACCRUED EXPENSES AND OTHER PAYABLE

Accrued expenses and other payables comprise of the following:

	30 June 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Lead Manager fees	2,693,500	-
Receiving Banks fees	1,840,000	-
Maintenance fee payable (note 9)	1,417,038	1,115,929
Tadawul fee payable	786,500	-
Security deposits	741,621	766,621
Valuation fee payable	365,091	392,372
Legal advisor fees	258,750	-
Custody fee payable (note 9)	204,744	207,336
Accrued professional fees	99,002	162,500
Other payable	82,918	71,500
Board remuneration payable (note 9)	30,000	-
	8,519,164	2,716,258

11 DEFERRED REVENUE

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

	30 June 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Balance at 1 January	13,482,685	17,273,031
Rent received during the period / year	14,359,749	76,588,704
Adjusted against revenue earned during the period / year	(19,467,581)	(80,379,050)
Balance at 30 June / 31 December	8,374,853	13,482,685

12 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. Furthermore, during the current period ended 30 June 2023, the Fund initiated a capital increase and issued additional 69,444,444 units at a discounted price of SR 8.64 per unit. Net proceeds from the capital increase amounted to SR 600 million. Total number of units issued as at period end is 186,944,444 units (31 December 2022: 117,500,000).

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

At 30 June 2023

13 OPERATING AND OTHER EXPENSES

Operating and other expenses comprise of the following:

	<i>For the six months period ended 30 June 2023 (Unaudited) SR</i>	<i>For the six months period ended 30 June 2022 (Unaudited) SR</i>
Operating expenses	2,723,053	4,332,407
Lead Manager fees	2,693,500	-
Receiving Banks fees	1,840,000	-
Tadawul and Edaa fees	1,359,323	590,658
Professional fees	559,975	437,245
Legal advisor fees	258,750	-
Custody fees (note 9)	208,562	210,716
Board remuneration fees (note 9)	30,000	30,000
Other expenses	464,218	339,602
	<u>10,137,381</u>	<u>5,940,628</u>

14 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 principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

At 30 June 2023

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

External valuers are involved for valuation of investment properties. Involvement of external valuers is determined and approved annually by the Fund Board. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every five years. The Fund Board decides, after discussions with the external valuers, which valuation techniques and inputs to use for each investment property.

At each reporting date, the Fund Manager analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Fund's accounting policies. For this analysis, the Fund Manager verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Fund Manager also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Financial assets measured at fair value

30 June 2023	<i>Carrying amount</i> <i>SR</i>	<i>Level 2</i> <i>SR</i>
Derivative instruments at fair value through income statement	9,950,559	9,950,559
31 December 2022	<i>Carrying amount</i> <i>SR</i>	<i>Level 2</i> <i>SR</i>
Derivative instruments at fair value through income statement	21,645,322	21,645,322

Financial assets that are not measured at fair value include cash and cash equivalents and rent receivables and financial liabilities that are not measured at fair value include financing facility from a bank, dividend payable and due to a related party. The fair values of the financial instruments are not materially different from their carrying amounts.

15 LAST VALUATION DAY

The last valuation day of the period was 30 June 2023 (2022: 31 December 2022).

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 13 August 2023G, (corresponding to 26 Muharram 1445H).