



**SEDCO**  
CAPITAL



**SEDCO Capital REIT Fund**  
Semi-annual Report  
June 2022

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## Management Statements

It is our honor to present the H1 2022 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 2022. The SEDCO Capital REIT Fund portfolio comprises 20 income-generating assets, geographically diversified across the Eastern Province (41%), Jeddah (19%) and Riyadh (40%). The portfolio enjoys sectoral diversification across the entertainment (29%), office (13%), retail (30%), residential (4%), hospitality (2%) and Education (22%) sectors.

Despite the challenging market conditions facing the portfolio over the last 6 months, the average occupancy rate reached 98.6%, showing a slight increase by 0.1% compared to December 2021.

Properties leased to single tenant represent 69% of the current portfolio with long term leases permitting for stability, while 31% of the properties are leased to multi-tenanted with multiple lease agreements providing growth potential. The weighted average lease expiry (WALE) stood at 7.46 years.

The average value of the Fund's property portfolio, as valued by two independent valuers, was estimated at SAR 1,778.4 million, slightly decreased by 6.1% compared to the total purchase price.

In terms of dividend distribution, the Fund distributed a SAR 0.1725 per unit amounting to SAR 20,268,750 for the period from 01 January 2022 to 30 June 2022 which translates to 6.90% based on par value on an annual basis, equivalent to the targeted return stated in the Fund's terms and conditions.

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

“ The impact of Covid-19 is softening in most parts of the world. This has been especially true in Saudi – thanks to the Government's efforts in controlling the virus. However, Q2 2022 presented different economic challenges.

Inflation rates globally are rising for a number of geopolitical reasons, Covid restrictions in China and ongoing supply chain disruptions. This has triggered an accelerated quantitative tightening by central banks, more noticeably in the US, which in turn has impacted interest rates in Saudi.

With that said, the tailwinds supporting the real estate sector remain intact, and there is ample liquidity available in the equity and debt markets. The Saudi Arabian real estate market has made a strong recovery from the Covid-19 induced slowdown. The various measures taken by the Government such as mandating regional headquarters for foreign companies has also given new impetus to the sector. Additionally, other Government initiatives such as Sakani (which is enabling Saudi citizens to own their first home) and Wafi (which is allowing off-plan sales) have boosted the demand for affordable housing in the Kingdom. Similarly, the performance of commercial real estate (including office, hospitality, retail and entertainment) in Saudi Arabia is expected to continue to improve over the course of 2022, due to the easing of travel restrictions, several planned regional and global events (such as Formula 1, Saudi Seasons and tourism-led initiatives), and the re- commencement of normal business travel, both domestic and international. ”

**Abdulwahhab Abed**  
Chief Business Development Officer

## 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 Size Post the Increase in the Total Value of the Fund’s Assets	SAR 1,175 million
Number of Units Post the Increase in the total value of the Fund’s assets	117.5 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)	6.90%

## 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.

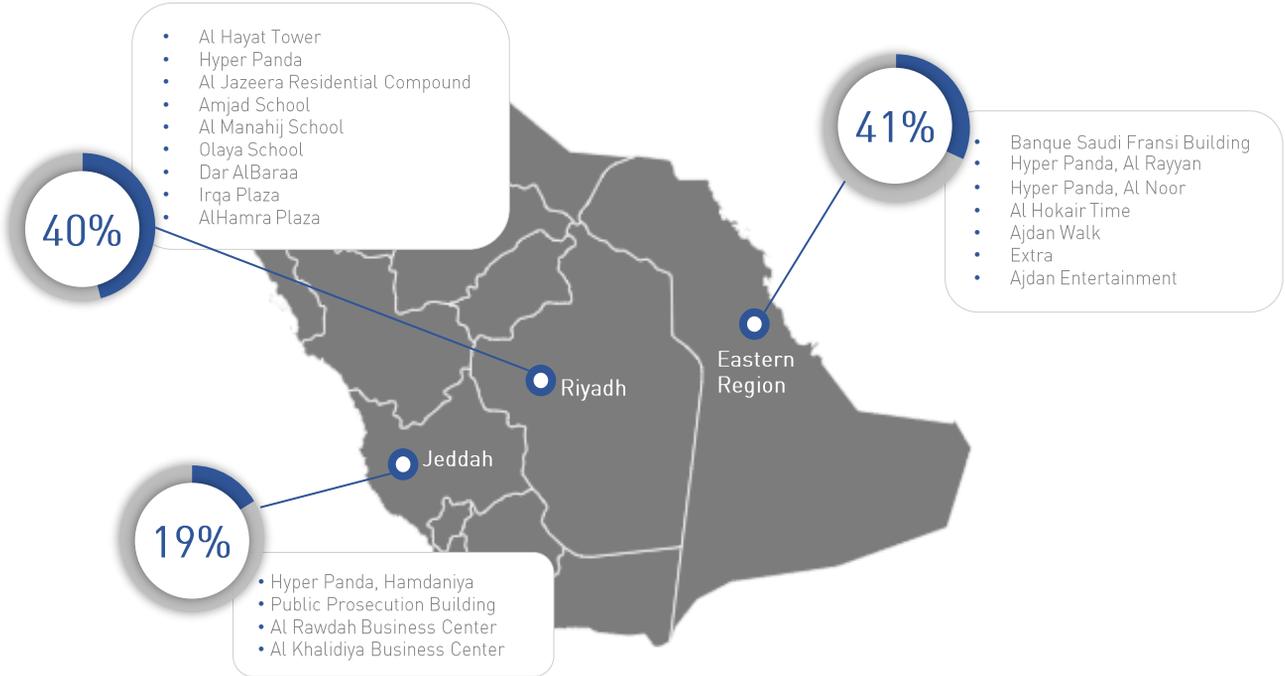
## Fund Updates

- The Fund Manager has obtained the Fund Board approval to commence the 2<sup>nd</sup> increase of the total value of the Fund’s assets to acquire two income-generating properties located in Riyadh and Jeddah. In accordance with the regulations, the Fund Manager will secure the required regulatory approvals from Capital Market Authority, Saudi Exchange (Tadawul), unitholders, and any other legal requirements.
- The occupancy rate reached 98.6% with increase of 0.1% compared to December 2021.
- JLL and ValuStart valued SEDCO Capital REIT Fund properties. As of 30 June 2022, the fair value of the Fund’s assets has decreased by 2.58% reaching SAR 1,613.8 million excluding the latest acquired property (Ajdan Entertainment).
- The Fund’s cash balance amounted to 27,595,363 as of 30 June 2022, including rent received. Part of the balance will be used for dividend distribution and to pay the Fund’s obligations.

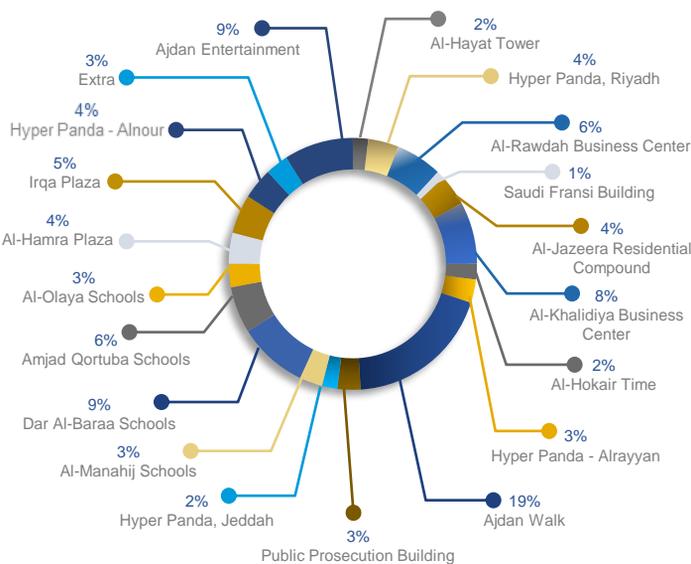
### Portfolio Description

#### Geographical Diversity

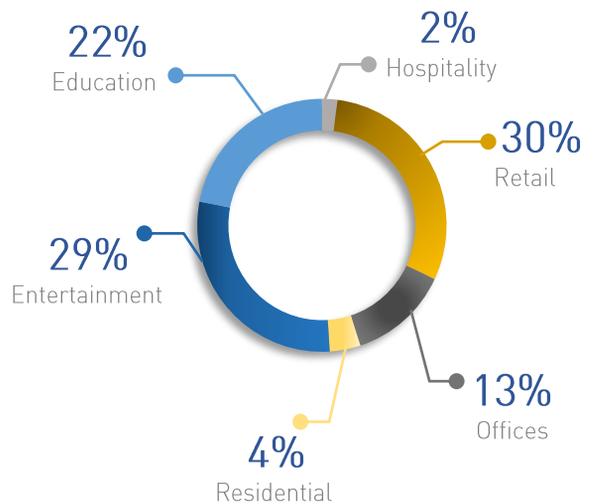
The Fund's assets are diversified across Riyadh 40%, Jeddah 19% and Eastern Province 41%.



#### 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/m <sup>2</sup>	1,495
Building Area/m <sup>2</sup>	6,574
Occupancy Rate	100%
Annual Income	SAR 1,500,000   represents 1.11% of the total rent
Uncollected Revenue	NA
Tenant	Al Hafla Al Raeah Hotel Apartment Est.
Weighted Average Lease Expiry	4.5 years

Hyper Panda - Riyadh



Description	Hypermarket in Riyadh - Ishbillia District Branch
Sector	Retail
Land Area/m <sup>2</sup>	23,604
Building Area/m <sup>2</sup>	10,784
Occupancy Rate	100%
Annual Income	SAR 5,822,670   represents 4.29% of the total rent
Uncollected Revenue	NA
Tenant	Panda Retail Company
Weighted Average Lease Expiry	5.9 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/m <sup>2</sup>	20,758
Building Area/m <sup>2</sup>	12,696
Occupancy Rate	100%
Annual Income	SAR 7,301,000   represents 5.50% of the total rent
Uncollected Revenue	0.70%
Tenant	Multiple tenants
Weighted Average Lease Expiry	0.6 years

## Properties – Riyadh

Al Hamra Plaza



Description	Al Mansoura Dist. Al Baths St, Riyadh
Sector	Retail
Land Area/m <sup>2</sup>	21,120
Building Area/m <sup>2</sup>	13,021
Occupancy Rate	100%
Annual Income	SAR 5,432,000   represents 4.00% of the total rent
Uncollected Revenue	2.08%
Tenant	Unified Real Estate Development
Weighted Average Lease Expiry	3.5 years

Irqah Plaza



Description	Al Irqah Dist. Pr. Mishaal Bin Abdulaziz St, Riyadh
Sector	Retail
Land Area/m <sup>2</sup>	14,269
Building Area/m <sup>2</sup>	9,148
Occupancy Rate	97%
Annual Income	SAR 6,187,040   represents 4.56% of the total rent
Uncollected Revenue	0.65%
Tenant	Multiple tenants
Weighted Average Lease Expiry	9.64 years

Al Manahij School



Description	Al Ghadeer Dist. Noth of Northern Ring, Riyadh
Sector	Education
Land Area/m <sup>2</sup>	9,200
Building Area/m <sup>2</sup>	17,058
Occupancy Rate	100%
Annual Income	SAR 4,000,000   represents 2.95% of the total rent
Uncollected Revenue	0.77%
Tenant	Nabaa Education Co.
Weighted Average Lease Expiry	10.8 years

## Properties – Riyadh

Dar Al Baraa School



Description	Al Narjis Dist. Al Sunbulah St, Riyadh
Sector	Education
Land Area/m <sup>2</sup>	15,385
Building Area/m <sup>2</sup>	33,429
Occupancy Rate	100%
Annual Income	SAR 11,287,500   represents 8.32% of the total rent
Uncollected Revenue	NA
Tenant	Al Mseef Education Co.
Weighted Average Lease Expiry	19.1 years

Olaya School



Description	Al Mursalat Dst. Abdulaziz Abo Hussain St, Riyadh
Sector	Education
Land Area/m <sup>2</sup>	10,500
Building Area/m <sup>2</sup>	12,314
Occupancy Rate	100%
Annual Income	SAR 4,752,400   represents 3.50% of the total rent
Uncollected Revenue	NA
Tenant	Tadrees Co. Ltd
Weighted Average Lease Expiry	10.9 years

Amjad Qortuba School



Description	Qortuba Dst. Dammam Road. Riyadh
Sector	Education
Land Area/m <sup>2</sup>	14,300
Building Area/m <sup>2</sup>	34,231
Occupancy Rate	100%
Annual Income	SAR 8,328,394   represents 6.14% of the total rent
Uncollected Revenue	1.60%
Tenant	Amjad Qortuba for Educational Services Co.
Weighted Average Lease Expiry	9.8 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 <sup>2</sup>	4,767
Building Area/m <sup>2</sup>	19,342
Occupancy Rate	100%
Annual Income	SAR 4,400,000   represents 3.24% of the total rent
Uncollected Revenue	NA
Tenant	Public Prosecution
Weighted Average Lease Expiry	0.7 years

Al Khalidiya Business Center



Description	A commercial/office center located on Prince Sultan Street, Al Khalidiyah District, Jeddah
Sector	Office
Land Area/m <sup>2</sup>	7,903
Building Area/m <sup>2</sup>	26,713
Occupancy Rate	87%
Annual Income	SAR 9,926,736   represents 7.32% of the total rent
Uncollected Revenue	0.98%
Tenant	Multiple tenants
Weighted Average Lease Expiry	2.0 years

Hyper Panda - Jeddah



Description	Hypermarket is located on Hamdaniya Street, Al Hamdaniya District, Jeddah
Sector	Retail
Land Area/m <sup>2</sup>	13,686
Building Area/m <sup>2</sup>	5,858
Occupancy Rate	100%
Annual Income	SAR 2,845,151   represents 2.10% of the total rent
Uncollected Revenue	0.31%
Tenant	Panda Retail Company
Weighted Average Lease Expiry	5.5 years

## Properties – Jeddah

Al Rawdah Business Center



Description	A commercial/office center located on Prince Saud Al Faisal Street, Al Rawdah District
Sector	Office
Land Area/m <sup>2</sup>	2,463
Building Area/m <sup>2</sup>	17,526
Occupancy Rate	90%
Annual Income	SAR 8,179,143   represents 6.03% of the total rent
Uncollected Revenue	0.78%
Tenant	Multiple tenants
Weighted Average Lease Expiry	1.1 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 <sup>2</sup>	5,191
Building Area/m <sup>2</sup>	879
Occupancy Rate	100%
Annual Income	SAR 2,000,000   represents 1.47% of the total rent
Uncollected Revenue	NA
Tenant	Banque Saudi Fransi
Weighted Average Lease Expiry	3.3 years

Hyper Panda - Dammam



Description	Panda Hypermarket is located on Imam Ali Bin Abi Talib, Al Rayyan District, Dammam
Sector	Retail
Land Area/m <sup>2</sup>	18,145
Building Area/m <sup>2</sup>	9,800
Occupancy Rate	100%
Annual Income	SAR 5,228,170   represents 3.85% of the total rent
Uncollected Revenue	NA
Tenant	Panda Retail Company
Weighted Average Lease Expiry	2.5 years

## Properties – Dammam

Al Hokair Time Center



Description	Al Hokair Time is located on the East Coast of Dammam
Sector	Entertainment
Land Area/m <sup>2</sup>	5,156
Building Area/m <sup>2</sup>	3,326
Occupancy Rate	100%
Annual Income	SAR 2,200,000   represents 1.62% of the total rent
Uncollected Revenue	0.24%
Tenant	Abdulmohsen Al Hokair Group for Tourism and Development Company
Weighted Average Lease Expiry	14.7 years

Ajdan Walk



Description	Ajdan Walk is located on Prince Turki Street in Al Khobar
Sector	Entertainment / Office
Land Area/m <sup>2</sup>	16,966
Building Area/m <sup>2</sup>	32,212
Occupancy Rate	100%
Annual Income	SAR 25,000,000   represents 18.43% of the total rent
Uncollected Revenue	NA
Tenant	AlOula Real Estate Development Company
Weighted Average Lease Expiry	2.5 years

Hyper Panda



Description	Panda Hypermarket is located in Al Noor Dist. King Saud st, Dammam
Sector	Retail
Land Area/m <sup>2</sup>	13,807
Building Area/m <sup>2</sup>	5,348
Occupancy Rate	100%
Annual Income	SAR 4,975,500   represents 3.67% of the total rent
Uncollected Revenue	NA
Tenant	Panda Retail Company
Weighted Average Lease Expiry	12.6 years

## Properties – Dammam

Extra Store



Description	Al Azizeah Dist. Gulf Road, Dammam
Sector	Retail
Land Area/m <sup>2</sup>	8,258
Building Area/m <sup>2</sup>	4,404
Occupancy Rate	100%
Annual Income	SAR 3,785,600   represents 2.79% of the total rent
Uncollected Revenue	NA
Tenant	United Electronics Company
Weighted Average Lease Expiry	11.0 years

Ajdan Entertainment-New



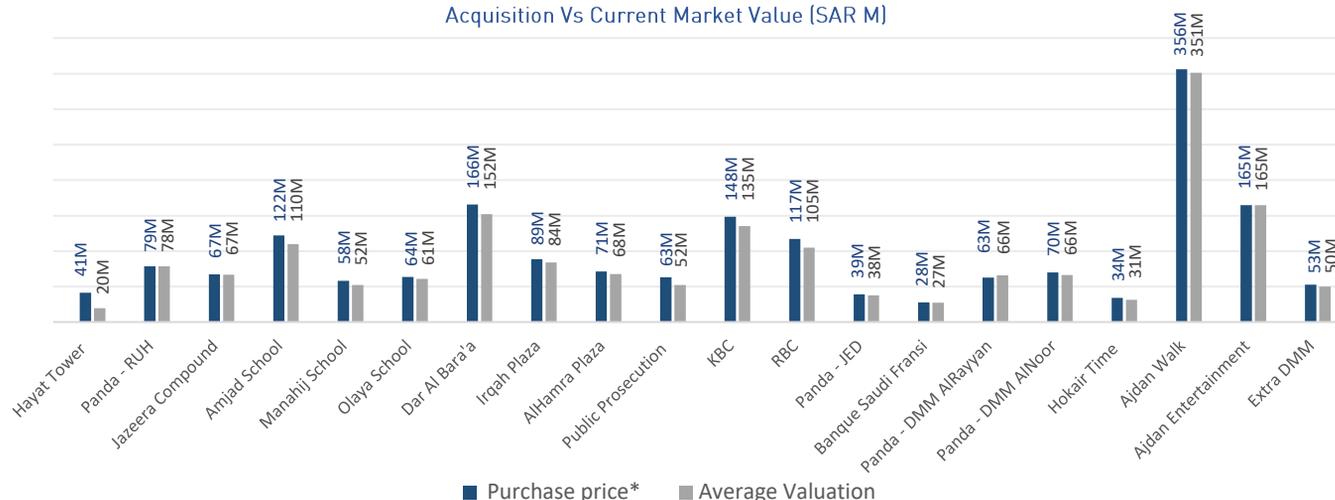
Description	Ajdan Entertainment is located on Prince Turki Street in Al Khobar
Sector	Entertainment
Land Area/m <sup>2</sup>	16,866
Building Area/m <sup>2</sup>	16,093.4
Occupancy Rate	100%
Annual Income	SAR 12,341,838   represents 9.10% of the total rent
Uncollected Revenue	1.20%
Tenant	Multiple tenants
Weighted Average Lease Expiry	13.9 years

### Fair value vs. Purchase Price and Book Value

As at the end of June 2022 and based on the average valuation of two independent accredited real estate valuers; ValuStrat and JLL, the fair value of the Fund's assets recorded a 2.58% decrease when compared to December 2021, and a 6.11% decrease when compared to the total purchase cost -excluding transaction costs- to reach SAR 1,613.8 million (excluding the latest acquired property "Ajdan Entertainment").

The fair value of the total Fund's assets post the acquisition of Ajdan Entertainment is SAR 1,778.4 million.

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	100%	4.5 Years
Hyper Panda - RUH	Leased	100%	5.9 Years
Al Jazeera Residential Compound	Leased	100%	0.6 Years
Public Prosecution Building	Leased	100%	0.7 Years
Al Khalidiya Business Center	Leased	87%	2.0 Years
Hyper Panda - JED	Leased	100%	5.5 Years
Al Rawdah Business Center	Leased	90%	1.1 Years
Building leased to Banque Saudi Fransi	Leased	100%	3.3 Years
Hyper Panda - DMM AlRayyan	Leased	100%	2.5 Years
Al Hokair Time	Leased	100%	14.7 Years
Ajdan Walk	Leased	100%	2.5 Years
Al Manahij Schools	Leased	100%	10.8 years
Dar Al Baraa Private Schools	Leased	100%	19.1 years
Extra Center	Leased	100%	11.0 years
Al Hamra Plaza Center	Leased	100%	3.5 years
Olaya Private Schools	Leased	100%	10.9 years
Hyper Panda - DMM AlNoor	Leased	100%	12.6 years
Amjad Qurtoba Private Schools	Leased	100%	9.8 years
Iraqh Plaza Center	Leased	97%	9.6 years
Recently Acquired Property			
Ajdan Entertainment	Leased	100%	13.9 years
100% of the Fund's assets are leased and generating income		Portfolio Average Occupancy Rate 98.6%	Portfolio Average WALE 7.46 years

### Portfolio Occupancy Rate

As of 30 June 2022, the occupancy rate reached 98.6% with increase of 0.1% compared to December 2021.



### 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:

2018	Q2	Q3	Q4
Yield*	6.1%	6.1%	6.1%
Total amount	9,150,000	9,150,000	9,150,000
Per unit (SAR)	0.1525	0.1525	0.1525
Number of units	60,000,000	60,000,000	60,000,000

2019	Q1	Q2	Q3	Q4
Yield*	6.6%	6.6%	6.6%	6.6%
Total amount	9,900,000	9,900,000	9,900,000	9,900,000
Per unit (SAR)	0.165	0.165	0.165	0.165
Number of units	60,000,000	60,000,000	60,000,000	60,000,000

2020	Q1	Q2	Q3	Q4
Yield*	6.1%	6.1%	5.0%	5.0%
Total amount	9,150,000	9,150,000	7,500,000	7,500,000
Per unit (SAR)	0.1525	0.1525	0.125	0.125
Number of units	60,000,000	60,000,000	60,000,000	60,000,000

2021	Q1	Q2	Q3	Q4
Yield*	6.1%	6.1%	6.5%	6.5%
Total amount	9,150,000	9,150,000	9,750,000	9,750,000
Per unit (SAR)	0.1525	0.1525	0.1625	0.1625
Number of units	60,000,000	60,000,000	60,000,000	60,000,000

2022	Q1
Yield*	%6.90
Total amount	20,268,750
Per unit (SAR)	0.1725
Number of units	117,500,000

\* 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 0.26% of total Fund revenues whereas maintenance contracts account for 1.78% 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 an increase in the limit of facilities granted to the Fund by its strategic partner, Al Rajhi Bank, by an amount of SAR 450,000,000. Thus, the total amount of facilities granted to the Fund is SAR 1,050,000,000.
- The Fund Manager wishes to clarify that a 5-year lease agreement has been signed with a local operator for Burj Al-Hayat property in Riyadh, starting from 01/01/2022G. The annual rental value for the first three years should be SAR 1,500,000, and it will rise by 6.7% to reach SAR1,600,000 in the fourth and fifth years.
- During the period, an agreement was signed to acquire Ajdan Entertainment Complex in Al-Khobar city worth SAR 164,750,000.
- Finally, the Fund Manager announced the approval of the Fund’s Board of Directors to appoint ERNST AND YOUNG PROFESSIONAL SERVICES as the Auditor of the Fund, replacing KPMG. Thus, the Auditor annual fee has become SAR 140,000.

### Stock Performance

The stock witnessed different levels of volatility during the period, recording its highest price at 11.96 SAR, and lowest at 9.51 SAR, to end the last trading session on 30 June 2022 at 10.16 SAR.

### Changes to the Fund’s Documents

- Updated The portfolio of assets to include all the assets that are currently owned by SEDCO Capital REIT Fund.
- Updated the Shariah Purification Clause.
- Updated the Fund Termination.
- Updated the Fund Board Responsibilities.
- Updated the Fund Manager Responsibilities.
- Updated the Fund Manager Information.
- Updated the removing & replacing clause of the Fund Manager.
- Updated the removing & replacing clause of the Custodian.
- Updated Reporting clause for Unitholders.
- Updated Unitholders’ meeting clause.

### 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 6.90% cash dividend -on an annual basis- for the period between 1 January 2022 and 30 June 2022.

### Subsequent Events

- The Fund Board approved to commence with increasing the total value of the Fund’s assets. The Fund aims to acquire two developed and income-generating assets located in Riyadh and Jeddah. In accordance with the regulations, the Fund Manager will secure the required regulatory approvals from Capital Market Authority, Saudi Exchange (Tadawul), the Unitholders, and any other legal requirements.
- The Fund Manager announced a SAR 20,562,500 cash dividend distribution to the unitholders of SEDCO Capital REIT Fund for the period from 01 April 2022 to 30 June 2022, (SAR 0.1750 per unit) and its percentage to the initial price of the unit is 1.750%, which translates to 7.00% on an annualized basis.

### Stock Performance



Topics Discussed and Resolutions Issued by the Fund Board

TOPICS	RESOLUTIONS
<ul style="list-style-type: none"> <li>Updating the Fund’s T&amp;C</li> </ul>	<ul style="list-style-type: none"> <li>Approved the updated Terms &amp; Conditions (“T&amp;C”).</li> </ul>
<ul style="list-style-type: none"> <li>Renewing with AlMahmal</li> </ul>	<ul style="list-style-type: none"> <li>Approved to renew the service agreement with Al-Mahmal Facilities Services Company as the Facility Manager for Al-Rawda Business Center for an annual amount of SAR 491,952 and Khalideya Business Center for an annual amount of SAR 753,264, while also renewing Facility Management and Property Management agreement for Al-Jazeera Compound for an annual amount of SAR 1,817,460.</li> </ul>
<ul style="list-style-type: none"> <li>Potential Acquisition – Residential Compound</li> </ul>	<ul style="list-style-type: none"> <li>The Fund’s Board of Directors approved, sign a non-binding memorandum of understanding for the acquisition of Residential Compound on behalf of SCREIT for a maximum purchase price of SAR 165,000,000 (excluding transaction costs).</li> </ul>
<ul style="list-style-type: none"> <li>Q1 2022 Dividend Distribution</li> </ul>	<ul style="list-style-type: none"> <li>The Fund’s Board of Directors approved the distribution of quarterly cash dividends for the period (Q1 2022: 01 JAN 2022 to 31 MAR 2022) to SEDCO Capital REIT Fund unitholders. The total amount to be distributed is SAR 20,268,750 being an annualized return of 6.90%.</li> </ul>
<ul style="list-style-type: none"> <li>Ajdan Entertainment Acquisition</li> </ul>	<ul style="list-style-type: none"> <li>The Fund’s Board of Directors approved the acquisition of Ajdan Entertainment for a purchase price of SAR 164,750,000 (excluding transaction costs).</li> </ul>
<ul style="list-style-type: none"> <li>Appointing EY as the Fund Auditor</li> </ul>	<ul style="list-style-type: none"> <li>The Fund’s Board of Directors approved to appoint EY as the Auditor of SCREIT - replacing KPMG for a total annual fee of SAR 140,000.</li> </ul>
<ul style="list-style-type: none"> <li>Q2 2022 Dividend Distribution</li> </ul>	<ul style="list-style-type: none"> <li>The Fund’s Board of Directors approved the distribution of quarterly cash dividends for the period (Q2 2022: 01 APR 2022 to 30 JUN 2022) to SEDCO Capital REIT Fund unitholders. The total amount to be distributed is SAR 20,562,500 being an annualized return of 7.00%.</li> </ul>

## Financial Performance

Fund Size	As of 30 June 2022	As of 31 Dec 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)	1,039,748,490	1,062,310,241	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)	8.8489	9.0409	9.4169	9.8173
Net market value of the Fund's assets at the end of the financial year (Book Value)	1,026,217,715	1,039,710,604	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)	8.7338	8.8486	8.9658	9.3587
Highest net asset value per unit for each financial year (Fair Value)	8.8489	9.0409	9.6297	9.9039
Lowest net asset value per unit for each financial year (Fair Value)	8.8489	8.9975	9.4169	9.8173
Income distribution per unit	0.67	0.62	1.14	1.30
Percentage of expenses borne by the Fund	6.91%	10.20%	9.72%	10.01%
Net income	6,775,861	(35,437,775)	9,721,346	22,139,932
Distribution yield (based on market traded price)	1.70%	2.54%	5.94%	6.63%
Number of units in issue	117,500,000	117,500,000	60,000,000	60,000,000

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

Indicator	As of 30 Jun 2022	As of 31 Dec 2021	Cap (Limit)
Operating expenses	4,966,437	8,233,950	Not to exceed 7% of the rental income of the property
Management fees	5,311,551	5,524,303	1% of the Fund's net assets according to the latest financial statements
Finance fees	12,673,571	12,480,293	NA
Professional fees	482,245	3,255,174	NA
Other costs	772,524	1,280,520	1% of the Fund's net assets according to the latest financial statements
Depreciation and amortization	47,653,611	77,573,811	NA
Total expenses	71,859,939	108,348,051	-
Expenses ratio	6.91%	6.18%	-

## Ratio of Non-Cash Expenses to the Net income of the Fund

66%

### Performance Record

Period	Total Return*
Since Inception	6.19%
One Year	6.63%
Three Years	6.14%
Five Years	N/A

\*on an annual basis

	June 2022	2021	2020	2019	2018
Total Return*	6.90%	6.30%	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

The Fund Manager holds 376,651 units as at the end of June 2022.

### Leverage

- Financing amount equals SAR 800 million, representing 43%.
- Maturity date 31 DEC 2023

# 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 plan, Saudi Arabia has embarked on a major economic and social transformation to diversify the economy away from its dependence on oil. After recording a stronger than anticipated recovery in 2021, the economy is on an accelerated path to growth in 2022, driven by increased oil prices and higher non-oil activities, as oil production strengthens, and pandemic induced pressures diminish. The economic fallout in oil markets from the war in Ukraine has further strengthened medium-term fiscal and external outlooks. Non-oil sectors are expected to continue its upward trajectory, growing 4.0% in 2022 and 3.2% in the medium term. Despite tighter fiscal and monetary policies expected, private consumption is expected to strengthen, as well as an increase in religious tourism and higher domestic capital spending are anticipated.

### GDP

Saudi Arabia’s real GDP grew by 3.2% in 2021, compared to a drop of 4.1% in 2020, driven by economic recovery from the pandemic through growth of non-oil activities by 6.1%, government services by 1.5% and oil activities by 0.2%. In Q2 2022, the GDP increased by 11.8% YoY as compared to 9.9% in Q1 2022, primarily on account of increase in oil activities by 23.1% YoY. Non-oil activities and government services also registered a growth of 5.4% and 2.2% YoY, respectively. The economy is projected to grow by 7.0% in 2022, before leveling at 3.8% and 3.0% in 2023 and 2024, respectively. Key drivers to the expectations are ongoing implementation of Vision 2030, domestic spending by PIF and other government entities, coupled with higher oil production which is expected to grow by 13% in 2022 following the end of the OPEC+ production cuts in December 2022.

### Inflation

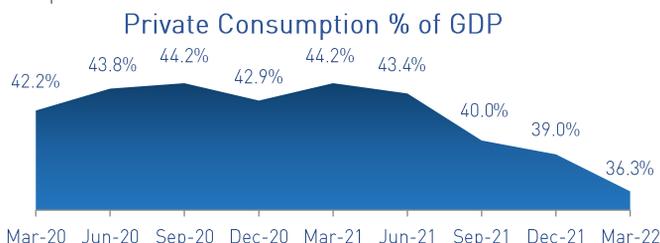
Annual inflation grew by 2.3% in June 2022 as compared to 2.2% in May 2022. Primary driver of inflation were higher prices of food and beverages due to its high relative importance in the Saudi consumer basket (c.18.8% weightage).

Rise of inflation originated mainly from the increase in prices of food and beverages (+4.4%) and transport (+2.5%). Food and beverage prices increased mainly due to higher meat prices (+4.5%), while transport prices increased on account of increase in purchase of motor cars prices (+3.3%).

Inflation is expected to accelerate to around 2.6% by August 2022 on account of the war in Ukraine which is anticipated to keep food inflation elevated. Beyond August, annual inflation is projected to slow to around 1.5%-2.0% percent through 2022 and 2023, due to an ongoing improvement in domestic demand and a rise in the level of inflation globally.

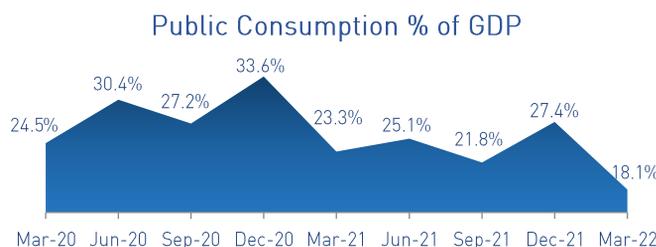
### Private Consumption

Private Consumption accounted for 36.3% of nominal GDP in March 2022, compared to 39.0% in the previous quarter. Private Consumption share has grown in the recent years, with the average ratio standing at 33.2% from Mar 2003 to Sep 2021.



### Public Consumption

Public Consumption accounted for 18.1% of nominal GDP in March 2022, compared to 27.4% in the previous quarter. Public consumption share has an average ratio of 22.4% from March 2003 to March 2022.



### 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 for growth. Vision 2030 is set to create growth opportunities throughout several key sectors of the economy with help of various programs. The PIF program reached an AUM of USD 500 billion and generated 450,000 direct and indirect jobs by end of 2021. The fund’s total assets at end of 2021 were 57% of national GDP. PIF plans to invest a minimum of USD 40 billion annually, contribute USD 320 billion to non-oil GDP, grow its AUM to over USD 1.07 trillion, and create 1.8 million direct and indirect jobs by the end of 2025. In February 2022, Saudi Arabia hosted Future of Real Estate Forum which aimed to improve the performance of real estate establishments focusing on SME’s, by discussing regulations, financial solutions, safety and sustainability. The forum brought together key actors in the public and private real estate sector and saw the participation of national and international speakers, experts in the real estate investment sector, as well as key businessmen and investors. As part of Saudi Vision 2030, almost USD 1 trillion of real estate and infrastructure projects have been announced across Saudi Arabia since 2016. The number and value of mega-projects are set to transform the Kingdom’s real estate landscape, standard of living, and lifestyle offering.

# Real Estate Sector Overview

Riyadh, Jeddah and Dammam



## Real Estate Market Overview – Riyadh

### Hospitality Sector

Riyadh seasons' entertainment festival helped boost the hospitality sector and increase tourism in the city as it welcomed more than 15 million visitors over the five-month event, which ended in March. In H2 2022, the city's occupancy rate rose significantly to 62% between January and May 2022 from 46% in the same period last year, and average daily rate (ADR) increased by 23% to USD 179. Improvements in both occupancy and ADR pushed up revenue per available room (RevPAR) to USD 111. The hospitality sector in Saudi is on its way to recovery post the pandemic on the back of upcoming entertainment seasons, promotion of the tourism industry and growing consumer confidence in travel. As of March 2022, total hotel supply stood at 20,000 keys with 4,000 keys under construction and expected to be delivered by the end of 2022

### Supply Assessment



20,000 Keys  
Existing supply



4,000 keys to  
be delivered by  
H2 2022

### KPI YoY % change YTD May 2022



ADR  
USD 144



Occupancy Rate  
62% (+16 PP)



RevPAR  
USD 111

### Retail Sector Performance – Occupancy Rates and Deliveries



Total Stock



H2 2022 Expected  
deliveries

### Retail Sector

Following the relaxation of pandemic restrictions, Saudi Arabia's retail sector witnessed an increase in retail space and a strong recovery in domestic demand during H1 2022. For the first time since over two years, the Kingdom is allowing over one million pilgrims to perform Hajj, which will lead to additional visitors and have positive implications for the market. Latest data from SAMA also points to robust consumer spending with point-of-sale transactions, across Kingdom, increasing 16.0% YoY for the months of April and May 2022 to SAR 91.8 billion. The uptick in demand and visitors has contributed to higher occupancy rates in Riyadh during H1 2022. Despite a QoQ decline in vacancy rate, the figure remained in double digits. Average rental values remained under downward pressure, declining 4% YoY and 7% YoY for super-regional and regional retail centers, respectively. Excess availability of retail space has largely been responsible for dragging down rents. The current supply retail supply stood at 3.3 million sqm of GLA, with further 180,000 sqm GLA expected to be delivered by the end of 2022.

### Residential Sector

Residential transactions in Riyadh have been trending down in recent months, driven by weaker demand reflected in price performance across apartment and villa segments, which on average declined 2.0% YoY in Q2 2022. Despite this, rents have been increasing, due to the city's resilient labour market. Underlying demand for residential properties still remains strong in Riyadh and is expected to continue to strengthen over the longer term as the government pushes forward with its plan to make the city one of the 10 largest in the world by 2030. Locations near commercial areas have been experiencing strong growth in demand, however, the residential market currently has a shortage of developments. In 1H 2022, Riyadh accounted for the largest share of new residential units delivered across the Kingdom. Current residential supply stands at 1.4 million in H2 2022 with almost 16,000 units (1.1% of existing supply) estimated to be scheduled and delivered by 2022 end.

### Residential Sector Performance



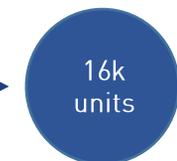
Average sales  
price  
+6% YoY



Average rental  
rates  
+1% YoY



Total Stock



H2 2022 Expected  
deliveries

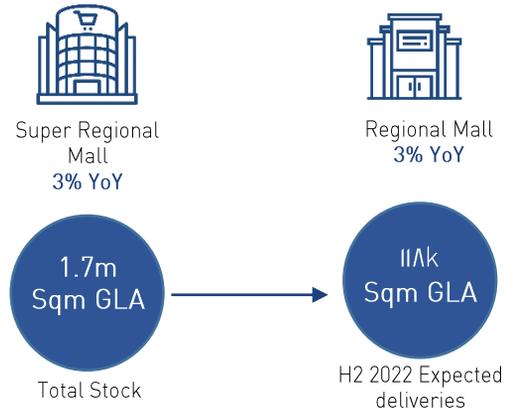


### Real Estate Market Overview – Jeddah

#### Retail Sector

Around 16,000 sqm of GLA was added to Jeddah’s total retail supply in H1 2022, which reached 1.7 million sqm. In the remaining six months of 2022, approximately 118,000 sqm of retail GLA is scheduled to be delivered in Jeddah. Rents rose by 3% on average across both regional & superregional malls. With the easing of the pandemic and its associated restrictions, Saudi Arabia’s retail sector is witnessing a strong recovery in domestic demand. The government’s decision to allow over one million pilgrims to perform Hajj in 2022, coupled with the ease of restrictions to perform Umrah as well as the increasing demand and customer spending, the retail sector is poised to continue its recovery.

#### Retail Sector Performance – Occupancy Rates and Deliveries



#### Office Sector Performance – Deliveries and Lease Rates



#### Office Sector

The office sector in Jeddah recorded improvements in Q2 2022, with average rents for Grade A office buildings increasing by 7% YoY to almost SAR 1,060 per sqm per annum and market-wide vacancy rate falling to 9%. Office demand continues to rise as the availability of Grade A office space reduces. Moreover, projects under construction towards, namely Jeddah Central and the Historical District, have been attracting government and semi-government entities. Demand is robust for offices that have a wider provision of facilities and flexible floorplates to cater to a range of tenant requirements. With the completion of 16,000 sqm in H1 2022, the city’s total office supply rose to around 1.2 million sqm and an additional 23k sqm of office GLA is planned to be delivered by the end of H2 2022.

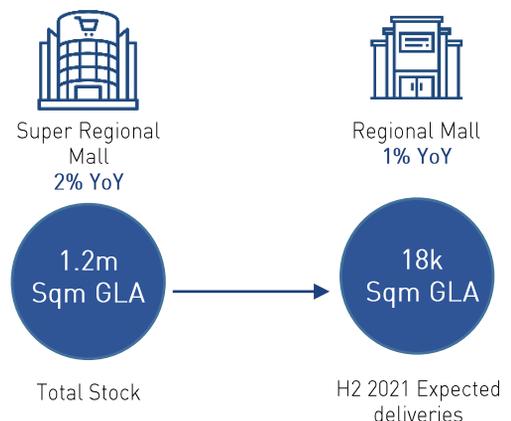


### Real Estate Market Overview – Dammam

#### Retail Sector

Post the pandemic, high frequency indicators point to a strong recovery in domestic demand. Given the government’s decision to remove restrictions associated with the tourism visa and GCC boarder control, additional number of visitors are anticipated to further boost the tourism sector. This along with increasing consumer spending is anticipated to push the sector’s performance upwards. Dammam was the only market in Saudi with no completions recorded in H1 2022, leaving its total retail supply unchanged at 1.2 million sqm. In H2 2022, ~18,000 sqm of retail GLA is scheduled to be delivered. Performance of retail centers was broadly stable in H1 2022. Annual average rental values increased by 1% and vacancy rate declined by 1%. The average rental rates in super regional malls and regional malls increased by 2.0% and 1.0% YoY, respectively.

#### Retail Sector Performance – Occupancy Rates and Deliveries





## Education Sector Overview

Education sector is one of the most significant pillars of Saudi Arabia's 'Vision 2030', through which it aims to achieve economic expansion and attain sustainable growth. Vision 2030 was formed with the plan to reduce the Kingdom's dependence on oil, diversify its economy, and develop public service sectors.

Vision 2030 aims to increase the private education share to 25% by 2030. To attain this, the Kingdom allowed 100% foreign business ownership in 2017, to ease the ownership restrictions on foreign firms.

The rising demand for higher quality education has acted as a catalyst for the government to uplift the education sector. Since 2018, the government has been allotting a higher percentage of the budget to the education sector, to facilitate the environment for investment.

The education market has been a key sector of focus within Saudi Arabia, where in all but two of the last five years it has accounted for the highest proportion of government expenditures. For 2022, the government allocated SAR 185 billion towards education expenditure budget (19.4% of total budget). Spending is anticipated to be in line with long term planning aligned to Vision 2030 goals with focus towards expanding apprenticeship programs and enhancing research capabilities in higher education.

The Saudi Arabian private education market is expected to double and experience a higher growth rate over the coming years, due to factors such as Vision 2030 educational initiative (privatization of the industry), need for improvement in the quality of education, and an increase in number of students who prefer private schools. Post the implementation of Vision 2030's educational initiative, the private education sector of Saudi Arabia is expected to register a CAGR of 11%.

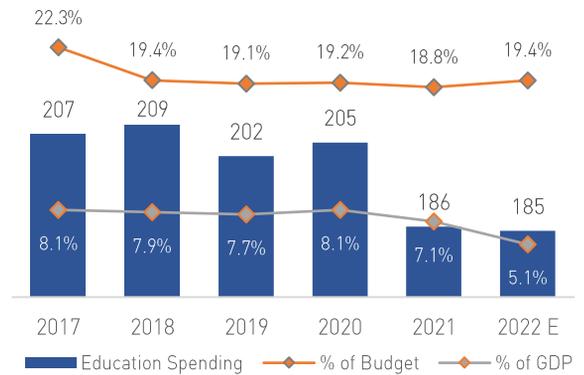
Major driver for the growth of the education market in Saudi Arabia is the high percentage of school-going population, as compared to other GCC countries. Currently, Saudi students constitute around 40% of international K12 enrollments and are the driving force for demand. Although the increase in enrollment in Saudi Arabia is relatively low at the kindergarten level, the Vision 2030 and the Ministry of Education has set up several initiatives to improve the situation.

### Recent Updates

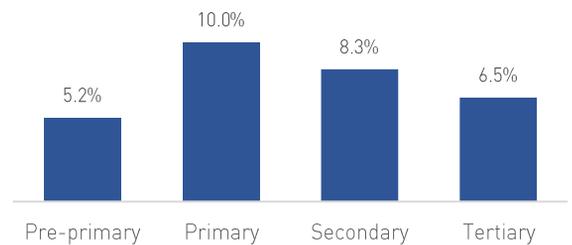
Saudi Arabia's Ministry of Education signed a total of 89 agreements at its International Education Conference Exhibition 2022 in Riyadh in May 2022. The agreements and MoU signed by ministries, universities, and local and international institutions cover areas including the development of education in the Kingdom, incentives for investment in education, improving efficiency of educational institutions, reaching international standards and indicators, and achieving the objectives of Saudi Vision 2030.

The agreements aim to promote integration among entities with shared objectives – whether local or international entities – through the development of the education system in Saudi Arabia.

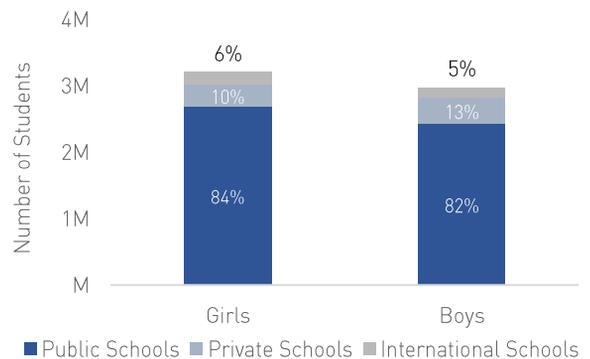
Education Expenditure % of GDP and % of Budget



Students as a % of total population



Education Sector – Grade 1-12 students by school type





## Entertainment Sector Overview

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%.

The Saudi government has played an instrumental role in driving the growth of the entertainment sector by implementing the General Authority for Entertainment which is established under the supervision of the PIF. Additionally, the introduction of the new tourist visa is expected to further aid the growth of the entertainment sector. Government is planning to invest USD 64 billion in its entertainment industry as part of a broader effort to transform itself into Middle East's premier movie hub. By 2030, more than 350 Cinemas, and 2,500 number of screens could open. It is anticipated that the Saudi Entertainment Industry will reach USD 1,170.7 million by the end of 2030, an increase of 47.7% from USD 23.8 million in 2020. The entertainment sector has achieved impressive growth over the past five years with 2,189 new licenses, 1,809 new permits, and more than 2,500 events that drew over 80 million attendees by the end of 2021. Saudi Arabia is witnessing growth in the cinema market while many other countries around the globe are facing a slowdown off the back of the pandemic. After a rapid recovery, the industry is expected to be the largest in the MENA region by 2025. By the end of 2021, there were over 34 cinemas operating in 12 cities, with a total number of 342 screens and over 35,000 seats. 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. To enhance efforts to diversify the economy, the government has launched several entertainment projects throughout the Kingdom such as King Salman Park, Sports Boulevard, Green Riyadh, Qiddiya, The New Jeddah Downtown, NEOM, amongst others. Developments of such projects is expected to give a boost to the entertainment industry.

The progressive opening of the entertainment sector has spurred an ambitious construction pipeline of movie theatres, theme parks, live mega events, and sports-related infrastructure. Investment opportunities in stadium development and games solutions are expected to increase, creating more opportunities for private and foreign partnerships.

The Red Sea Film Festival, Saudi Arabia's first international film festival launched in 2019, will be held in 2022 from 1 to 10 December. In 2021, the festival featured 138 films and shorts from 67 countries in 34 languages, 27 of which were from Saudi Arabia.



Sources: Ministry of Finance; GASTAT; Argaam; www.CEIC.com; Saudi Press Agency; www.pif.gov.sa; SAMA; Vision 2030 - About | Invest Saudi; Saudi Arabia Real Estate Market Review | Knight Frank; The KSA Real Estate Market Review Q2 2022 | JLL; KPMG Budget Report 2022; Saudi Arabia Entertainment & Amusement Market Report 2021 | The Economist; KSA Real Estate Market outlook | CBRE; www.saudientertainmentexpo.com; Saudi Arabia Economic Update April 2022 | World Bank; Saudi Press Agency; Fitch; UNESCO; AlJazira Capital Research Report

### Fund Manager

Saudi Economic and Development Securities Company (SEDSCO Capital)  
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Red Sea Mall  
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Website: [www.sedcocapital.com](http://www.sedcocapital.com)  
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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, 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



### Responsibilities of the Custodian:

- Registering the real estate assets of the Fund in the name of a subsidiary of the Custodian for the Fund or in the name of a subsidiary of an authorized financier that has provided financing for the Fund.
- Take all necessary procedures to separate the assets of the fund from any other assets independently, including the assets of the custodian.
- Keeping all necessary records and other documents that document the fulfilment of its contractual obligations.
- Comply with all requirements for custody the fund's assets and related documents in accordance with the Real Estate Investment Funds Regulations.

### Auditor

Ernst & Young Professional Services  
King's Road Tower - 13th floor  
King Abdulaziz Road  
PO Box 1994  
Jeddah 21441  
Kingdom Saudi Arabia



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

- 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.

### Important Notice

This document does not constitute an offer to buy, subscribe or participate in the SEDCO Capital REIT Fund (the "Fund"), nor shall it (or any part of it) form the basis of, or be relied on, in connection with, or act as inducement to enter into any contract whatsoever.

Prospective investors should carefully read the Fund's Terms and Conditions and should seek advice from a qualified investment advisor on the suitability of the Fund as an investment prior entering into an investment in the Fund. Investing in the Fund could carry risks; therefore, may not be suitable for all investors. Hence, prospective investors must be willing to undertake the risks associated with any investment in the Fund.

This document has been prepared using data and information from reliable sources, The Fund Manager shall not be liable for any loss that may arise from the use of this report or any of its contents or otherwise arising in connection therewith. Past performance of the Fund is not an indication nor a guarantee of future performance. The value of units, dividends derive from them, as well as fund prices, and their currencies may decrease or rise, and changes in currency rates may adversely affect the value of securities, prices, or income. The Fund's assets may also be subject to risks in the financial markets in which the assets are invested It may be difficult for the investor to sell illiquid securities or make profits from them and obtain reliable information about its value or the extent of the risks it is exposed to, and additional fees / expenses may apply. Dividends or income may fluctuate, and part of the invested capital may be used to pay dividends income. By investing in the Fund, the investor acknowledges having read and accepted the Fund's Terms and Conditions.

22C52

### For more information



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## Financial Statements

for the period from 1 January 2022 to 30 June 2022

**SEDCO CAPITAL REIT FUND**

(Managed by SEDCO Capital)

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

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

# **SEDCO CAPITAL REIT FUND**

(Managed by SEDCO Capital)

## **INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

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For the six months period ended 30 June 2022

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Interim condensed statement of cash flows – unaudited	5
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[ey.com](http://ey.com)

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

### Introduction

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

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

### Other matter

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

for Ernst & Young Professional Services

Ahmed Ibrahim Reda  
Certified Public Accountant  
License No. 356



Jeddah: 17 Muharram 1444H  
15 August 2022G

# SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2022

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

S. Abu Alw

AT

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

**SEDCO CAPITAL REIT FUND**

(Managed by SEDCO Capital)

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

For the six months period ended 30 June 2022

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

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

## SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

For the six months period ended 30 June 2022

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

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

# SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

## INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months period ended 30 June 2022

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

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

# SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

At 30 June 2022

### 1 THE FUND AND ITS ACTIVITIES

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

SEDCO Capital, a Saudi closed joint stock company licensed by the Capital Market Authority ("CMA") under License No. 11157-37 dated 23/04/1430 H corresponding to 19/4/2009, manages the Fund. The Fund Manager conducts following securities activities:

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

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

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

The terms and conditions of the Fund were approved by the Capital Market Authority (the "CMA") on 16 Rabi Awal 1439 H (corresponding to 4 December 2017). The offering period for the subscription of the units was from 24 January 2018 to 20 February 2018. Unitholders subscribed for the units of the Fund during the offering period and cash was held in a collection account of SNB Capital. The Fund commenced its activities on 1 April 2018 (the "inception date").

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

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

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

### 2 BASIS OF PREPERATION

#### *a) Statement of compliance*

These interim condensed financial statements as at and for the six months period ended 30 June 2022 are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's annual financial statements as at and for the year ended 31 December 2021.

#### *b) Basis of measurement*

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

# SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

At 30 June 2022

### 2 BASIS OF PREPERATION (continued)

#### *c) Functional and presentation currency*

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

#### *d) Significant estimates and assumptions*

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

#### *e) Significant accounting policies*

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

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

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

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

# SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

At 30 June 2022

### 3 INVESTMENT PROPERTIES

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

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

# SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

At 30 June 2022

### 3 INVESTMENT PROPERTIES (continued)

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

	Type	Location	Cost			Depreciation			Impairment			Net Book value (Audited) SR	Fair Value (Audited) SR
			Opening SR	Additions during the Year SR	Closing SR	Opening SR	Charge for the period SR	Closing SR	Opening SR	(Charge)/ reversal for the year SR	Closing Impairment SR		
Khalidiyah Business Center Al Ajazzera Compound	Commercial	Jeddah	148,984,706	-	148,984,706	(5,671,423)	(2,028,883)	(7,700,306)	(2,325,283)	1,371,883	(953,400)	140,331,000	140,331,000
Panda Jeddah	Residential	Riyadh	67,602,009	46,987	67,648,996	(1,450,479)	(528,764)	(1,979,243)	-	-	-	65,669,753	69,320,000
Panda Riyadh	Commercial	Jeddah	39,300,000	-	39,300,000	(768,206)	(279,000)	(1,047,206)	-	-	-	38,252,794	39,325,000
Public Prosecution Building Al Rawda	Commercial	Riyadh	78,765,000	-	78,765,000	(1,550,040)	(562,950)	(2,112,990)	-	-	-	76,652,010	81,100,000
Business Center Burj Al Hayat Saudi Fransi Building	Commercial	Jeddah	63,386,276	9,304	63,395,580	(3,583,476)	(1,301,750)	(4,885,226)	-	(5,410,354)	(5,410,354)	53,100,000	53,100,000
Panda Al Rayan	Commercial	Jeddah	126,503,000	-	126,503,000	(7,378,446)	(2,673,848)	(10,052,294)	(7,853,554)	1,459,848	(6,393,706)	110,057,000	110,057,000
Alhokair Time	Commercial	Riyadh	41,260,000	-	41,260,000	(2,169,148)	(787,800)	(2,956,948)	-	(18,903,052)	(18,903,052)	19,400,000	19,400,000
Ajdan Walk	Commercial	Dammam	28,519,294	-	28,519,294	(1,092,048)	(447,863)	(1,539,911)	-	-	-	26,979,383	28,085,000
Panda Dammam	Commercial	Dammam	62,545,580	-	62,545,580	(1,790,773)	(747,863)	(2,538,636)	-	-	-	60,006,944	65,175,000
Al Hamra Plaza	Commercial	Dammam	34,206,942	-	34,206,942	(1,072,417)	(447,863)	(1,520,280)	-	-	-	32,686,662	33,600,000
Dar Al Baraa School	Commercial	Al Khobar	356,274,715	-	356,274,715	(12,668,123)	(6,357,349)	(19,025,472)	-	-	-	337,249,243	357,000,000
Manahij School	Commercial	Dammam	-	70,170,958	70,170,958	-	(3,381)	(3,381)	-	(3,882,577)	(3,882,577)	66,285,000	66,285,000
Amjad Qurtuba School	Commercial	Riyadh	-	63,776,863	63,776,863	-	(2,988)	(2,988)	-	(3,528,875)	(3,528,875)	60,245,000	60,245,000
Work in progress (note 3.6)	Commercial	Dammam	-	52,984,181	52,984,181	-	(1,683)	(1,683)	-	(2,932,498)	(2,932,498)	50,050,000	50,050,000
	Commercial	Riyadh	-	93,955,614	93,955,614	-	(2,790)	(2,790)	-	(5,200,324)	(5,200,324)	88,752,500	88,752,500
	Commercial	Riyadh	-	71,346,032	71,346,032	-	(1,770)	(1,770)	-	(3,949,262)	(3,949,262)	67,395,000	67,395,000
	Commercial	Riyadh	-	165,807,140	165,807,140	-	(10,470)	(10,470)	-	(9,171,670)	(9,171,670)	156,625,000	156,625,000
	Commercial	Riyadh	-	58,457,273	58,457,273	-	(2,355)	(2,355)	-	(3,234,918)	(3,234,918)	55,220,000	55,220,000
	Commercial	Riyadh	-	122,271,188	122,271,188	-	(5,268)	(5,268)	-	(6,765,920)	(6,765,920)	115,500,000	115,500,000
			7,399,157	6,109,417	13,508,574	-	-	-	-	-	-	13,508,574	-
			<u>1,054,746,679</u>	<u>704,934,957</u>	<u>1,759,681,636</u>	<u>(39,194,579)</u>	<u>(16,194,638)</u>	<u>(55,389,217)</u>	<u>(10,178,837)</u>	<u>(60,147,719)</u>	<u>(70,326,556)</u>	<u>1,633,965,863</u>	<u>1,656,565,500</u>

# SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

At 30 June 2022

### 3 INVESTMENT PROPERTIES (continued)

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

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

3.4 The Fund Manager determines the estimated useful lives of investment properties for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. The estimated useful lives of the buildings in the investment properties is 33 years. Land is not depreciated.

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

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

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

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

# SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

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

At 30 June 2022

### 4 RENT RECEIVABLES

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

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

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

#### 4.1 The movement in allowance for expected credit losses:

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

### 5 DERIVATIVE INSTRUMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

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

During the year ended 31 December 2020, the Fund entered into two Commission Rate Swap (CRS) agreements with a commercial bank to swap its exposure to the variability in cash flows arising from variable portion of the agreed rate (SAIBOR) on financing facility obtained from a bank (note 6). The maturity date of the two CRSs are 15 October 2023 and 16 October 2023, respectively.

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

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

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### 6 FINANCING FACILITY FROM A BANK

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

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

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

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

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

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

### 7 DIVIDEND PAYABLE

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

### 8 RELATED PARTY TRANSACTIONS AND BALANCES

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

# SEDCO CAPITAL REIT FUND

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

At 30 June 2022

### 8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

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

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

### 9 ACCRUED EXPENSES AND OTHER PAYABLE

Accrued expenses and other payables comprise of the following:

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

# SEDCO CAPITAL REIT FUND

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

At 30 June 2022

### 10 DEFERRED REVENUE

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

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

### 11 UNITS IN ISSUE

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

### 12 OPERATING AND OTHER EXPENSES

Operating and other expenses comprise of the following:

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

### 13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

# **SEDCO CAPITAL REIT FUND**

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

At 30 June 2022

### **13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

#### *Fair values of financial instruments*

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

### **14 LAST VALUATION DAY**

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

### **15 EVENTS AFTER THE END OF THE REPORTING PERIOD**

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

### **16 COMPARATIVE FIGURES**

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

### **17 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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