

SEDCO
CAPITAL



SEDCO Capital REIT
Semi-annual Report
June 2021

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Management Statements

It is our honor to present the H1 2021 semi-annual report of SEDCO Capital REIT Fund to unitholders. This report highlights key activities, achievements, operational results and general views with regards to the portfolio along with the financial statements for the period ended 30 June 2021. The SEDCO Capital REIT Fund portfolio comprises 11 income-generating assets, geographically diversified across the Eastern Province (45%), Jeddah (37%) and Riyadh (18%). The portfolio enjoys sectoral diversification across the entertainment (37%), office (33%), retail (20%), residential (6%) and hospitality (4%) sectors.

Despite the challenging market conditions facing the portfolio over the last 6 months, the average occupancy rate reached 89.1%, showing a slight decrease by 4.7% compared to December 2020, the decrease was mainly due to Burj Al-Hayat leasing contract termination.

Properties leased to single tenant represent 67% of the current portfolio with long term leases permitting for stability, while 33% of the properties are leased to multi-tenanted with multiple lease agreements providing growth potential. The weighted average lease expiry (WALE) stood at 4.3 years.

The average value of the Fund's property portfolio, as valued by two independent valuers, was estimated at SAR 1,008 million, slightly decreased by 2.3% compared to the total purchase price. The equity per unit at fair value has decreased reaching SAR 8.9975 compared to SAR 9.4169 in December 2020.

In terms of dividend distribution, the Fund distributed a SAR 0.3050 per unit amounting to SAR 18,300,000 for the period from 01 January 2021 to 30 June 2021 which translates to 6.1% based on par value on an annual basis, equivalent to the targeted return stated in the Fund's terms and conditions.

In line with the Fund's strategy, the Fund Manager has been working on enhancing some of the assets under management. One key example is the Al Khalidiya Business Centre, where a parking building and additional leasing space have been added at a cost of SAR 18 million. This is expected to enhance the strategic positioning of the property to meet the increasing demand for commercial space.

“ More than a year has passed since the global pandemic impacted the Saudi economy, and we are now beginning to see signs of recovery. The ease of COVID-19 restrictions coupled with the nationwide vaccination program rollout have stimulated economic activity and consumer confidence, bolstering real estate performance.

We have begun to see a baseline recovery of the traditional real estate sectors, such as offices, retail, entertainment and hospitality; driven mainly by public and private sector investment and a broad economic recovery. We will monitor these sectors to identify value and pricing opportunities throughout this recovery period. The global pandemic has also led to the emergence of a new frontier in specialized sectors such as data centers, automated warehouses, cold storages and cloud kitchens, with a "new normal" in social habits which has fast tracked the use of these assets, and thereby providing new opportunities in the development and transaction spaces.

SEDCO Capital's market-driven strategy will allow us to build on these opportunities to continue to build value for our unitholders for the long term ”

Abdulwahhab Abed
Chief Business Development Officer

During H1 2021, the Fund Manager has received some discount requests from tenants in the F&B sector due to the impact from the precautionary measures imposed between 4th of February 2021 and 7th of March 2021.

We would like to express gratitude towards our unitholders for their trust during these challenging times. We remain committed to efficiently managing our properties and proactively addressing operational risks and challenges, while capitalizing on growth opportunities for the portfolio.

Fund Name

SEDCO Capital REIT Fund is a public closed-ended Shariah-compliant traded real estate investment fund, established in accordance with the laws and regulations applicable in the Kingdom of Saudi Arabia and complies with the regulations and instructions of the Capital Market Authority (“CMA”).

Fund Factsheet

Fund Size Upon Listing	SAR 600 million
Number of Units Listed	60 million units
Fund Currency	Saudi Riyals (SAR)
Headquarters	Kingdom of Saudi Arabia
Operation Date	1 April 2018
Date of listing the Fund	1 May 2018
Fund Term	99 years following the date of listing
Target Dividend	6.10%
Actual Dividend as of Reporting Date (on an annual basis)	6.10%

Fund Strategy

Fund Objectives and Dividend Policy

Acquire developed and ready to use properties in order to generate regular rental income and distribute at least 90% of the Fund’s net profit to the unitholders throughout the term of the Fund. The Fund Manager is expected to announce dividends, record dates and distribution dates within 40 business days from the end of June and December of each calendar year. Dividends will be deposited within 90 business days of the announcement. Excluding capital gains from the sale of assets which may be reinvested for acquiring assets for the interests of unitholders.

Assets Targeted by the Fund for Investment

The Fund intends to achieve its objectives and enhance the value of shareholders’ capital by:

- Investing in developed and ready to use properties in order to generate regular rental income.

- Re-invest the annual retained earnings (10% of total annual income) and capital gains from property sales in developed and ready to use assets in order to generate regular rental income, upon distribution of at least 90% of the Fund’s net profit throughout the term of the Fund to the unitholders.
- Invest in low-performing assets, but promising, as the Fund Manager sees in view of their location or structural and design characteristics, in order to increase their operational efficiency and raise their rates of return more than those generated at the time of acquisition by modifying one or some of the characteristics such as design, leasing strategies associated with tenant mix and lease price, and reasons for use.
- Invest no more than 25% of the Fund’s total assets value, according to the latest audited financial statements, in real estate development activities, whether owned by the Fund or not, or to renovate or redevelop those assets.

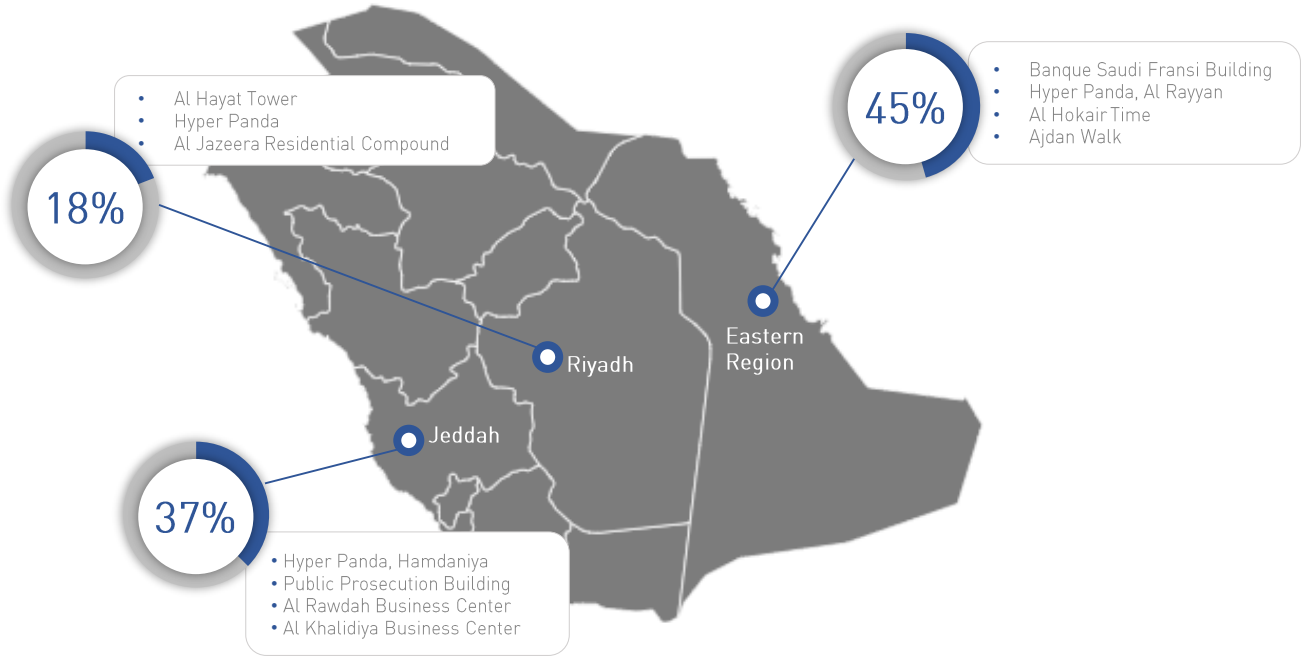
Fund Updates

- The occupancy rate reached 89.1% with a decrease of 4.7% compared to December 2020, the decrease was mainly due to Burj Al-Hayat leasing contract termination as the current occupancy for Burj Al-Hayat is 5%.
- White Cubes and ValuStart valuated SEDCO Capital REIT Fund properties. As of 30 June 2021, the fair value of the Fund’s assets has decreased by 2.3% reaching SAR 1,008 million.
- The Fund’s cash balance amounted to 19,406,088 as of 30 June 2021, including rent received. Part of the balance will be used for dividend distribution.
- The parking and rooftop project in AlKhalidiyah Business Center is still ongoing and in the final stages. The parking building has started operating on Q1 2021, while the rooftop is expected to be completed by Q4 2021.
- After the termination of Burj Al Hayat Lease Contract, the fund manager is currently analyzing some lease offers.
- On 26/07/2021, The Fund Manager announced about the intention to acquire 8 developed and income-generating properties in different sectors located between Riyadh and the Eastern Province, with a value of around SAR 700 million.
- During H1 2021, the Fund manager has received some discount requests from the tenants, only some of them have been entertained.

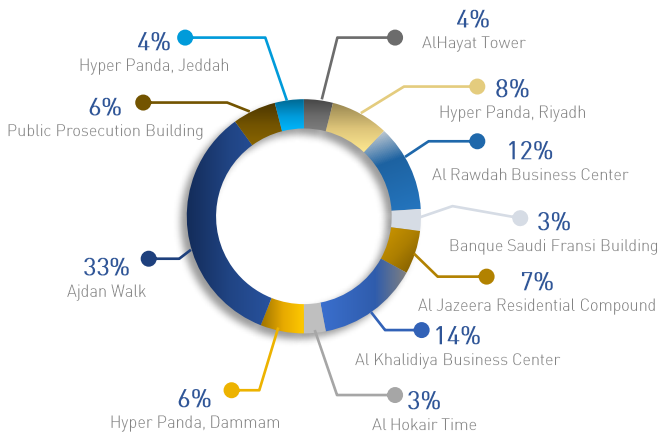
Portfolio Description

Geographical Diversity

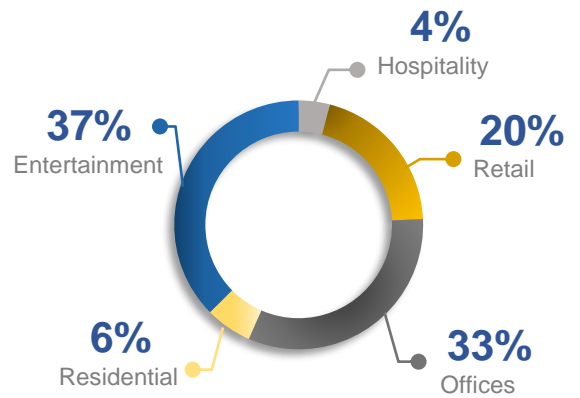
The Fund's assets are diversified across Riyadh 18%, Jeddah 37% and Eastern Province 45%.




Assets Allocation





Sectoral Diversification of the Portfolio



Properties – Riyadh

Al Hayat Tower Apartments Hotel		Description	Hotel apartments located on Ka'ab Bin Malik Street, Al Maathar District, Riyadh
	Sector	Hospitality	
	Land Area/m²	1,495	
	Building Area/m²	6,574	
	Occupancy Rate	5%	
	Annual Income	SAR 250,000	
	Tenant*	Multiple tenants	
	Weighted Average Lease Expiry	7 years	

Hyper Panda - Riyadh		Description	Hypermarket in Riyadh - Ishbilliai District Branch
	Sector	Retail	
	Land Area/m²	23,604	
	Building Area/m²	10,784	
	Occupancy Rate	100%	
	Annual Income	SAR 5,822,670	
	Tenant	Al Azizia Panda United Company	
	Weighted Average Lease Expiry	7 years	

Al Jazeera Residential Compound		Description	Residential compound located in the center of Riyadh on Mashaja Bin Saud Street, Sulaymaniyah District
	Sector	Residential	
	Land Area/m²	20,758	
	Building Area/m²	12,696	
	Occupancy Rate	99%	
	Annual Income	SAR 7,108,500	
	Tenant	Multiple tenants	
	Weighted Average Lease Expiry	0.6 years	

Properties – Jeddah

Public Prosecution Building



Description	The Public Prosecution Building, located on the Rahmaniya Road, Al Rayyan District, Jeddah
Sector	Office
Land Area/m ²	4,767
Building Area/m ²	19,342
Occupancy Rate	100%
Annual Income	SAR 4,400,000
Tenant	Saudi Commission for Investigation and Prosecution (Public Prosecution)
Weighted Average Lease Expiry	0.66 years

Al Khalidiya Business Center



Description	A commercial/office center located on Prince Sultan Street, Al Khalidiyah District, Jeddah
Sector	Office
Land Area/m ²	7,903
Building Area/m ²	24,876
Occupancy Rate	87%
Annual Income	SAR 10,405,437
Tenant	Multiple tenants
Weighted Average Lease Expiry	2.6 years

Hyper Panda – Jeddah



Description	Hypermarket is located on Hamdaniya Street, Al Hamdaniya District, Jeddah
Sector	Retail
Land Area/m ²	13,686
Building Area/m ²	5,858
Occupancy Rate	100%
Annual Income	SAR 2,845,151
Tenant	Al Azizia Panda United Company
Weighted Average Lease Expiry	6.6 years

Al Rawdah Business Center



Description	A commercial/office center located on Prince Saud Al Faisal Street, Al Rawdah District
Sector	Office
Land Area/m ²	2,463
Building Area/m ²	17,526
Occupancy Rate	75%
Annual Income	SAR 6,841,933
Tenant	Multiple tenants
Weighted Average Lease Expiry	1.4 years

Properties – Dammam

Banque Saudi Fransi Building



Description	A building leased by Banque Saudi Fransi located on Imam Ali Bin Abi Talib, Al Rayyan District, Dammam
Sector	Retail
Land Area/m ²	5,191
Building Area/m ²	879
Occupancy Rate	100%
Annual Income	SAR 2,000,000
Tenant	Banque Saudi Fransi
Weighted Average Lease Expiry	4.4 years

Hyper Panda - Dammam



Description	Panda Hypermarket is located on Imam Ali Bin Abi Talib, Al Rayyan District, Dammam
Sector	Retail
Land Area/m ²	18,145
Building Area/m ²	9,800
Occupancy Rate	100%
Annual Income	SAR 5,228,170
Tenant	Al Azizia Panda United Company
Weighted Average Lease Expiry	3.6 years

Al Hokair Time Center



Description	Al Hokair Time is located on the East Coast of Dammam
Sector	Entertainment
Land Area/m ²	5,156
Building Area/m ²	3,326
Occupancy Rate	100%
Annual Income	SAR 2,200,000
Tenant	Abdulmohsen Al Hokair Group for Tourism and Development Company
Weighted Average Lease Expiry	15.9 years

Ajdan Walk

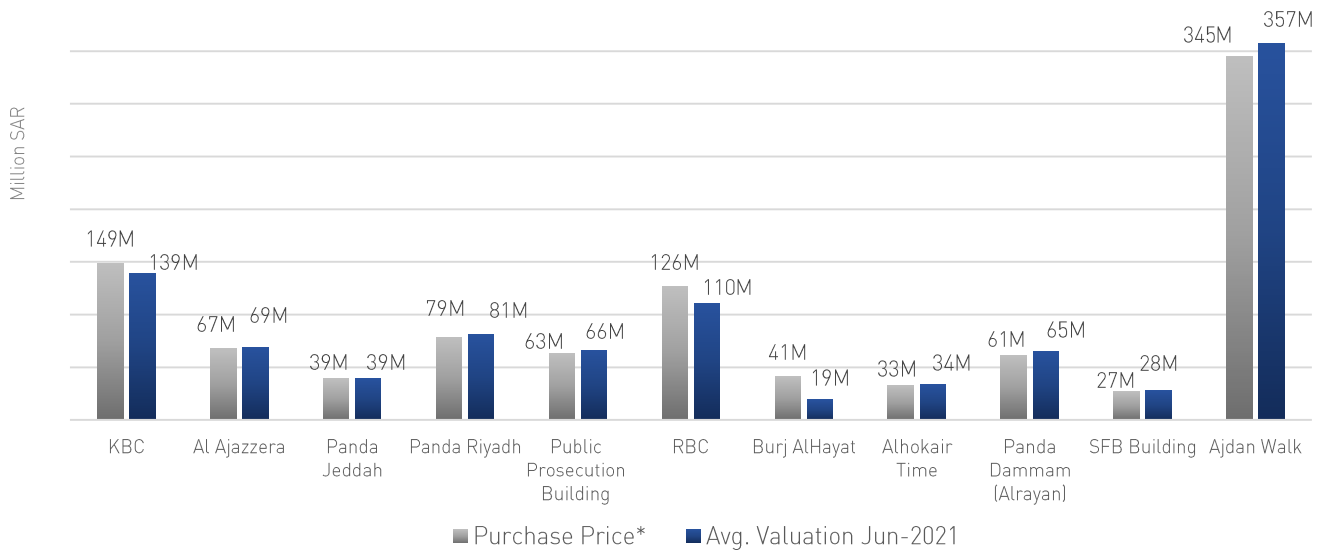


Description	Ajdan Walk is located on Prince Turki Street in Al Khobar
Sector	Entertainment / Office
Land Area/m ²	16,966
Building Area/m ²	32,212
Occupancy Rate	100%
Annual Income	SAR 25,000,000
Tenant	AlOula Real Estate Development Company
Weighted Average Lease Expiry	7.6 years

Fair Value vs. Purchase Price and Book Value

Based on the average valuation of two independent accredited real estate valuers; ValuStrat and White Cubes, the fair value of the Fund's assets at the end of June 2021 was decreased by 2.3% compared to Dec-2020, reaching SAR 1,008 million, compared to the total purchase cost, excluding transaction costs. The decrease was mainly on the value of Burj al-Hayat due to the termination of the previous leasing contract.

Acquisition Vs Current Market Value (SAR m)



* Purchase price does not include acquisition costs

Summary of Leased and Non-leased Assets, Occupancy Rate, and Weighted Average Lease Expiry (WALE)

Property	Leased/Non-leased	Occupancy	WALE
Al Hayat Hotel Apartments Tower	Leased	5%	7.0 Years
Hyper Panda - Riyadh	Leased	100%	7.0 Years
Al Jazeera Residential Compound	Leased	99%	0.6 Years
Public Prosecution Building	Leased	100%	0.7 Years
Al Khalidiya Business Center	Leased	87%	2.6 Years
Hyper Panda - Jeddah	Leased	100%	6.6 Years
Al Rawdah Business Center	Leased	75%	1.4 Years
Building leased to Banque Saudi Fransi	Leased	100%	4.4 Years
Hyper Panda - Dammam	Leased	100%	3.6 Years
Al Hokair Time	Leased	100%	15.9 Years
Ajdan Walk	Leased	100%	7.6 Years

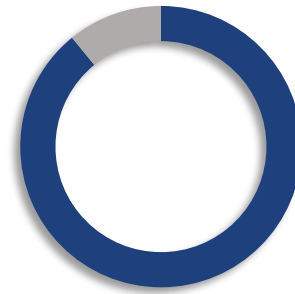
100% of the Fund's assets are leased and income generating

Portfolio Average
Occupancy Rate 89.1%

Portfolio Average WALE
4.3 years

Portfolio Occupancy Rate

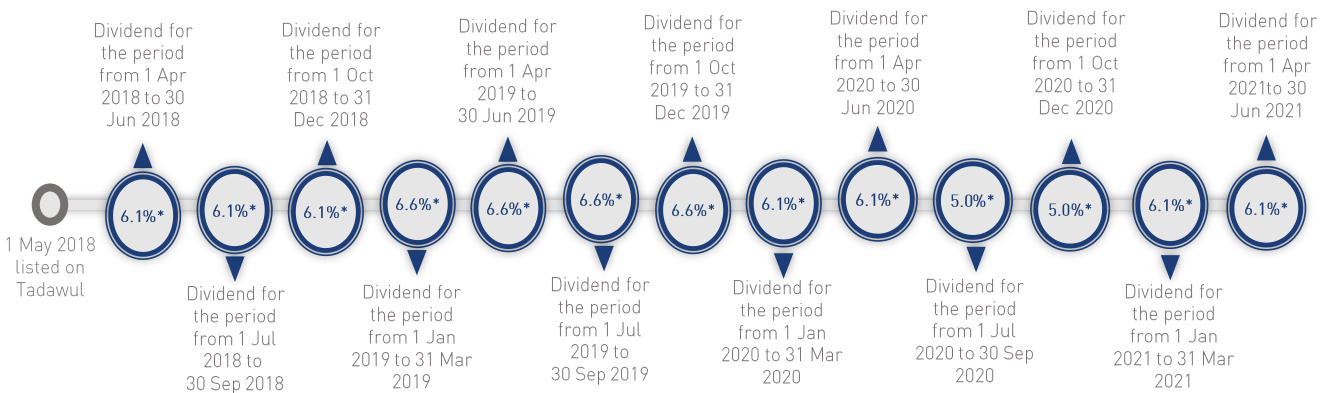
As of 30 June 2021, the occupancy rate reached 89.1% with a decrease of 4.7% compared to 31 December 2020.



89.1%
Occupancy Rate

Dividend Distributions

The Fund Manager intends to distribute semi-annual cash dividends to investors of no less than 90% of the Fund's net profit within 90 calendar days following the end of June and December of each calendar year, excluding capital gains arising from the sale of assets which may be reinvested in additional assets for the interests of unitholders. Since listing, the Fund has distributed the following CoC dividends:



* Annual basis

Transactions with Related Parties

The Fund Manager's transactions with related parties are summarized as follows:

- The rental of units at Al Khalidiya Business Center.
- Maintenance and operation contracts for three of the Fund's properties.
- Rents with related parties represent 1.2% of total Fund revenues whereas maintenance contracts account for 6.5% of total Fund expenses. The Fund Manager confirms that all these transactions and contracts have been based on the principle of equality among all customers and without any preference.

The Related parties are:

- Al Mahmal Facilities Services Company
- Tazweid Talent Co.

Material Development During the Period

The Fund Manager announced on its website and Tadawul’s that the final verdict from the Appellate Court is endorsing the verdict to terminate the lease contract of Burj Al Hayat Hotel, Riyadh “the property” which ends on 9th December 2024. Until further notice from the Supreme Court, The Fund Manager will continue to diligently assess several operational options and Value-add opportunities to enhance the performance of the property and minimize the financial impact of the current situation, which is deemed to be immaterial to the Fund’s total revenue. Currently, the Fund Manager is in discussions with several renowned hotel operators to structure a suitable arrangement in order to optimize the performance of the property at its full potential. At the current state, the Fund Manager is not able to quantify the financial impact from the current event until an agreement with one of the potential operators is defined.

Subsequent Events

On 26 July 2021, The Fund Manager announced an addendum announcement to clarify that the following actions have been undertaken to begin increasing the capital of the Fund:

- Signed a real estate sale and purchase agreement for the portfolio that the Fund Manager wishes to acquire, which consists of 8 developed and income-generating properties in different sectors located between Riyadh and the Eastern Province, with a value of around 700 million Saudi Riyals.
- Conducted a technical due diligence.
- Conducted a legal due diligence.

In accordance with the regulations, the Fund Manager will obtain the required approvals from the Capital Market Authority, the Saudi Exchange, and majority of the unitholders.

Changes to the Fund’s Documents

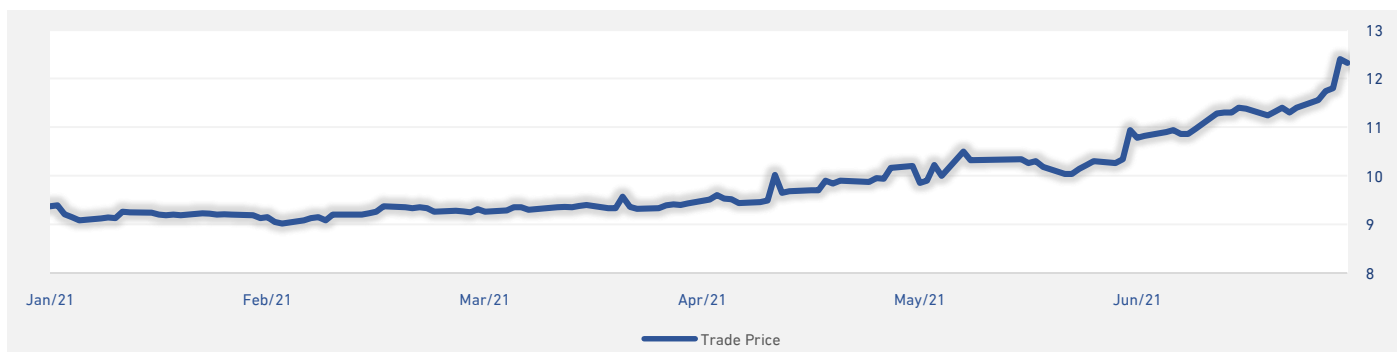
N/A

Summary of Fund’s Performance

Based on the financial results and achievements during the year The Fund has successfully achieved its target objective by distributing 6.1% cash dividend -on an annual basis- for the period between 1 January 2021 and 30 June 2021.

Stock

The stock witnessed different levels of volatility during the period, recording its highest price at 12.4 SAR, and lowest at 9.0 SAR, to end the last trading session on 30 June 2021 at 12.4 SAR.



Topics Discussed and Resolutions Issued by the Fund Board

TOPICS	RESOLUTIONS
<ul style="list-style-type: none"> 2020 Year-end Financial Statements 	<ul style="list-style-type: none"> The Fund’s Board of Directors approved the draft of the financial statements for the period ended 31 December 2020.
<ul style="list-style-type: none"> Fund BoD 2020 Annual Report 	<ul style="list-style-type: none"> The Fund’s Board of Directors approved the 2020 Annual Fund Board Report.
<ul style="list-style-type: none"> Q1 2021 Dividend Distribution 	<ul style="list-style-type: none"> The Fund’s Board of Directors approved the distribution of quarterly cash dividends for the period (Q1 2021: 01 JAN 2021 to 31 MAR 2021) to SEDCO Capital REIT unitholders. The total amount to be distributed is SAR 9,150,000 being an annualized return of 6.10%.
<ul style="list-style-type: none"> Al Hokair Time Discount Request 	<ul style="list-style-type: none"> The Fund’s Board of Directors approved a discount for Al Hokair Time.
<ul style="list-style-type: none"> SCREIT Capital Increase T&C 	<ul style="list-style-type: none"> The Fund’s Board of Directors approved the capital increase T&C.
<ul style="list-style-type: none"> Long-term NNN Lease Offers for Burj Al Hayat 	<ul style="list-style-type: none"> The Fund’s Board of Directors approved accepting a minimum rental offer of SAR 1.5m (including the retail units), subject to satisfactory due diligence of any potential tenant.
<ul style="list-style-type: none"> Q2 2021 Dividend Distribution 	<ul style="list-style-type: none"> The Fund’s Board of Directors approved the distribution of quarterly cash dividends for the period (Q2 2021: 01 APR 2021 to 30 JUN 2021) to SEDCO Capital REIT unitholders. The total amount to be distributed is SAR 9,150,000 being an annualized return of 6.10%.

Financial Performance

Fund Size	As of 30 June 2021	As of 31 Dec 2020	As of 31 Dec 2019
Net market value of the Fund's assets at the end of the financial year (Fair Value)	539,846,461	565,014,116	589,037,823
Net market value of the Fund's assets per unit at the end of the financial year (Fair Value)	8.9975	9.4169	9.8173
Net market value of the Fund's assets at the end of the financial year (Book Value)	512,723,163	537,948,379	561,523,849
Net market value of the Fund's assets per unit at the end of the financial year (Book Value)	8.5454	8.9658	9.3587
Highest net asset value per unit for each financial year (Fair Value)	8.9975	9.6297	9.9039
Lowest net asset value per unit for each financial year (Fair Value)	8.9975	9.4169	9.8173
Income distribution per unit	0.60	1.14	1.30
Percentage of expenses borne by the Fund	7.98%	9.72%	10.01%
Net income	(6,925,216)	9,721,346	22,139,932
Distribution yield (based on market traded price)	2.46%	5.94%	6.63%
Number of units in issue	60,000,000	60,000,000	60,000,000

Services, Fees and Commissions Charged to the Fund Throughout the period

Indicator	As of 30 Jun 2021	As of 31 Dec 2020	Cap (Limit)
Operating expenses	3,996,765	7,509,250	Not to exceed 7% of the rental income of the property
Management fees	2,825,071	5,845,879	1% of the Fund's net assets according to the latest financial statements
Finance fees	6,158,675	18,495,689	NA
Professional fees	282,811	1,199,362	NA
Other costs	533,374	3,615,774	1% of the Fund's net assets according to the latest financial statements
Depreciation and amortization	29,291,166	18,264,914	NA
Total expenses	43,087,862	54,930,868	NA
Expenses ratio	7.98%	9.72%	NA

Performance Record

Period	Total Return*
Since Inception	6.08%
One Year	5.55%
Three Years	6.08%
Five Years	N/A

*on an annual basis

	June 2021	2020	2019	2018
Total Return*	6.10%	5.55%	6.60%	6.10%

*on an annual basis

Special Commissions Received by the Fund Manager

The Fund Manager has not received any special commission during the period.

Fund Manager's Investment

NA

Leverage

- Financing amount equals SAR 490 million, representing 50%.
- For Financial Statements and IFRS reporting requirements, the financing amount equates SAR 487.9 million and the leverage ratio equates 49%.
- Maturity date 31 DEC 2024

Socioeconomic and Demographic Overview

KSA

Country Profile

Saudi Arabia holds an estimated 15% of the world’s proven oil reserves and has the largest economy in MENA, making it a critical player not only in the region, but on a global scale.

As part of the Vision 2030 development blueprint, Saudi Arabia has been attracting international attention for the rapid socio-economic transformation.

After contracting sharply in 2020, the economy is expected to grow driven by a more accelerated pick-up in global energy demand and Saudi oil production level closer to its OPEC+ original commitment.

Non-oil sectors will continue their growth trajectory as the COVID-related restrictions are eased, reflecting stronger private consumption, gradual resumption of religious tourism, and increased domestic capital spending signaled through PIF’s five-year strategy (2021-2025).

GDP

Saudi Arabia’s real gross domestic product (GDP) is expected to grow 2.1% this year and 4.8% in 2022. Real non-oil GDP growth rebounded in the second half of 2020 and high-frequency indicators suggest the recovery has continued in 2021. Also, expects non-oil growth at 3.9% in 2021 and 3.6% in 2022 compared to a contraction of 2.3% in 2020. The Kingdom’s finance, insurance, real estate and business sectors are likely to expand by 9% annually whereas the relative share of the wholesale and retail trade, restaurants and hotel sectors to GDP was expected to reach 16% by 2030. The services sector is expected to grow about 10% annually on average.

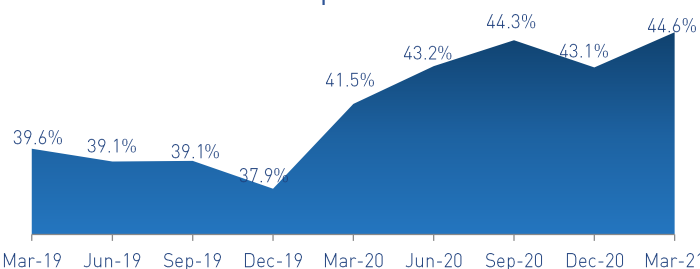
Inflation

The inflation rate quickened to 5.7% in May, still reflecting an increase in value-added tax last year. The increase was mainly due to higher food and transport prices. Inflation is expected to decrease with easing of goods shortages as supply chains normalize in H2 with restrictions easing both domestically and globally. However, ongoing economic recovery and relatively higher oil prices will keep inflation upbeat.

Private Consumption

Saudi Arabia Private Consumption accounted for 44.6% of its Nominal GDP in March 2021, compared with a ratio of 43.1% QoQ. Private Consumption share of Nominal GDP has grown in the recent years, with the ratio standing at 32.6% from Mar 2003 to Mar 2021.

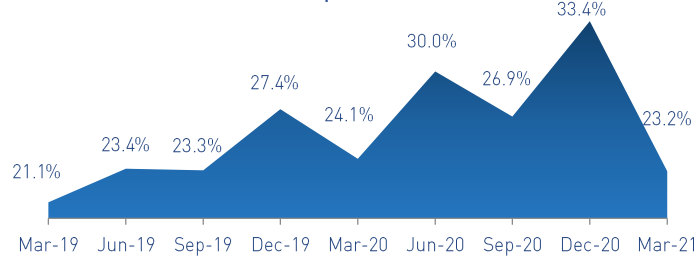
Private Consumption % of GDP



Public Consumption

Saudi Arabia Public Consumption accounted for 23.2% of its Nominal GDP in Mar 2021, compared to 33.4% in the previous quarter. Saudi Arabia Public Consumption share of Nominal GDP ratio has an average number of 22.4% from Mar 2003 to Mar 2021.

Public Consumption % of GDP



Consumer Price Index

The CPI increased by 6.2% in June 2021 YoY. The increase of the Value Added Tax had an overall influence on consumer prices throughout the Kingdom. The rise of the CPI originated mainly from the increase in prices of Food and Beverages (+8.1%) and Transport (+22.6%).

Saudi Arabia Vision 2030

“Saudi Vision 2030” is the long-term economic blueprint of Saudi Arabia, recognizing that a diverse market-based economy, high output/production, and investment in human capital are essential to growth. Vision 2030 is set to create growth opportunities throughout multiple key sectors of the economy with help of various programs. The Public Investment Fund program (PIF) reached AUM of USD400 billion and generated 331,000 direct and indirect job opportunities by end of 2020. PIF launched a Vision Realization Program (VRP) 2021-2025. PIF will invest a minimum of USD40 billion annually, contribute USD320 billion to non-oil GDP, grow AUM to over USD1.07 trillion, and create 1.8 million direct and indirect jobs by the end of 2025.

The Crown Prince launched the national strategy for transport and logistics in the last week of June 2021, which aims to establish the Kingdom’s position as a global logistics hub. The strategy aims at making the Kingdom of Saudi Arabia, the fifth globally in-transit passengers and increase the number of international destinations to 250. The strategy is aimed to increase the capabilities of the air cargo sector by doubling its capacity to reach over 4.5 million tons. Further, the total railway track length which currently stands at 5,330 km is expected to reach around 8,080 km in the future. These initiatives are expected to improve the logistics index of the Kingdom to be among top 10 countries in the world. Also, the strategy aims to increase the contribution of the transport and logistics sector from current 6% of GDP to 10% of GDP.

Real Estate Sector Overview

Riyadh, Jeddah and Dammam



Real Estate Market Overview – Riyadh

Hospitality Sector

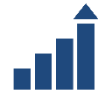
The Saudi hospitality sector has seen a slight improvement in performance with year to May 2021 Average daily rate (ADR) at USD 147 but occupancy rate has dropped by 17%. Revenue per available room (RevPAR) levels declined to USD 67.

With international travel restrictions set to be lifted starting 17th May 2021, the market performance is expected to begin a gradual recovery process over the coming quarter. As of May 2021, the total quality hotel supply stood at 19,000 rooms. When accounting for properties currently under construction, hotel supply deliveries are expected to reach 1,800 keys by the H2 2021.

Supply Assessment



19,000 Keys
Existing supply



1,800 keys to
be delivered by
H2 2021

KPI YoY % change YTD May 21



ADR
USD 147



Occupancy
-17.0 PP



RevPAR
USD 67

Retail Sector Performance – Occupancy Rates and Deliveries



Super Regional
Mall
-8% YoY



Regional Mall
-2% YoY



Total Stock



H2 2021 Expected
deliveries

Retail Sector

Despite the economic headwinds caused by COVID-19, landlords who have engaged in digital transformation strategies to redefine consumer experiences and have introduced more innovative omnichannel retail experiences, have retained their tenants.

As of Q2 2021, Riyadh's retail market performance across all segments has softened. Average rents in super regional and regional malls have decreased by 8% and 2% respectively. Apart from that, performance in community centers remain more resilient, as shoppers continue to spend more time in smaller developments.

The current supply stood at 3 million sqm of GLA. By H2 2021, the total expected deliveries is expected to reach 220,000 sqm GLA.

Looking ahead, the market is expected to remain tenant friendly thus exerting further pressure on retail performance.

Residential Sector

Riyadh's residential market registered fragmented performances in Q2 2021, as average sales prices increased by 3% whilst average rental rates remained the same.

In terms of performance, asking sale prices for apartments and villas jumped by almost 10% in the West of Riyadh when compared to the same period last year. Also, increased almost by 12% in the North of the city over the same period.

As conditions post-COVID stabilize, residential mortgages registered an annual increase of 48%, with a total value of SAR 71.4 billion, during the first five months of 2021 according to the Saudi Central Bank. This is a result of the strong government support coupled with the low interest rates.

Riyadh's housing supply is estimated to total 1.36 million units and is expected to increase to 23,000 units by H2 2021.

Residential Sector Performance



Average sales
price
3% YoY



Average rental
rates
0% YoY



Total Stock



H2 2021 Expected
deliveries

JED Real Estate Market Overview – Jeddah

Retail Sector

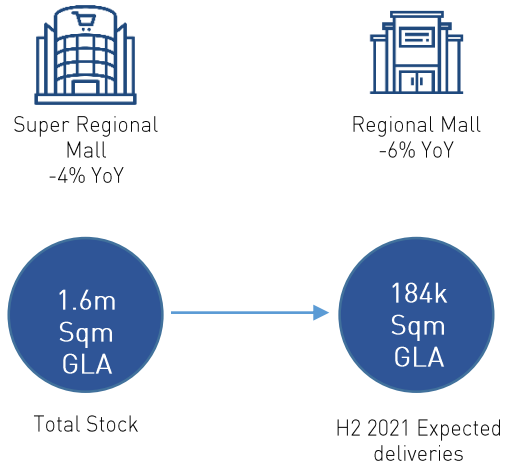
To compete with the growing e-commerce market in the Kingdom, real estate developers are focusing on developing lifestyle concepts to encourage extended stays in shopping centers and higher spending, particularly amongst the country's younger population demographics.

To sustain performance of brick-and-mortar retail, the upcoming supply is focused on customer experience by offering unique lifestyle developments and digitizing the stores to enrich the overall experience.

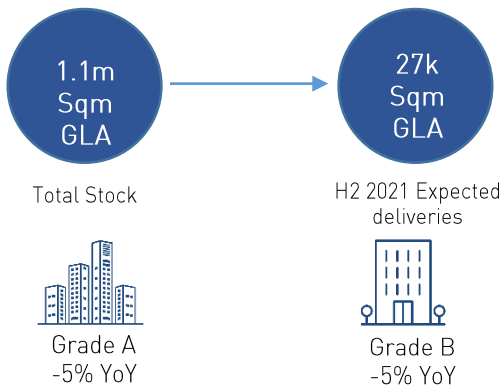
As of Q2 2021, the average super regional malls and regional malls rents decreased by 4% and 6%, respectively.

Jeddah's retail stock stood at 1.6 million sqm GLA. This is expected to increase by 184,000 sqm GLA by H2 2021.

Retail Sector Performance – Occupancy Rates and Deliveries



Office Sector Performance – Deliveries and Lease Rates



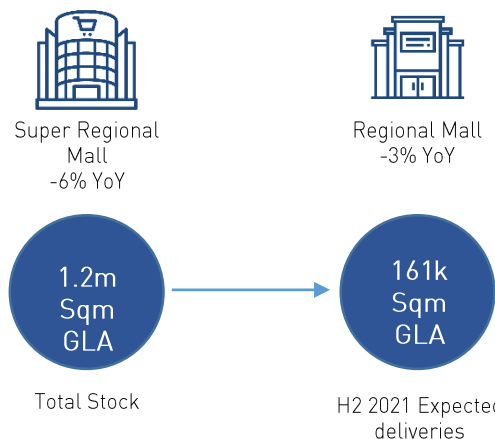
Office Sector

The office sector's performance remained subdued in Q2 2021. The vacancy rate for both Grade A and Grade B have decreased by 5% YoY.

Companies from Jeddah have started migrating to Riyadh and adopting new, hybrid working models, many companies have reconsidered their current office spaces and downsized. This placed downward pressure on landlords, as they were forced to compromise and lower their rates or even offer incentives to maintain occupancy levels.

The total office supply reached 1.1 million sqm as at Q2 2021. Supply is expected to increase by 27,000 sqm GLA by the end of H2 2021. However, given weaker market conditions, some projects may be delayed.

Retail Sector Performance – Occupancy Rates and Deliveries



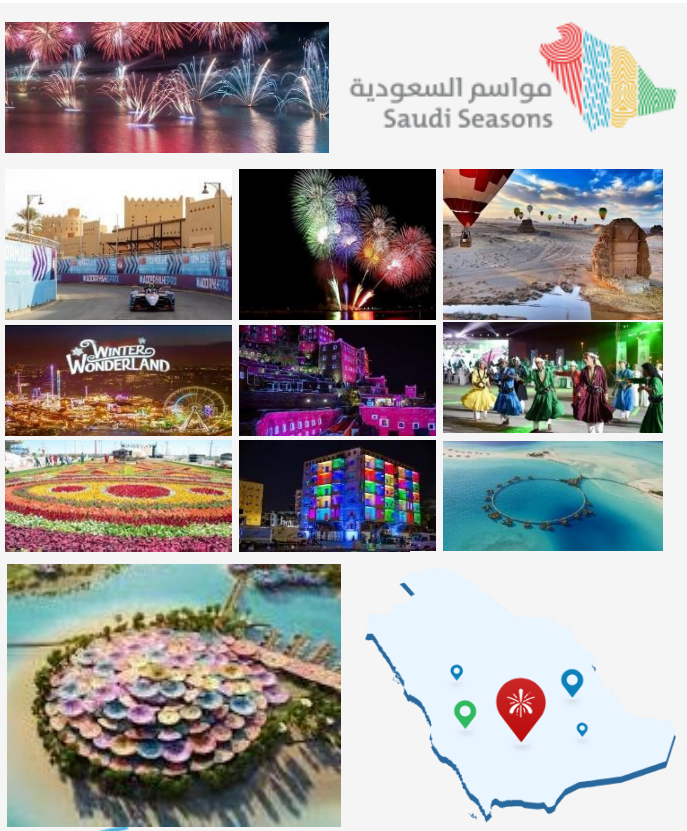
DAMMAM Real Estate Market Overview – Dammam

Retail Sector

All segments of the retail market in Dammam have softened. For super regional malls, rental rates decreased by 6% and for regional malls by 3%.

The increase in the vacancy rate was primarily in malls where tenants have not been given any rent rebates to mitigate the impact of the pandemic on performance.

As of Q2 2021, the retail stock stood at 1.2 million sqm GLA. By H2 2021, new deliveries are expected to reach 161,000 sqm GLA.



Entertainment Sector

Following the announcement of Saudi Vision 2030 in 2016, the entertainment sector has gained prominence in the Kingdom's economic transformation. Vision 2030 aims to increase the household expenses on entertainment from 2.9% to 6.0%.

It is anticipated that the Saudi Entertainment Industry will reach US \$ 1170.72 million by the end of 2030, an increase of 47.65% from US \$ 23.77 million in 2020.

The Saudi Government has played an instrumental role in driving the growth of the entertainment sector by implementing the General Authority for Entertainment (GAE) which is established under the supervision of the Public Investment Fund (PIF). Additionally, the introduction of the new tourist visa is expected to further aid the growth of the entertainment sector.

Due to the Covid-19 pandemic, the KSA entertainment industry has experienced a decline in its revenues. In order to contain the spread of the pandemic, various amusement and theme parks have suspended activities several times over the past 18 months. However, the entertainment industry is expected to revive soon.

The growth of the entertainment sector has resulted in significant shifts in the real estate landscape and the built environment. The increase in demand for innovative experiences has led to the emergence of entertainment spaces other than traditional amusement and water parks.

The Kingdom now offers a variety of new projects ranging from sports complexes to recreational parks, new F&B concepts and botanical gardens.

The Saudi Entertainment and Amusement ("SEA") expo brings together the best international and local manufacturers and suppliers of rides, games & devices, water-related equipment, lighting, food & beverage, to name a few to Riyadh between 7 to 9 September 2021.

SEA expo 2021 is a great place if you're an investor, operator/owner of a theme park, family entertainment, leisure or tourism business or are involved in entertainment and leisure projects coming up in the Kingdom.

Saudi Arabia seeks to leverage the unique profile and natural characteristics of each province to develop an offering, which complements the country's wider entertainment landscape, while developing a distinctive brand, theme and capabilities within the various destinations.

Fund Manager

Saudi Economic and Development Securities Company (SEDSCO Capital)
South Tower - 2nd Floor
Red Sea Mall
Between Gates 7& 8
P.O. Box 13396 Jeddah, 21493
Kingdom of Saudi Arabia
Tel: +966 12 690 6555
Fax: +966 12 690 6599
Website: www.sedcocapital.com
E-Mail: info@sedcocapital.com



Saudi Economic and Development Securities Company (SEDSCO Capital) is a Saudi closed joint stock company registered under Commercial Registration No. 4030194994 and licensed as a "Capital Market Institution" under CMA License No. 11157-37 dated 19/04/2009 to deal, provide custody services, manage investments and operating funds/manage investments, arrange and advise.

Custodian

ALINMA INVESTMENT COMPANY
Burj Al Anoud 2, Level 20
King Fahad Road, Olaya
P.O Box: 66333.Riyadh 11576
Kingdom of Saudi Arabia



The Fund has appointed the Custodian to act as the custodian of the assets of the Fund. The assets will be registered in the name of a SPV established by the Custodian to separate the assets owned by the Fund and those owned by the Custodian.

Responsibilities of the Custodian:

- Take into its custody assets managed by the Fund Manager
- Open a separate account with a local bank in the name of the Fund and deposit all cash in the account
- Separate the assets of each investment fund from its assets and the assets of its other clients and register the real estate assets in the name of a subsidiary of the Custodian.

Auditor

KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P.O Box 55078 Jeddah 21534
Kingdom of Saudi Arabia



Statement of Auditor's Opinion: "Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2021 condensed interim financial statements of SEDSCO 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."

Financial Statements

for the period from 1 January 2021 to 30 June 2021

The Fund's report is available upon request free of charge

Important Notice

- There are no material changes to the Fund's Terms and Conditions except for what is mentioned in this report.
- The Fund doesn't invest substantially in other investment funds.
- There's no other information that would enable the unitholders of making an informed judgement about the Fund's activities during the period.
- There is no other data or information required by the Real Estate Investment Funds Regulations.
- Other than what is mentioned in this report, there are no material changes that occurred during the period and affected the performance of the Fund.
- The Fund Manager has not waived or rebated any fees.

This document was produced by SEDCO Capital, the trading name of Saudi Economic and Development Securities Company (hereafter called "SC") with the greatest of care and to the best of its knowledge and belief. However, SC provide no guarantee with regard to its content and completeness and does not accept any liability for losses which might arise from making use of this information. The opinions expressed in this document are those of SC at the time of writing and are subject to change at any time without notice. If nothing is indicated to the contrary, all figures are unaudited. This document is provided for information purposes only and is for the exclusive use of the recipient. It does not constitute an offer or a recommendation to buy or sell financial instruments or banking services and does not release the recipient from exercising his/her own judgment. The recipient is in particular recommended to check that the information provided is in line with his/her own circumstances with regard to any legal, regulatory, tax or other consequences, if necessary, with the help of a professional advisor. This document may not be reproduced either in part or in full without the written permission of SC.

This document does not represent an offer to sell or participate in the Fund in any way, and all (or any part thereof) should not constitute the basis for conclusion of any contract whatsoever, or to rely in this connection, or be an incentive for the same. This document is confidential in nature and is only directed to applicant investors selected. If you have received this document by mistake, You are hereby required to disregard its content and return it to SEDCO Capital or to destroy it. The previous performance is not a guarantee of future results. Units, dividends, fund prices and currencies may depreciate and may also rise, and investors may get less than they originally invested. Changes in currency rates may adversely affect the value, price or income of securities. For illiquid securities, it may be difficult for the investor to sell or make a profit from the securities and obtain reliable information about their value or risk, and additional fees / charges may apply. Dividend income may fluctuate, and a portion of the invested capital may be used to pay dividend income. To ensure that you well understand the Fund and how well it suits you according to your risk level, we recommend consulting an experienced investment advisor. More information about the Fund is available in the existing IPO document, which should be carefully read before investing.

For more information



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License No. 11157-37



info@sedcocapital.com

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

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



KPMG Professional Services

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

Commercial Registration No 4030290792

كي بي إم جي للاستشارات المهنية

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

سجل تجاري رقم 4030290792

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

To the unitholders of SEDCO Capital REIT Fund

Introduction

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

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

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

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

For KPMG Professional Services,

Nasser Ahmed Al Shutairy
License No. 454



Jeddah, 12 August 2021
Corresponding to 4 Muharram 1443H

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

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

Commercial Registration of the headquarter in Riyadh is 1010425494.

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

CONDENSED INTERIM STATEMENT FINANCIAL POSITION (UNAUDITED)

As at 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

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

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

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

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

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

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

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

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

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

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

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

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

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

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

1 THE FUND AND ITS ACTIVITIES

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

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

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

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

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

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

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

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

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

2 BASIS OF PREPERATION

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

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

3 BASIS OF MEASUREMENT

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

4 FUNCTIONAL AND PRESENTATION CURRENCY

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

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Useful lives of investment properties

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Impairment of investment properties

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

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

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

Impairment of financial assets

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

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

6 SIGNIFICANT ACCOUNTING POLICIES

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

6.1 *Cash and cash equivalents*

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 *Financial instruments*

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

Initial recognition

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

Derecognition

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

Subsequent measurement

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

6.3 *Investment properties*

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

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

6.4 *Accrued expenses and other payables*

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

6.5 Provisions

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

6.6 Financing

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

6.7 Revenue recognition

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

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

6.8 Zakat and income tax

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

6.9 Dividend payable

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

6.10 Commission income and expense

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

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

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

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6. SIGNIFICANT ACCOUNTING POLICIES (continued)

6.11 *Offsetting*

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

6.12 *Net assets (equity) per unit*

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

7 ADMINISTRATION AND OTHER FEES

Administration and management fees

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

Performance fee

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

Financing arrangement fee

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

Brokerage and acquisition fees

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

Custody fee

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

Shariah fee

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

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7 ADMINISTRATION AND OTHER FEES (continued)

Edaa fee

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

Tadawul fee

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

8 RENT RECEIVABLES

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

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

8.1 The movement in allowance for expected credit losses:

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

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9 INVESTMENT PROPERTIES

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

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

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9 INVESTMENT PROPERTIES (continued)

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

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

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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 assets value and per unit value of the Fund would have been as follows:

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

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

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

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

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

10 DIVIDEND PAYABLE

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

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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. These transactions were carried out on the basis of approved term and conditions of the Fund. All related party transactions were approved by the Fund Board. Significant related party transactions and balances are summarized below:

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

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12 ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables at comprise of the following:

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

13 DEFERRED REVENUE

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

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

14 FINANCING FACILITY FROM A BANK

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

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

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

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

15 DERIVATIVE INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

15.1 Movement in derivative financial instruments is as follows:

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

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16 UNITS IN ISSUE

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

17 OPERATING AND OTHER EXPENSES

Operating and other expenses comprise of the following:

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

18 FINANCIAL RISK MANAGEMENT

18.1 Financial risk factors

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

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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 condensed interim statement of financial position, the Fund is not exposed to price risk.

(b) Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is exposed to credit risk for bank balances and rent receivables.

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

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

Maximum exposure to credit risk at the reporting date:

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

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

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

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18 FINANCIAL RISK MANAGEMENT (continued)

18.1 Financial risk factors (continued)

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

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

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18 FINANCIAL RISK MANAGEMENT (continued)

18.1 Financial risk factors (continued)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

18.2 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All financial assets and financial liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

Fair values of financial instruments

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals (unless otherwise stated)

18 FINANCIAL RISK MANAGEMENT (continued)

18.2 Fair value estimation (continued)

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

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

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

19 AMENDMENTS TO EXISTING STANDARDS AND PRONOUNCEMENTS ISSUED

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

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

PRONOUNCEMENTS ISSUED AND NOT YET EFFECTIVE

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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Expressed in Saudi Arabian Riyals (unless otherwise stated)

20 IMPACT OF COVID-19

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

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

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

21 LAST VALUATION DAY

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

22 EVENTS AFTER THE END OF THE REPORTING PERIOD

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

23 APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

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