



SEDCO Capital REIT Fund

Annual Report
2022

December 2022



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Management Statements

It is our honor to present the 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 31 December 2022.

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 8.3 years.

The average value of the Fund's property portfolio, as valued by two independent valuers, was estimated at SAR 1,795.2 million, slightly decreased by 3.29% compared to the total purchase price.

In terms of dividend distribution, the Fund distributed a SAR 0.71 per unit amounting to SAR 83,425,000 for the period from 01 January 2022 to 31 December 2022 which translate to 7.10% based on par value on an annual basis, exceeding the targeted returns 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

“ Despite the rapid change and economic uncertainty experienced worldwide in the last couple of years, SEDCO Capital retains a relatively positive outlook for the Saudi real estate market in 2023 and beyond.

2022 was one of change in the real estate landscape both locally and globally. Geopolitical events, inflationary pressures and interest rate movements impacted transactions, leasing activities, and financing, while also challenging developers and real estate operators. Throughout this, SEDCO Capital REIT has proven resilient; benefiting from an interest rate hedge that was placed by the Fund Manager in 2020.

While the first half of 2023 is expected to continue to be heavily influenced by the aforementioned factors, we may see real estate investment activity levels rebound stronger and faster than anticipated.

Vision 2030 projects are expected to trigger a real estate boom in Saudi Arabia, which will be supported by private sector participation as well as foreign investors who are taking an interest in becoming part of the socioeconomic transformation that is currently underway.

As there is strong demand in the market for better quality assets across all real estate sectors, we continue to see a large portion of activity in real estate development. The preference for both developers and investors is to establish funds around these projects; to provide for greater transparency and governance while also acting as an important financing channel to provide liquidity.

To that end, SEDCO Capital REIT will continue to play a key part in this upcoming real estate cycle, addressing the needs of the market and our investors in-line with the Fund's strategy and objectives. ”

Faozan Shokri
Senior Vice President and Head of Regional Real Estate

Fund Name

SEDCO Capital REIT Fund is a 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 Upon Listing	60 million units
Fund Size After Increasing the Fund's Assets	SAR 1,175 million
Number of Units After Increasing the Fund's Assets	117.5 million units
Currency	Saudi Riyals (SAR)
Headquarter	Kingdom of Saudi Arabia
Operation Date	1 April 2018
Listing Date	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)	7.10%

Fund Strategy

and 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.

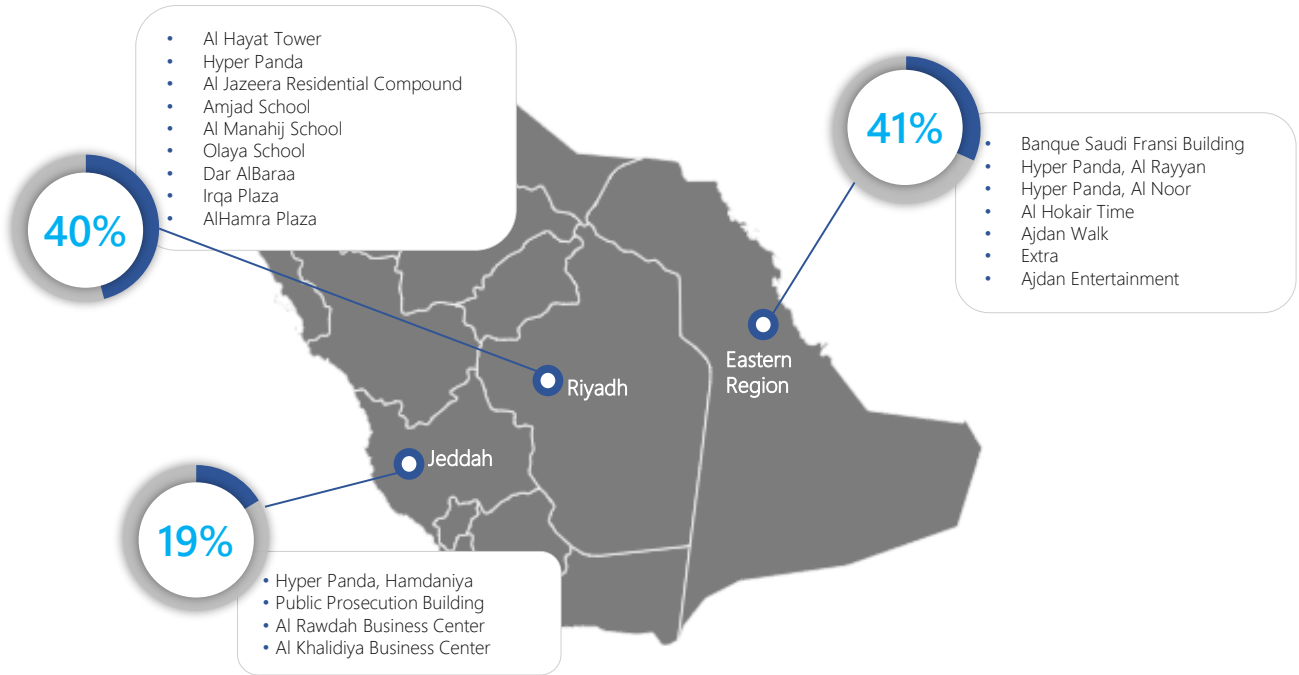
A review of the investment activities during the period and Fund Updates

- During the period, The Fund Manager initiated the process of increase the total value of the Fund's assets, as the Fund Manager signed a purchase agreement for a commercial complex located in Jeddah with a purchase value of SAR 492,500,000 (excluding real estate transaction tax and other acquisition costs) on 05/17/1444 AH corresponding to 11/12/2022AD. This agreement is subject to completing the legal procedures to increase the total value of the Fund's assets by offering additional units, including the completion of the due diligence procedures, and obtaining the approvals of Capital Market Authority, the unitholders and any other regulatory 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 31 December 2022, the fair value of the Fund's assets has slightly increased by 0.95% reaching SAR 1,795.2 in comparison to latest exercise in June 2022.
- The Fund's cash balance amounted to 26,550,920 as of 31 December 2022, including rent received and Murabaha placed. Part of the balance will be used for dividend distribution and to pay the Fund's obligations.

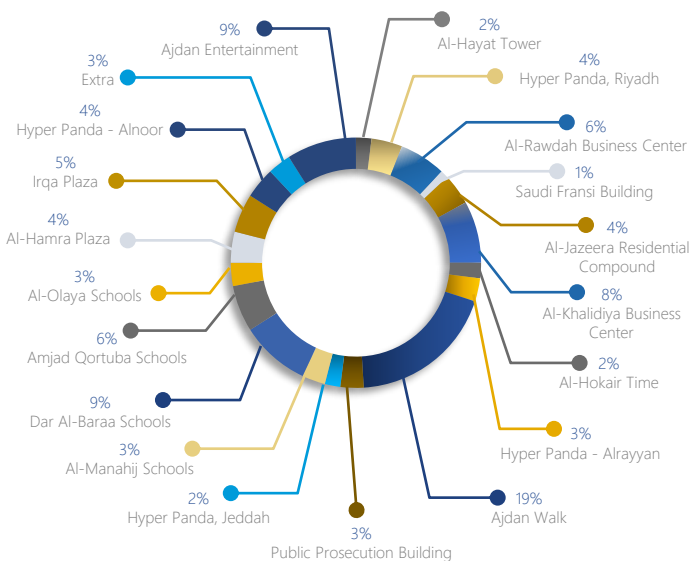
Portfolio Description

Geographical Diversity:

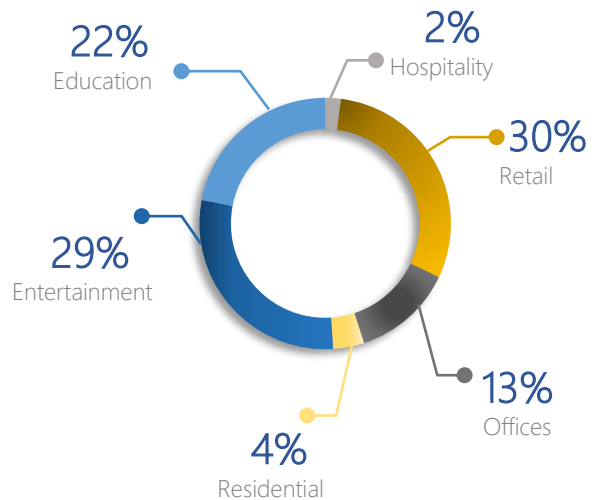
The Fund's assets are diversified across Riyadh 40%, Jeddah 19% and Eastern Province 41%.



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 ²	1,495
Building Area/m ²	6,574
Occupancy Rate	100%
Annual Income	SAR 1,500,000 represents 1.09% of the total rent
Uncollected Revenue	NA
Tenant	Al Hafla Al Raeah Hotel Apartment Est.
Weighted Average Lease Expiry	4.1 years

Hyper Panda - Riyadh



Description	Hypermarket in Riyadh - Ishbillia District Branch
Sector	Retail
Land Area/m ²	23,604
Building Area/m ²	10,784
Occupancy Rate	100%
Annual Income	SAR 5,822,670 represents 4.24% of the total rent
Uncollected Revenue	NA
Tenant	Panda Retail Company
Weighted Average Lease Expiry	5.5 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 ²	20,758
Building Area/m ²	12,696
Occupancy Rate	%100
Annual Income	SAR 7,436,000 represents 5.42% of the total rent
Uncollected Revenue	0.20%
Tenant	Multiple tenants
Weighted Average Lease Expiry	0.4 years

Properties – Riyadh

Al Hamra Plaza



Description	Al Mansoura Dist. Al Baths St, Riyadh
Sector	Retail
Land Area/m ²	21,120
Building Area/m ²	13,021
Occupancy Rate	100%
Annual Income	SAR 5,432,000 represents 3.96% of the total rent
Uncollected Revenue	NA
Tenant	Unified Real Estate Development
Weighted Average Lease Expiry	3.1 years

Irqah Plaza



Description	Al Irqah Dist. Pr. Mishaal Bin Abdulaziz St, Riyadh
Sector	Retail
Land Area/m ²	14,269
Building Area/m ²	9,148
Occupancy Rate	97%
Annual Income	SAR 6,816,727 represents 4.96% of the total rent
Uncollected Revenue	0.24%
Tenant	Multiple tenants
Weighted Average Lease Expiry	9.4 years

Al Manahij School



Description	Al Ghadeer Dist. Noth of Northern Ring, Riyadh
Sector	Education
Land Area/m ²	9,200
Building Area/m ²	17,058
Occupancy Rate	100%
Annual Income	SAR 4,000,000 represents 2.91% of the total rent
Uncollected Revenue	NA
Tenant	Nabaa Education Co.
Weighted Average Lease Expiry	10.1 years

Properties – Riyadh

Dar Al Baraa School



Description	Al Narjis Dist. Al Sunbulah St, Riyadh
Sector	Education
Land Area/m ²	15,385
Building Area/m ²	33,429
Occupancy Rate	100%
Annual Income	SAR 12,134,063 represents 8.84% of the total rent
Uncollected Revenue	NA
Tenant	Al Mseef Education Co.
Weighted Average Lease Expiry	18.8 years

Olaya School



Description	Al Mursalat Dst. Abdulaziz Abo Hussain St, Riyadh
Sector	Education
Land Area/m ²	10,500
Building Area/m ²	12,314
Occupancy Rate	100%
Annual Income	SAR 4,752,400 represents 3.46% of the total rent
Uncollected Revenue	NA
Tenant	Tadrees Co. Ltd
Weighted Average Lease Expiry	10.5 years

Amjad Qortuba School



Description	Qortuba Dst. Dammam Road. Riyadh
Sector	Education
Land Area/m ²	14,300
Building Area/m ²	34,231
Occupancy Rate	100%
Annual Income	SAR 8,328,394 represents 6.07% of the total rent
Uncollected Revenue	NA
Tenant	Amjad Qortuba for Educational Services Co.
Weighted Average Lease Expiry	9.2 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 represents 3.20% of the total rent
Uncollected Revenue	NA
Tenant	Public Prosecution
Weighted Average Lease Expiry	0.2 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	26,713
Occupancy Rate	85%
Annual Income	SAR 10,186,522 represents 7.42% of the total rent
Uncollected Revenue	0.64%
Tenant	Multiple tenants
Weighted Average Lease Expiry	2.5 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 represents 2.07% of the total rent
Uncollected Revenue	NA
Tenant	Panda Retail Company
Weighted Average Lease Expiry	5.1 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 ²	2,463
Building Area/m ²	17,526
Occupancy Rate	93%
Annual Income	SAR 8,120,924 represents 5.91% of the total rent
Uncollected Revenue	1.57%
Tenant	Multiple tenants
Weighted Average Lease Expiry	0.8 years

Properties – Dammam & Khobar

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 represents 1.46% of the total rent
Uncollected Revenue	NA
Tenant	Banque Saudi Fransi
Weighted Average Lease Expiry	2.9 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 represents 3.81% of the total rent
Uncollected Revenue	NA
Tenant	Panda Retail Company
Weighted Average Lease Expiry	7.1 years

Properties – Dammam & Khobar

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 represents 1.60% of the total rent
Uncollected Revenue	0.84%
Tenant	Abdulmohsen Al Hokair Group for Tourism and Development Company
Weighted Average Lease Expiry	14.9 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 represents 18.21% of the total rent
Uncollected Revenue	NA
Tenant	AlOula Real Estate Development Company
Weighted Average Lease Expiry	6.1 years

Hyper Panda



Description	Panda Hypermarket is in Al Noor Dist. King Saud st, Dammam
Sector	Retail
Land Area/m ²	13,807
Building Area/m ²	5,348
Occupancy Rate	100%
Annual Income	SAR 4,975,500 represents 3.62% of the total rent
Uncollected Revenue	NA
Tenant	Panda Retail Company
Weighted Average Lease Expiry	11.9 years

Properties – Dammam & Khobar

Extra Store



Description	Al Azizeah Dist. Gulf Road, Dammam
Sector	Retail
Land Area/m ²	8,258
Building Area/m ²	4,404
Occupancy Rate	100%
Annual Income	SAR 3,785,600 represents 2.76% of the total rent
Uncollected Revenue	NA
Tenant	United Electronics Company
Weighted Average Lease Expiry	10.7 years

Ajdan Entertainment-New



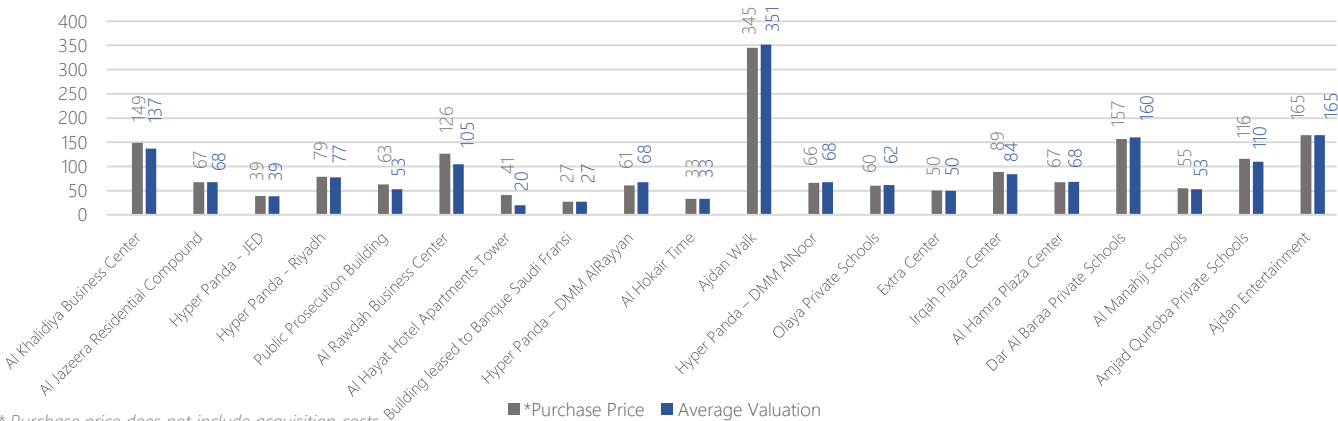
Description	Ajdan Entertainment is located on Prince Turki Street in Al Khobar
Sector	Entertainment
Land Area/m ²	6,866
Building Area/m ²	16,093.4
Occupancy Rate	100%
Annual Income	SAR 12,341,838 represents 9.10% of the total rent
Uncollected Revenue	5.31%
Tenant	Multiple tenants
Weighted Average Lease Expiry	13.7 years

Fair value vs. Purchase Price and Book Value

As at the end of December 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 0.95% increase when compared to June 2022, and a decrease of 1.57% when compared to December 2021 (excluding the acquired property during the year 2022 (“Ajdan Entertainment”)).

The portfolio recorded a 3.29% decrease when compared to the total purchase cost –(excluding transaction costs). The fair value of the total Fund’s assets as of 31 December 2022 is SAR 1,795.2 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%	4.1 Years
Hyper Panda - Riyadh	Leased	100%	5.5 Years
Al Jazeera Residential Compound	Leased	100%	0.4 Years
Public Prosecution Building	Leased	100%	0.2 Years
Al Khalidiya Business Center	Leased	85%	2.5 Years
Hyper Panda - JED	Leased	100%	5.1 Years
Al Rawdah Business Center	Leased	93%	0.8 Years
Building leased to Banque Saudi Fransi	Leased	100%	2.9 Years
Hyper Panda – DMM AlRayyan	Leased	100%	7.1 Years
Al Hokair Time	Leased	100%	14.9 Years
Ajdan Walk	Leased	100%	6.1 Years
Al Manahij Schools	Leased	100%	10.1 years
Dar Al Baraa Private Schools	Leased	100%	18.8 years
Extra Center	Leased	100%	10.7 years
Al Hamra Plaza Center	Leased	100%	3.1 years
Olaya Private Schools	Leased	100%	10.5 years
Hyper Panda – DMM AlNoor	Leased	100%	11.9 years
Amjad Qurtoba Private Schools	Leased	100%	9.2 years
Iraqah Plaza Center	Leased	97%	9.4 years
Ajdan Entertainment	Leased	100%	13.7 years

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

Portfolio Average Occupancy Rate 98.6%

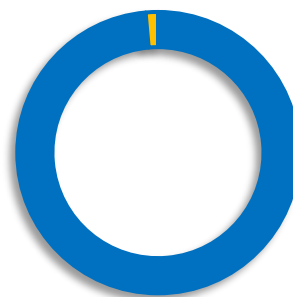
Portfolio Average WALE
8.3 years

Portfolio Occupancy Rate

As of 31 December 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:



98.6%
Occupancy Rate

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	Q2	Q3	Q4
Yield*	6.9%	7.0%	7.25%	7.25%
Total amount	20,268,750	20,562,500	21,296,875	21,296,875
Per unit (SAR)	0.1725	0.1750	0.18125	0.18125
Number of units	117,500,000	117,500,000	117,500,000	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 Year

- 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.
- The Fund Manager announced the signing of a Sharia-compliant banking facilities agreement with Bank Aljazira (the strategic partner of the Fund), at a value of SAR 1,716,000,000, through which the Fund Manager succeeded in obtaining a profit margin for facilities that is approximately 30% less compared to the financing currently granted to the Fund. The financing period is 6 years.
- During the period, The Fund Manager initiated the process of increase the total value of the Fund's assets, as the Fund Manager signed a purchase agreement for a commercial complex located in Jeddah with a purchase value of SAR 492,500,000 (excluding real estate transaction tax and other acquisition costs) on 05/17/1444 AH corresponding to 11/12/2022 AD. This agreement is subject to completing the legal procedures to increase the total value of the Fund's assets by offering additional units, including the completion of the due diligence procedures, and obtaining the approvals of Capital Market Authority, the unitholders and any other regulatory requirements.

Subsequent Events

- NA

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 29 Dec 2022 at 10.32 SAR.



Changes to the Fund's Documents During the Year

- 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.
- The Fund's Auditor has been changed to Ernst & Young replacing KPMG for a total annual fee of SAR 140,000.
- The terms and conditions have been amended by adding the information of the additional asset that was acquired after increasing the total value of the Fund's assets in the supplementary appendix to increase the total value of the Fund's assets.

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 7.10% cash dividend -on an annual basis- for the period between 1 January 2022 and 31 December 2022.

Topics Discussed and Resolutions Issued by the Fund Board

TOPICS	RESOLUTIONS
<ul style="list-style-type: none"> Updating the Fund's T&C 	<ul style="list-style-type: none"> Approved the updated Terms & Conditions ("T&C").
<ul style="list-style-type: none"> Renewing with AlMahmal 	<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> Potential Acquisition – Residential Compound 	<ul style="list-style-type: none"> 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).
<ul style="list-style-type: none"> Q1 2022 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 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%.
<ul style="list-style-type: none"> Ajdan Entertainment Acquisition 	<ul style="list-style-type: none"> The Fund's Board of Directors approved the acquisition of Ajdan Entertainment for a purchase price of SAR 164,750,000 (excluding transaction costs).
<ul style="list-style-type: none"> Appointing EY as the Fund Auditor 	<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> Q2 2022 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 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%.
<ul style="list-style-type: none"> Refinancing Existing Facilities with Aljazira Bank 	<ul style="list-style-type: none"> The refinancing of the existing facilities has been approved with Bank Aljazira
<ul style="list-style-type: none"> Updating the Fund's Terms and Conditions memorandum 	<ul style="list-style-type: none"> The Fund's Board of Directors approved the updated terms and conditions memorandum that on July 17, 2022.
<ul style="list-style-type: none"> 2nd Increase of the Total Asset Value of SCREIT 	<ul style="list-style-type: none"> The Fund's Board of Directors approved proceed with the plan of the 2nd increase of the total asset value of the Fund by acquiring a commercial complex in Jeddah.
<ul style="list-style-type: none"> PWC as a VAT Advisor for the Fund 	<ul style="list-style-type: none"> The Fund's Board of Directors approved to appoint PWC as the VAT Advisor of the Fund.
<ul style="list-style-type: none"> Draft of Interim Financial Statements - Period Ended 30 JUN 2022 	<ul style="list-style-type: none"> The Fund's Board of Directors approved the interim condensed financial statements of the Fund for the period ended 30 June 2022
<ul style="list-style-type: none"> Q3 2022 Dividend Distribution 	<ul style="list-style-type: none"> The Fund's Board of Directors approved the distribution of quarterly cash dividends for the period (Q3 2022: 01 Jul 2022 to 30 Sep 2022) to the Fund unitholders. The total amount to be distributed is SAR 21,296,875 being an annualized return of 7.25%.
<ul style="list-style-type: none"> 2nd Capital Increase - Commercial Complex located in Jeddah Acquisition 	<ul style="list-style-type: none"> The Fund's Board of Directors approved the proceed with the 2nd increase of the total asset value of SCREIT with a minimum equity of SAR 300 million and a maximum equity of SAR 600 million. The Fund's Board of Directors approved to acquire Commercial Complex located in Jeddah on behalf of SCREIT for a maximum purchase price of SAR 492.5 million (excluding transaction costs).
<ul style="list-style-type: none"> Appointment of Representatives of the Issuer 	<ul style="list-style-type: none"> The Fund's Board of Directors approved to delegate Mr. Samer Abu Aker and Mr. Abdulwahhab Abed as representatives before the Exchange for all purposes relating to the Listing Rules.
<ul style="list-style-type: none"> Exceptional Tenants Requests (Management process) 	<ul style="list-style-type: none"> The Fund's Board of Directors approved the recommendations regarding the Fund and dealing with the tenants were agreed on a case-by-case basis
<ul style="list-style-type: none"> Q4 2022 Dividend Distribution 	<ul style="list-style-type: none"> The Fund's Board of Directors approved the distribution of quarterly cash dividends for the period 01 Oct 2022 to 31 Dec 2022) to the Fund unitholders. The total amount to be distributed is SAR 21,296,875 being an annualized return of 7.25%.

Financial Performance

Fund Size	As of 31 Dec 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)	1,032,202,870	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)	8.7847	9.0409	9.4169	9.8173
Net market value of the Fund's assets at the end of the financial year (Book Value)	997,395,948	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)	8.4885	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)	8.7847	8.9975	9.4169	9.8173
Income distribution per unit	1.35	0.62	1.14	1.30
Percentage of expenses borne by the Fund	11.43%	10.20%	9.72%	10.01%
Net income / (Loss)	41,110,344	(35,437,775)	9,721,346	22,139,932
Distribution yield (based on market traded price)	6.88%	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 31 Dec 2022	As of 31 Dec 2021	Cap (Limit)
Operating expenses	14,042,280	8,233,950	Not to exceed 7% of the rental income of the property
Management fees	10,568,854	5,524,303	1% of the Fund's net assets according to the latest financial statements
Finance fees	34,525,866	12,480,293	NA
Professional fees	1,434,607	3,255,174	NA
Other costs	1,478,865	1,280,520	1% of the Fund's net assets according to the latest financial statements
Depreciation and amortization	55,970,265	77,573,811	NA
Total expenses	118,020,737	108,348,051	-
Expenses ratio	6.24%	6.18%	-
Ratio of Non-Cash Expenses to the Net income of the Fund	136%	186%	-

Performance Record

Period	Total Return*
Since Inception	6.34%
One Year	7.10%
Three Years	6.32%
Five Years	N/A

*on an annual basis

	2022	2021	2020	2019	2018
Total Return*	7.10%	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 Dec 2022.

Leverage (Borrowing percentage of the Fund's total asset value and maturity date)

- Financing amount equals SAR 800 million, representing 42% of the total asset value.
- Maturity date 16 October 2028

Risk Assessment

The Fund’s activities expose it to a variety of different risks factors that are exogenous such market risk, credit risk and liquidity risk as well as operational process related risks. Furthermore, there are risks related to the asset class REITs as such. The Fund’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund’s financial performance. Consequently, the risk assessment process focuses on the most significant risk factors, which include but are not limited to:

Main Risks	Description	Assessment
Market Risk	Market Risk arises from external factors such as macroeconomic conditions, competition, supply & demand, political changes, FX etc.	The Manager monitors on a regular basis the fluctuation and changes in the overall economic environment, local real estate markets including cap rates, inflation rate, taxes, valuations, competition from other available premises and various other factors. Given these factors, the Fund Manager believes that the impact of current market factors is mitigated through diversification of assets that adds stability to the portfolio while reducing vulnerability to economic fluctuations. Additionally, vacancy risks are managed through a proactive asset management approach. Market research is conducted to avoid any economic constraints as much as possible.
Risks related to the use of debt	The use of debt results in risks such as profit/interest rate, leverage related to refinancing risks. Profit/interest rate risk is the potential for financial loss arising from increases in profit/interest rates and ultimately adversely impacting the financing terms of the Fund.	The Manager uses debt with the objective to enhance investor returns. Based on the expected trend of profit/interest rates, the Fund Manager may consider other financial instruments to manage/hedge this risk. Leveraging may also further exacerbate any losses. Additionally, while increasing profit/interest rates may be a challenge, real estate investments can perform well in a rising rate environment due to variety of factors, such as increasing rent revenue, demand, and prices.
Credit Risk	Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments.	Credit risk is mitigated by industrial and geographical diversification, diversity both in its tenant mix and asset mix and by conducting tenant credit assessments. For new leases, credit evaluation is performed and on an ongoing basis, tenant credit and arrears are closely monitored by the Fund Manager.
Completion Risk	Risk associated with development projects underway include construction delays and their impact on financial performance, cost overruns which could impact the profitability and/or financial viability of a project; and the inability to meet revenue projections upon completion. Delays may result in legal risk.	This risk is somewhat mitigated based on the fact that Fund is entitled to invest only up to 25% of the value of its assets in real estate development. The Fund Manager also aims to mitigate this risk through management of the contractual framework of the properties.
Operational Risk	Risk of loss resulting from failure of internal processes, operational procedures, external events, loss of key personnel, service provider and counterparty risk as well as business continuity risk.	The Fund Manager has in place a monitoring framework to manage the day-to-day activities and mitigate operational risks. These include periodic meetings to identify potential operational risks, reviewing and resolving operational issues. The Fund Manager has established processes to identify, monitor and manage operational risks associated with day-to-day management and maintenance of the Fund’s properties. Internal audits are also carried out periodically to review compliance with processes, and to identify and rectify any lapses in procedures. A business continuity plan is in place to mitigate the business continuity risk of interruptions or catastrophic loss to its operations. Service providers and counterparty performance is regularly monitored.

Risk Assessment – Cont.

Main Risks	Description	Assessment
Liquidity Risk	Liquidity Risk has many dimensions such as the risk of being unable to meet any payment obligations for exiting properties according to plan.	Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses. Therefore, the Fund Manager ensures that there are adequate funds to repay obligation in a timely and cost-effective manner. Additionally, The Fund Manager also has a cash management process in which he has the option to utilize any excess cash in short-term deposits. Any decline in liquidity in the Saudi real estate market may affect valuations. Any exit below acquisition cost (including transaction cost) can lower the returns.
Regulatory Risk	Fund operates within guidelines as set out in the "Real Estate Investment Traded Funds Instructions" from Capital Market Authority. There can be further regulatory risk related to real estate market or public policy. Examples include new taxation, building code requirements, energy efficiency standards, Operational improvement requirements, etc. Changing regulations can add substantial time, risk, and cost to completing development projects and can also impose new and often burdensome operating restrictions on existing properties.	The Fund Manager has implemented processes to monitor regulatory requirements in all fund management functions, such as Compliance and Risk Management aiming to provide another layer of assurance that proper controls are in place to avoid any non-compliance.
Legal Risk	Risks involved in legal arrangements, contracts, agreements and obligations.	The Fund Manager has dedicated Legal and Compliance departments, who are responsible to provide guidance to ensure that all regulatory and compliance matters are adhered to. Regarding legal suits, any adverse ruling may potentially have a negative financial impact on the Fund.
Risk of crimes such as cyber security risks	Crimes such as cyber security incident includes any material adverse event that threatens the confidentiality, integrity and/or availability of the company's information resources and may result in financial losses.	The Fund Manager has implemented processes, procedures, and controls to help mitigate these risks. However, these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results would not be negatively impacted by the occurrence of any such event.
Valuation Risk	Risk that the valuation is notably incoherent from actual market prices.	Two independent appraisals are performed for asset valuations. The 3rd party Valuers are accredited by TAQEEM (i.e. Saudi Authority for Accredited Valuers). The Fund Manager uses the average of the two independent Valuers for reporting purpose. In case of any material contradiction between the two Valuers, the Fund Manager assigns a third Valuer.
Capital Deployment Risk and Reinvestment Risks	Risk of delay in capital deployment.	There is risk mitigation currently since the Fund has deployed its capital. Nevertheless, any portfolio rebalancing actions may create future deployment and/or reinvestment risks.

Risk Assessment – Cont.

Main Risks	Description	Assessment
General Risks Related to the Asset Class REIT	General risks of the asset class include among other aspects volatility of the share price, potential deviations between net asset value and the share price in the market, potential drop in share price and liquidity risks.	The market price of the units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the Fund Manager.
Environmental, Social and Governance (ESG) Risks, in Particular Climate Risk	Environmental, Social, and Governance (ESG) risks refer to the three factors of measuring the sustainability and societal impact of an investment. ESG criteria can help to better determine the future financial performance of companies (return and risk). Any environmental issues of properties, such as the use of hazardous materials, could adversely impact its value. As part of ESG risks, climate risks may result in increased exposure to loss as assets become less liquid, generate lower income or may be subject to environmental regulation. Additionally, Climate change could make insurance prohibitively expensive.	The Fund Manager assesses ESG risks in the analysis of investment opportunities and in its monitoring according to its responsible investment policy. In the Fund Manager’s experience, ESG assessment can complement traditional financial analysis and due diligence. The Fund Manager has implemented processes, procedures and controls to help mitigate these risks. However, these measures, as well as its increased awareness of ESG risks, do not guarantee that its financial results will not be negatively impacted by the occurrence of any such event.
Risks Related to Geopolitical Events, Natural Catastrophes, Terrorism and Health Pandemics	Geopolitical events, instability, terrorism, natural catastrophes and events such as health pandemic may negatively impact assets from valuation as well as income perspective.	The escalation of geopolitical conflicts, such as the Ukraine war, may be reflected in the risk premia of global risk assets and thus may impact the Fund, too. Given the fact that these events are highly uncertain and unpredictable and therefore the Fund as well as the Fund Manager may be negatively impacted by the occurrence of any such event.
Property Management Risk	Risk of lower income (i.e., return on investment) due to inappropriate or insufficient property management, resulting in high vacancy rates, high operating expenses and below market rental income etc.	Manager recognizes that management is essential to success in real estate investment and therefore, mitigates this risk by engaging suitable, qualified, and experienced property managers when outsourcing is done. In this regard, roles & responsibilities are clearly defined and agreed through legal documentation i.e., agreements, contracts etc. The Manager has implemented necessary processes to mitigate insufficiencies related to property management. Particularly, increasing energy costs may bring heightened focus on the energy efficiency of buildings, because of the impact on tenants’ bills.
Inflationary Pressure / Supply chain issues	Risk that production and supply chain bottlenecks likely to lead to unexpected inflation level.	While inflation is a risk factor, there is some mitigation of inflation through rent escalations in lease agreements. Based on historical data, REITs provide reasonable protection against inflation because rents are not as sticky as other prices. The alleviation of pandemic restrictions may ease some supply chain bottlenecks that have been a cause of inflation.

Risk Assessment – Cont.

Main Risks	Description	Assessment
Pandemic Risk	Threat of new waves of infections, impacting overall economy negatively.	<p>Manager recognizes that the emergence of the new infections/variant of COVID-19 looms all aspects of economy. However, since the start of the pandemic more resilience has been established.</p> <p>An increasing number of countries have even waived all or substantially eased pandemic restrictions. Expectations is that more countries will follow regionally and globally.</p>
Concentration Risk	Risk of a scenario where too much investment capital has been put into a single property type or geographical location.	<p>Manager recognizes portfolio diversification to manage concentration risk involves spreading investment capital across different property types as well as different geographical locations. Tenant diversification is an important factor considered by the Manager.</p> <p>This practice can reduce concentration risk and reduce exposure to market volatility or asset devaluations.</p>

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. However, booming oil-based revenues in 2022 allowed the Kingdom to book its first fiscal surplus since 2013, at USD 23.9 billion (2.3% of GDP). The fiscal windfall is anticipated to continue in 2023, with the fiscal surplus projected to be USD 2.4 billion (0.2% of GDP) at the year end.

The IMF revised Saudi Arabia's 2023 growth forecast significantly downwards to 2.6% on the back of lower expected output. The downgrade mainly reflects lower oil production in line with an agreement through OPEC+, while non-oil growth is expected to remain robust. A consecutive, albeit narrower, surplus is forecast in 2023, clouded by global economic concerns and an uncertain oil demand outlook.

GDP

Saudi Arabia's real GDP grew by 8.7% in 2022, compared to 3.2% in 2021, driven by growth in oil activities by 15.4%, while non-oil activities expanded 5.4% and government services activities increased by 2.2%. Saudi Arabia's GDP hit the USD 1.07 trillion mark, with growth in private consumption and gross fixed capital formation driving overall GDP growth. The government has set a GDP target of USD 1.7 trillion by 2030.

In Q4 2022, real GDP advanced by 5.4% from a year earlier, following a downwardly revised 8.7% rise in the previous period. It was the seventh straight quarter of economic expansion, largely driven by a 6.2% increase in non-oil activities. Meanwhile, oil activities expanded by 6.1% and government services activities rose by 1.8%.

Saudi Arabia is the world's biggest producer of oil and oil extraction accounts for 46% of GDP. The services sector represents 36% of the wealth including government services (13%), wholesale and retail trade and restaurants and hotels (8%) and financing, insurance and real estate (7.9%). Other sectors are manufacturing (10%), construction and electricity, gas and water distribution (6%) and agriculture, forestry and fishing (2%).

Inflation

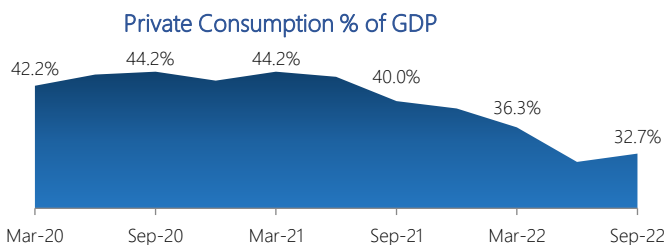
Annual inflation grew by 3.3% in December 2022 as compared to 2.9% in November 2022, beating market expectations of 3%. It was the highest inflation rate since June 2021, due to faster rises in housing, food and transport prices.

Prices mainly accelerated for both housing and utilities (5.9% vs 4.7%), amid rising costs of actual rentals, while prices of food and beverages gained by 4.2% (vs 3.5% in November), mainly due to food prices (4.3%), in particular meat and poultry prices (5.9%). Transport costs increased by 4.1%, following a 4.0% increase in November.

By contrast, prices fell for both personal goods and services (-0.4% vs -0.4%); clothing and footwear (-1.4% vs -1.3%), due to the decline in garment prices (-2.4%). On a monthly basis, consumer prices rose by 0.3%, the most in three months, after edging up 0.1% in November.

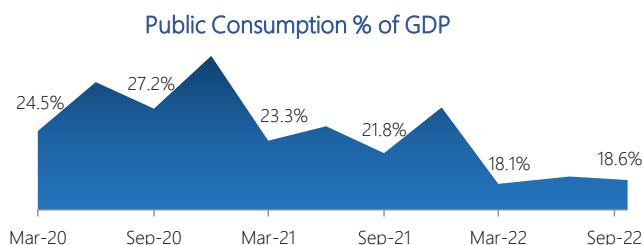
Private Consumption

Private Consumption accounted for 32.7% of nominal GDP in September 2022, compared to 31.5% in the previous quarter. Private Consumption share has grown in the recent years, with the average ratio standing at 32.9% from Mar 2003 to Sep 2022.



Public Consumption

Public Consumption accounted for 18.6% of nominal GDP in September 2022, compared to 19.0% in the previous quarter. Public consumption share has an average ratio of 22.2% from March 2003 to September 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 saw its AUM grow by USD 40 billion to USD 620 billion, compared to USD 580 billion in February 2022. The PIF has created 500,000 jobs through 54 companies operating in 10 sectors. The 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 more than 1.8 million direct and indirect jobs by the end of 2025.

In January 2023, Saudi Arabia hosted the Real Estate Future Forum, during which over 50 MoUs were signed and dispersed across real estate development and building technologies, the development and construction of housing units, the establishment of real estate funds, as well as the provision of advisory and administrative services.

The ambitious Saudi vision 2030 has seen continued investment as demand for real estate and infrastructure projects increases, topping USD 1.1 trillion. As part of the vision 2030 project, over 555,000 residential units, more than 275,000 hotel keys, in excess of 4.3 million sqm of retail space and over 6.1 million sqm of new office space is expected by 2030.

Real Estate Sector Overview
Riyadh, Jeddah and Dammam





Real Estate Market Overview – Riyadh

Hospitality Sector

The inauguration of Mansard Hotel and Residences in the third quarter increased Riyadh's total hotel stock to 20,000 keys. Around 3,000 keys are planned to be delivered in Riyadh in Q4 2022. The government has made substantial efforts to lure investment to the kingdom through measures such as visa reforms and the introduction of new development legislation. The latest available hotel statistics showed the kingdom's well-organized roster of year-round activities, which has helped sustain growing demand. In the first eight months of 2022, Riyadh's occupancy rate increased to 58%, a jump of more than 10% over the same period previous year. During the same time period, the average daily rate (ADR) rose by 23% year on year to USD 169. As a result, revenue per available room (RevPAR) increased 36% year on year to USD 98.

Supply Assessment



20,000 Keys
Existing supply



3,000 keys
to be delivered by Q4 2022

KPI YoY % change YTD August 2022



ADR
USD 169

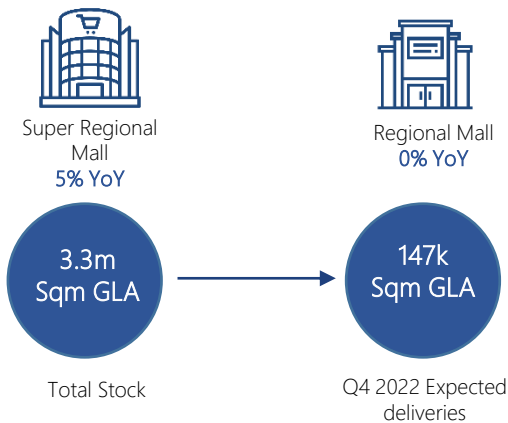


Occupancy Rate
58%



RevPAR
USD 98

Retail Sector Performance – Occupancy Rates and Deliveries



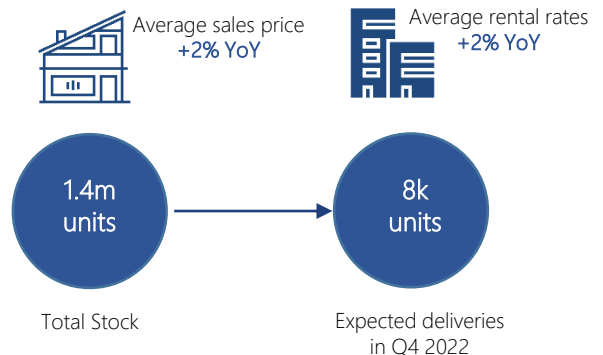
Retail Sector

Lumiere Center was Riyadh's sole noteworthy retail construction built in Q3, bringing the capital's total retail GLA to 3.3 million square meters. Footfall in retail malls has increased, with F&B and entertainment shops benefiting in particular from increased demand. According to Google's Mobility Index, which tracks people's movements between points of interest, retail and leisure activities in Riyadh in September 2022 were 21% higher than the baseline (which represents the average footfall for the first five weeks of 2020). The boost in consumer confidence was also reflected in the most recent Saudi Central Bank data, which showed a 19% annual increase in the value of point-of-sale transactions to SAR 317 billion between January and July 2022. In Riyadh, average rentals for super-regional malls increased by 5% year on year, while regional malls experienced no change in Q3. Although retailers are typically wanting to expand, they are being picky by choosing sites with high foot traffic as well as smaller areas to decrease capital and operating costs.

Residential Sector

In the third quarter of this year, around 7,800 residential units were constructed in Riyadh, bringing the capital's total stock to 1.4 million units. The northern portion of the capital is booming as several new and planned master planned communities with high quality housing attract the local population. More broadly, we are witnessing the concretization of a recent trend of rising numbers of young families choosing flats due to their relative affordability. The capital is also expanding in the same direction as multiple new & planned master planned communities comprising high quality dwellings attract the local population. More broadly, we continue to see the crystallization of a recent trend of increasing numbers where young families are opting for apartments due to their relative affordability.

Residential Sector Performance



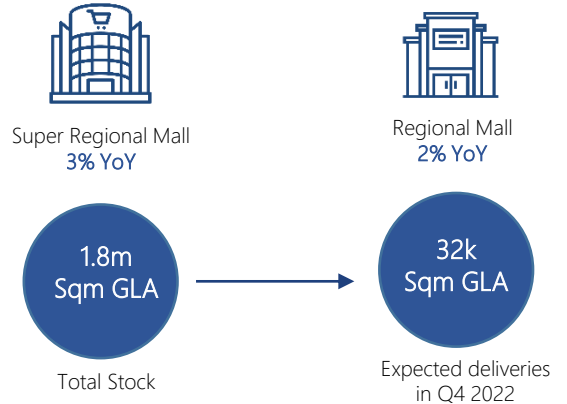


Real Estate Market Overview – Jeddah

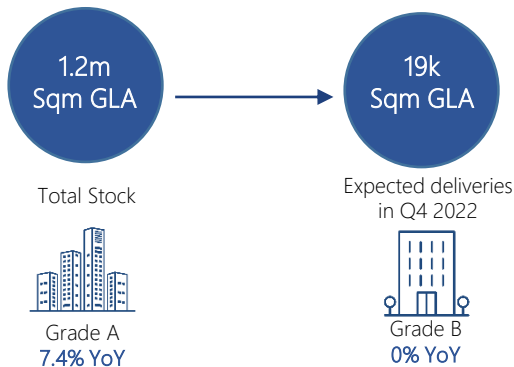
Retail Sector

In H1 2022, about 16,000 sqm of GLA was added to Jeddah's total retail supply, which now stands at 1.8 million sqm. Approximately 2,000 square meters were added to Jeddah's retail stock over the same time in 2022. It is anticipated to expand another 32k square meters in Q4 2022. A total of 179,000 square meters of retail space is scheduled to be delivered throughout the two cities (Riyadh and Jeddah) in the fourth quarter of this year, with the capital accounting for the majority of the impending supply (147,000 sq. m.). In Jeddah, average rents for super-regional and regional malls climbed to 3% and 2%, respectively. Online sales in KSA have been expanding in step with the increasing move towards omnichannel commerce as businesses attempt to meet the changing expectations of customers. E-commerce sales in the kingdom are expected to increase by 12% to reach SAR 21.6 billion in 2022, growing substantially faster than retail sales overall (5%).

Retail Sector Performance – Occupancy Rates and Deliveries



Office Sector Performance – Deliveries and Lease Rates



Office Sector

In Q3 2022, there were no major office completions in Jeddah, therefore the city's total office gross leasable area (GLA) remained steady at 1.2 million sq. m. An additional 207,000 sq. m. of GLA is expected to join the market in the capital and 19,000 sq. m. in Jeddah in the fourth quarter of this year.

Corporates have been expanding towards the north-west in Jeddah due to better parking ratios and less traffic congestion. Smaller firms in Jeddah are gravitating towards the east of the city due to the relative affordability of office rents.

Grade A office rentals in Jeddah climbed by 7.4% in the year to December 2022, reaching an average of SAR 1,175 per square meter. During the same time span, Grade B rentals were consistent at SAR 700 per square meter. Occupancy rates for both Grade A and Grade B offices increased throughout the course of 2022, reaching 90.6% and 76.0%, respectively, up from 87.8% and 78.7% in 2021.

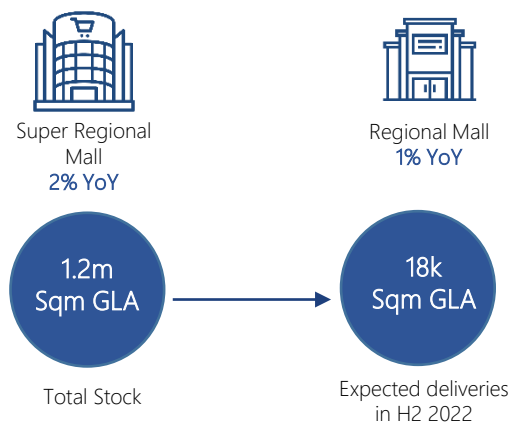


Real Estate Market Overview – Dammam

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

In recent years Saudi Arabia's education sector has received the highest proportion of government spending of all areas of the economy. For 2022, the government allocated SAR 185 billion towards education expenditure budget (19.4% of total budget).

The education sector is one of the main pillars of the Saudi Vision 2030 reform plan, with a particular emphasis on enabling the private sector to participate actively in its development. In line with the goals of Vision 2030, the government has launched a number of reform initiatives targeted at raising student attainment levels and enhancing the quality of teaching and curriculum.

The education system in Saudi Arabia is being redesigned to better equip the country's workers to compete in the increasingly information and technology-driven global economy. According to Vision 2030, the participation of private institutions in the pre-primary, primary, and secondary education sectors will increase from its current level – at approximately 12.5% to 25% by 2030.

The MoE wants to increase pre-primary enrollment to 90% by 2030 in order to lay a strong educational foundation for the Kingdom. By 2030, it is predicted that 1500 new pre-primary institutions would be needed to meet this target.

With almost 8.3 million students registered in schools and higher education institutions, Saudi Arabia has the largest education market in the GCC. However, the Kingdom has a lower share of enrollment in private schools compared to other GCC countries. This leaves significant room for development and investment in the region.

Saudi Arabia's 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, Saudi Arabia's private education sector is predicted to post 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. Strong growth drivers in the Kingdom have resulted in the education sector becoming an attractive investment opportunity.

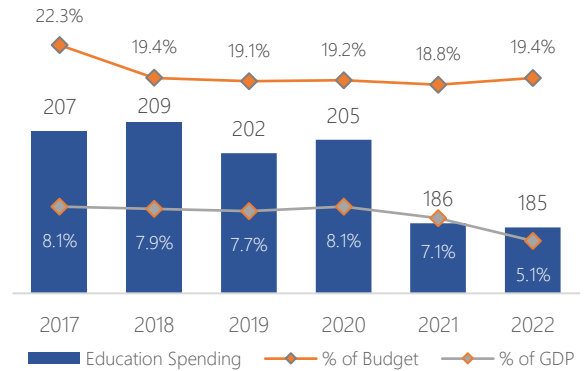
As a part of Vision 2030, the government aims to transition to a knowledge-based economy, with education as a critical component, the market is expected to become more favorable for private operators.

Recent Updates

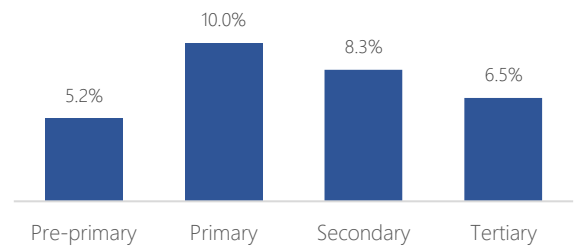
Saudi Arabia's Ministry of Education showcased investment prospects in the education industry at the FURAS Forum 2023. Through its participation in the forum, the Ministry aimed to highlight the investment opportunities provided by the Kingdom's education sector, whose economic returns are expected to reach SAR 27 trillion in a total of government and private spending, while highlighting the components and attractiveness of the educational market in the Kingdom.

During the Forum, the Ministry reviewed its approved paths of privatization in the education sector as well as the role of educational associations and institutions through numerous projects that enhance the role of the private sector in supporting and diversifying the national economy and achieving its sustainability.

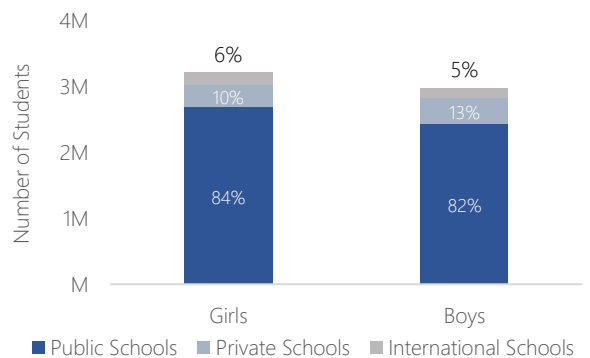
Education Expenditure % of GDP and % of Budget

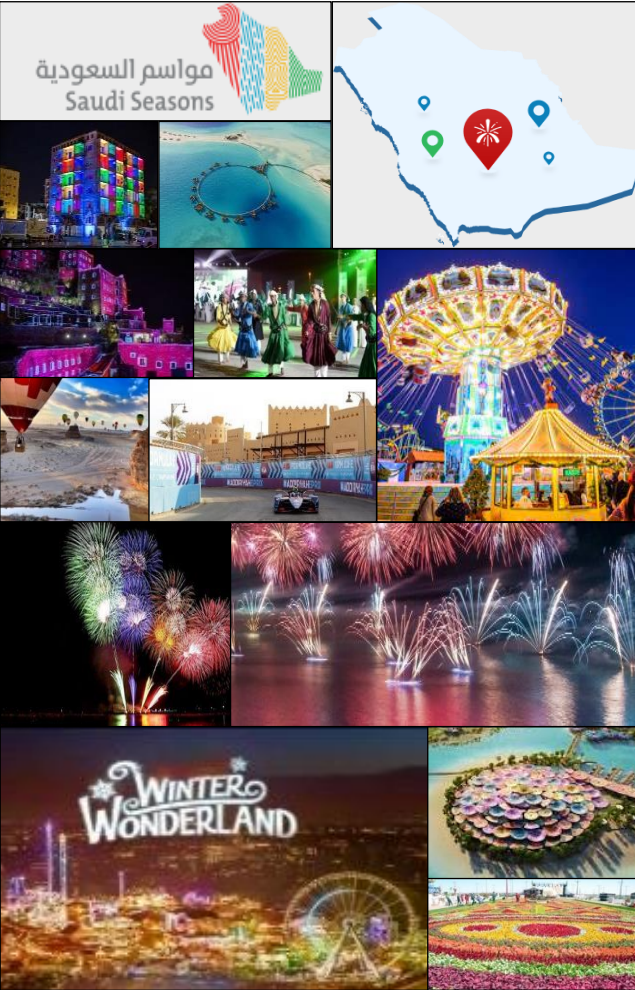


Students as a % of total population



Education Sector – Grade 1-12 students by school type





Entertainment Sector Overview

All major athletic and entertainment activities, such as performances, concerts, and art exhibitions, were cancelled because of the COVID-19 epidemic. However, the Kingdom's ambitious developing roster of athletic and entertainment events, which includes international events, elite events, regular national contests, and several smaller and public participation events, has gained traction and is anticipated to grow.

PIF established the Development and Investment Entertainment Company (DIEC), a subsidiary of GEA, in January 2018 with an initial capital of USD 2.6 billion. The corporation is forming a joint venture with a US partner to run theatres throughout the Kingdom. DIEC anticipates opening 30-40 theatres in about 15 Saudi cities over the next five years, with a total of 50-100 cinemas in approximately 25 Saudi cities by 2030. GEA has negotiated contracts to manage entertainment venues around the Kingdom with Six Flags, National Geographic, Cirque Du Soleil, and IMG Artists, in addition to AMC Theaters. Major French corporations have stated a desire to establish headquarters in Saudi Arabia's capital, Riyadh, to capitalize on these prospects. This occurred at the Federation of Saudi Chambers' welcome of a delegation of French company leaders and firms specializing in different sectors of entertainment in May 2022, as represented by the Saudi-French Business Council. The visit is in accordance with Saudi Vision 2030, which seeks to expand the contribution of the entertainment industry to 4.2 percent of GDP by 2030 and create 450,000 new jobs.

The decision by the Kingdom to abolish the 35-year ban on theatres in December 2017 has created chances for foreign and regional enterprises to support the growth of the local entertainment sector. Furthermore, the country has the greatest population among GCC countries, with 34.1 million people as of 2019, 60% of whom are under the age of 34 and hence prospective clients for the cinema business. The Public Investment Fund had taken the initiative to lead the local cinema industry by signing a deal formed as a joint venture between DIEC and the US cinema chain AMC Entertainment to open cinemas in the Kingdom, with the first movie theatre opening in Riyadh on April 18, 2018, and approximately 30 movie theatres to open in 15 cities across the Kingdom over the next five years. Following the launch of this joint venture, Vox Theaters, a subsidiary of the UAE-based entertainment giant Majid Al Futtaim, was given the second licence to open cinemas in the Kingdom in April 2022. The firm also intends to spend SAR 2 billion on 600 screens over the following five years, which authorities believe would increase the total number of cinemas in operation to 350 and the number of screens to 2,500 by 2030.

In April 2018, the Kingdom laid the groundwork for the Al-Qiddiya project, a new entertainment, sports, and cultural destination west of Riyadh with a total area of 334 square metres for six entertainment clusters, including a theme park, sports arenas, motor tracks, water and snow sports facilities, vacation homes, and cultural activity venues. The first phase is set to be completed in 2022, and by 2030, the project is estimated to create 57,000 employment and contribute SAR 17 billion to the GDP. The Qiddiya project, according to the PIF, seeks to attract 17 million entertainment tourists, 12 million retail visitors, and 2 million hotel guests by 2030.

Sources: Ministry of Finance; www.pif.gov.sa; www.CEIC.com; Trading Economics; Arab News; Reuters; consultancy-me.com; Zawya; JLL Real Estate Market report Q3 2022; Saudi Arabia Entertainment & Amusement Market Report 2022, CBRE real estate report.

Fund Manager

Saudi Economic and Development Securities Company (SEDCO 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.sedccapital.com
E-Mail: info@sedccapital.com



Saudi Economic and Development Securities Company (SEDCO 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.

23C15

For more information

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 P.O. Box 13396, Jeddah 21493, Kingdom of Saudi Arabia

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 License No. 11157-37

 info@sedcocapital.com

Financial Statements
As of 31 December 2022

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital)

**FINANCIAL STATEMENTS AND AUDITOR'S REPORT TO THE
UNITHOLDERS**

FOR THE YEAR ENDED 31 DECEMBER 2022

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

FINANCIAL STATEMENTS

For the year ended 31 December 2022

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INDEPENDENT AUDITOR'S REPORT **To the Unitholders of SEDCO Capital REIT Fund**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SEDCO Capital REIT Fund (the "Fund"), managed by SEDCO Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2022, and the statement of income and other comprehensive income, statement of changes in net assets attributable to unitholder and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statement of the Fund for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statement on 28 March 2022 (corresponding to 25 Sha'ban 1443H).

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to the key audit matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements.

The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT
To the Unitholders of SEDCO Capital REIT Fund (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matter (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of investment properties</p> <p>As at 31 December 2022, the carrying value of investment properties held by the Fund was SR 1,760.4 million (2021: SR 1,634.0 million).</p> <p>The carrying values of these investment properties are reviewed at each reporting date by the Fund Manager to assess whether there are indicators of impairment and, wherever indicators of impairment exist, an impairment assessment is performed by determining if the recoverable amounts of these investment properties are less than their carrying values.</p> <p>The Fund Manager engages two independent certified valuers to help the Fund Manager to determine the recoverable amounts. The valuations are carried out using common methodologies and approaches, and this is considered a key audit matter as these methodologies and approaches involve significant judgement and estimates including estimated rental value per sqm per month, occupancy rates, escalations, exit yield and discount rates and others, including economic fluctuations impact on the Fund's business.</p> <p><i>Refer to note 3 which includes the disclosure of significant accounting estimate and assumptions for valuation of investment properties. Also, refer to note 4.2 for the disclosure of significant accounting policy relevant for recognition and measurement of investment properties. Also, refer to note 5 for details regarding investment properties</i></p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> • Reviewed the procedures in identifying impairment indicators in respect of investment properties • Evaluated objectivity, independency, competence and experience of the valuers. • On a sample-basis, we involved our specialists to perform the following: <ul style="list-style-type: none"> ○ Review the reasonableness of the fair values of the investment properties, and the critical assumptions including estimated rental value per sqm per month, occupancy rates, escalations, exit yield and discount rates and others. ○ Analyse the significant assumptions and evaluate their impact on the fair values as well as assessing the impact of changes in the key assumptions to the fair values of the investment properties as determined by the valuers. • Evaluated the adequacy of presentation and disclosures in respect of investment properties, including disclosures of key assumptions and judgements.



INDEPENDENT AUDITOR'S REPORT
To the Unitholders of SEDCO Capital REIT Fund (continued)

Report on the Audit of the Financial Statements (continued)

Other Information Included in the Fund's 2022 Annual Report

Other information consists of the information included in the Fund's 2022 annual report, other than the financial statements and our auditor's report thereon. The Fund Manager is responsible for the other information in its annual report. The Fund's 2022 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Fund's 2022 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants, and the applicable provisions the Real Estate Investment Funds Regulations issued by the Board of the Capital Market Authority and the Fund's terms and conditions, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Fund's Board, are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT
To the Unitholders of SEDCO Capital REIT Fund (continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit, in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services


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

Jeddah: 08 Ramadhan 1444H
30 March 2023G



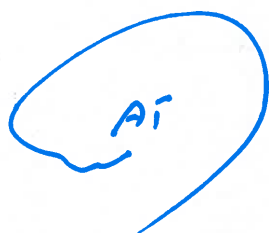
SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 SR	2021 SR
ASSETS			
NON-CURRENT ASSET			
Investment properties	5	1,760,383,078	1,633,965,863
TOTAL NON-CURRENT ASSET		1,760,383,078	1,633,965,863
CURRENT ASSETS			
Derivative instruments at fair value through income statement ("FVTIS")	6	21,645,322	852,014
Rent receivables	7	29,577,661	27,500,726
Prepayments and other receivables		6,275,396	5,169,476
Cash and cash equivalents	8	26,550,920	62,053,842
TOTAL CURRENT ASSETS		84,049,299	95,576,058
TOTAL ASSETS		1,844,432,377	1,729,541,921
LIABILITIES			
NON-CURRENT LIABILITY			
Financing facility from a bank	9	785,924,480	615,511,202
TOTAL NON-CURRENT LIABILITY		785,924,480	615,511,202
CURRENT LIABILITIES			
Dividends payable	10	21,296,875	9,750,000
Due to a related party	11	15,322,392	4,500,000
Accrued expenses and other payable	12	2,716,258	38,655,155
Deferred revenue	13	13,482,685	17,273,031
Current portion of financing facility from a bank	9	8,293,739	4,141,929
TOTAL CURRENT LIABILITIES		61,111,949	74,320,115
TOTAL LIABILITIES		847,036,429	689,831,317
NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS		997,395,948	1,039,710,604
UNITS IN ISSUE	14	117,500,000	117,500,000
Net assets per unit (SR)		8.4885	8.8486



The attached notes from 1 to 19 form an integral part of these financial statements.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	<i>2022</i> <i>SR</i>	<i>2021</i> <i>SR</i>
INCOME/ (LOSS)			
Rental income		137,505,273	72,898,962
Murabaha income	8 (a)	426,567	11,314
Net gain / (loss) on derivative instruments at FVTIS		21,199,241	(1,231,454)
TOTAL INCOME		159,131,081	71,678,822
EXPENSES			
Management, administrative and shariah fees		11,127,297	5,830,518
Depreciation	5	29,130,449	16,194,638
Financing fees and bank charges	9	34,525,866	12,480,293
Expected credit loss on rent receivables	7.1	3,500,000	249,832
Impairment charge on investment properties	5	26,839,816	60,147,719
Operating and other expenses	15	12,897,309	12,213,597
TOTAL EXPENSES		118,020,737	107,116,597
NET INCOME / (LOSS) FOR THE YEAR		41,110,344	(35,437,775)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		41,110,344	(35,437,775)

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The attached notes from 1 to 19 form an integral part of these financial statements.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2022

	<i>2022</i> <i>SR</i>	<i>2021</i> <i>SR</i>
Net assets attributable to the unitholders at 1 January	1,039,710,604	537,948,379
Total comprehensive income / (loss) for the year	41,110,344	(35,437,775)
Issue of units during the year	-	575,000,000
Dividend (note 10)	<u>(83,425,000)</u>	<u>(37,800,000)</u>
Net assets attributable to the unitholders as at 31 December	<u><u>997,395,948</u></u>	<u><u>1,039,710,604</u></u>

AT
S. ALAW

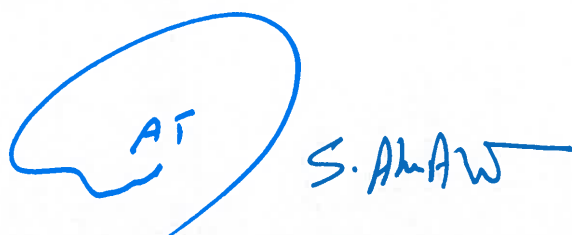
The attached notes from 1 to 19 form an integral part of these financial statements.

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	<i>Notes</i>	<i>2022</i> <i>SR</i>	<i>2021</i> <i>SR</i>
OPERATING ACTIVITIES			
Net income / (loss) for the year		41,110,344	(35,437,775)
<i>Adjustments to reconcile net income / (loss) to net cash from operating activities:</i>			
Depreciation	5	29,130,449	16,194,638
Expected credit loss on rent receivables	7.1	3,500,000	249,832
Impairment on investment properties	5	26,839,816	60,147,719
Net gain / (loss) on derivative instruments at fair value through income statement		(21,199,241)	1,231,454
Financing fees and bank charges	9	34,525,866	12,480,293
		<u>113,907,234</u>	<u>54,866,161</u>
Net changes in operating assets and liabilities:			
Rent receivables		(5,576,935)	(11,830,920)
Prepayments and other receivables		(1,105,920)	1,090,566
Derivative instruments at fair value through income statement		405,933	(3,386,838)
Movement in Financing facility from a bank		(13,097,088)	(8,212,357)
Due to a related party		10,822,392	(2,415,085)
Accrued expenses and other payable		(35,938,897)	2,906,258
Deferred revenue		(3,790,346)	13,750,567
		<u>65,626,373</u>	<u>46,768,352</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Payments made for the acquisition of investment properties		(178,454,796)	(340,765,624)
Payments made for work in progress		(3,932,684)	(6,165,708)
		<u>(182,387,480)</u>	<u>(346,931,332)</u>
Net cash used in investing activities			
FINANCING ACTIVITIES			
Proceeds from issuance of new units	14	-	250,000,000
Repayment of loan principal and interest		(821,863,690)	(7,818,876)
Dividend paid during the year	10	(71,878,125)	(35,550,000)
Proceeds from loans and borrowings		975,000,000	135,000,000
		<u>81,258,185</u>	<u>341,631,124</u>
Net cash from financing activities			
Net change in cash and cash equivalents			
		<u>(35,502,922)</u>	<u>41,468,144</u>
Cash and cash equivalents at beginning of the year		62,053,842	20,585,698
Cash and cash equivalents at end of the year			
		<u><u>26,550,920</u></u>	<u><u>62,053,842</u></u>
Non-cash transactions			
Real estate transaction tax (RETT)	12	-	33,003,625
In-kind contributors	14	-	325,000,000



The attached notes from 1 to 19 form an integral part of these financial statements.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 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 year 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 year 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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and to comply with the applicable provisions of the Investment Funds Regulations issued by Capital Market Authority, the Fund's terms and conditions.

The Fund has prepared the financial statements on the basis that it will continue to operate as a going concern.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

2 BASIS OF PREPERATION (continued)

b) Basis of measurement

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

c) Functional and presentation currency

Items included in these 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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Fund’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Valuation of investment properties

The Fund carries its investment properties at cost, with changes in fair value being disclosed in the statement of income. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model was used. The key inputs to valuation of investment properties include estimated rental value per sqm per month, rent growth per annum, long-term vacancy rate and discount rate. The Fund engaged an independent valuation specialist to assess fair values as at 31 December 2022 for the investment properties.

Using the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset’s life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the investment properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long-term vacancy rate.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of non-financial assets

The Fund Manager reviews the carrying amounts of non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use.

Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.

Provision for expected credit losses of rent receivables

The Fund uses a provision matrix to calculate ECLs for rent receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns

The provision matrix is initially based on the Fund's historical observed default rates. The Fund will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Fund's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Fund's rent receivables is disclosed in note 7.

Useful lives of investment properties

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

4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

4.1 Current versus non-current classification

The Fund presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
 - It is held primarily for the purpose of trading
 - It is due to be settled within twelve months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Fund classifies all other liabilities as non-current.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 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 properties are 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.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in statement of income in the period of derecognition.

4.3 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. With the exception of rent receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient, the Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Fund's financial assets at amortised cost includes rent receivables, prepayments and other receivables and cash and cash equivalents.

Financial assets at fair value through income statement

Financial assets at fair value through income statement are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of income. This category includes derivative instruments at fair value through income statement.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Financial instruments – initial recognition and subsequent measurement

a) *Financial assets (continued)*

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, Or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment

The Fund recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For rent receivables and contract assets, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

b) *Financial liabilities*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through income statement, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Fund's financial liabilities include financing facility from a bank, dividends payable, due to a related party and other payable.

Subsequent measurement

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Fund that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of income statement. Financial liabilities designated upon initial recognition at fair value through income statement are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Fund has not designated any financial liability as at fair value through income statement.

Financial liabilities at amortised cost (financing facility from a bank)

This is the category most relevant to the Fund. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of income statement.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Financial instruments – initial recognition and subsequent measurement

b) *Financial liabilities (continued)*

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of income statement.

c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.4 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Fund uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

4.5 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of bank balances and other short term highly liquid investments with original maturities of three months or less, which are available to the Fund without any restrictions. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

4.6 Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Fund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

4.7 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.

4.8 Dividend payable

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

4.9 Revenue recognition

Rental income

The Fund classifies the lease agreements of the investment properties as operating leases as it does not transfer substantially all the risks and rewards incidental to ownership of the investment properties. Rental income arising from leasing of investment properties is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Revenue recognition

Murabha income

Income from murabaha deposits is recognized using the effective profit rate over the period of the deposit agreement.

4.10 Expenses

a) 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 fair value of the Fund's net assets calculated based on the most recent audited financial statements and paid on a semi-annual basis.

b) Performance fee

The Fund Manager is entitled to a 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 assets.

c) Financing arrangement fees

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

d) Brokerage fee and acquisition fee

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

e) Custody fee

The Custodian is entitled to a one-time set-up fee of SR 30,000, payable on the Closing Date, i.e. at the termination date of the offering period. Thereafter, the Custodian is entitled to an annual fee equal to 0.04% of the fair value of the Fund's net assets calculated at the beginning of each year, subject to a minimum of SAR 200,000, paid on a semi-annual basis.

f) Shariah fees

The Fund Manager is entitled to receive annual sharia fee amounting to SR 30,000.

g) Property Management Fee

Property management fees are due to multi-tenant real estate properties, and any property management fees paid from the fund to any property manager appointed by the Fund Manager are negotiated according to the market prices.

h) Board fees

The fund pays to the independent fund board members an amount of SAR 30,000 annually for each member, and the fund board fees will not exceed SAR 60,000, annually.

i) Depository Centre Fees (Edaa fees)

The depository company, Edaa, is entitled to receive a fee for creating the unitholder register (SR 50,000 plus 2 SR for each unit holder, not to exceed SR 500,000) and annual fees of SR 400,000 for managing the unitholder register. The aforementioned fees are subject to change as determined by Tadawul.

j) Tadawul fee

Tadawul is entitled to receive a one-time fee for listing of the Fund equal to SR 50,000 and an annual fee of 0.03% of the Fund's unit market value, with a minimum of SR 50,000 and maximum of SR 300,000, for the continuing of listing for the Fund. The aforementioned fees are subject to change as determined by Tadawul.

4.11 Impact of new standards, interpretations and amendments adopted by the Fund

The Fund applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Impact of new standards, interpretations and amendments adopted by the Fund (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Fund cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. This amendment had no impact on the financial statements of the Fund.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Fund applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). These amendments had no impact on the financial statements of the Fund as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. In accordance with the transitional provisions, the Fund applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments are not applicable to the Fund.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the financial statements of the Fund as it is not a first-time adopter.

IAS 41 Agriculture – Taxation in fair value measurement

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. These amendments had no impact on the financial statements of the Fund as it did not have assets in scope of IAS 41 as at the reporting date.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of reporting of the Fund's financial statements are disclosed below. The Fund intends to adopt these standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- o A specific adaptation for contracts with direct participation features (the variable fee approach)
- o A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Fund.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- o What is meant by a right to defer settlement
- o That a right to defer must exist at the end of the reporting period
- o That classification is unaffected by the likelihood that an entity will exercise its deferral right
- o That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendment is not expected to have any impact on the financial statements of the Fund.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the financial statements of the Fund.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Standards issued but not yet effective (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The amendments are not expected to have a material impact on the financial statements of the Fund.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

Effective for annual periods beginning on or after 1 January 2023. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments are not expected to have a material impact on the financial statements of the Fund.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

Effective for annual periods beginning on or after 1 January 2024. In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. This standard is not applicable to the Fund.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

5 INVESTMENT PROPERTIES

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

	Type	Location	Cost				Depreciation			Impairment			Net Book value SR	Fair Value SR
			Opening SR	Additions during the year SR	Transfers SR	Closing SR	Opening SR	Charge for the year SR	Closing SR	Opening SR	(Charge)/reversal for the year SR	Closing impairment SR		
Al Khaldiyah Business Centre	Commercial	Jeddah	148,984,706	-	17,441,258	166,425,964	(7,700,306)	(2,070,039)	(9,770,345)	(953,400)	(19,017,219)	(19,970,619)	136,685,000	136,685,000
Al Jazeera Residential Compound	Residential	Riyadh	67,648,996	53,889	-	67,702,885	(1,979,243)	(599,713)	(2,578,956)	-	-	-	65,123,929	67,660,000
Hyper Panda	Commercial	Jeddah	39,300,000	-	-	39,300,000	(1,047,206)	(279,000)	(1,326,206)	-	-	-	37,973,794	38,775,000
Hyper Panda Public Prosecution Building	Commercial	Riyadh	78,765,000	-	-	78,765,000	(2,112,990)	(562,950)	(2,675,940)	-	-	-	76,089,060	77,485,000
Al Rawdah Business Centre	Commercial	Jeddah	63,395,580	-	-	63,395,580	(4,885,226)	(1,139,557)	(6,024,783)	(5,410,354)	789,555	(4,620,799)	52,749,998	52,750,000
Al Hayat Tower Apartments Hotel	Commercial	Jeddah	126,503,000	-	-	126,503,000	(10,052,294)	(2,717,644)	(12,769,938)	(6,393,706)	(2,754,356)	(9,148,062)	104,585,000	104,585,000
Banque Saudi Fransi Building	Commercial	Riyadh	41,260,000	-	-	41,260,000	(2,956,948)	(220,708)	(3,177,656)	(18,903,052)	480,708	(18,422,344)	19,660,000	19,660,000
Hyper Panda	Commercial	Dammam	28,519,294	-	-	28,519,294	(1,539,911)	(447,863)	(1,987,774)	-	-	-	26,531,520	27,065,000
Hyper Panda	Commercial	Dammam	62,545,580	-	-	62,545,580	(2,538,636)	(747,863)	(3,286,499)	-	-	-	59,259,081	67,595,000
Al Hokair Time Centre	Commercial	Dammam	34,206,942	-	-	34,206,942	(1,520,280)	(447,863)	(1,968,143)	-	-	-	32,238,799	32,990,000
Ajdan Walk	Commercial	Al Khobar	356,274,715	-	-	356,274,715	(19,025,472)	(6,357,346)	(25,382,818)	-	-	-	330,891,897	351,345,000
Hyper Panda (Branch & Parking)	Commercial	Dammam	70,170,958	-	-	70,170,958	(3,381)	(1,117,315)	(1,120,696)	(3,882,577)	2,332,315	(1,550,262)	67,500,000	67,500,000
Al Olaya School	Commercial	Riyadh	63,776,863	-	-	63,776,863	(2,988)	(984,540)	(987,528)	(3,528,875)	2,609,540	(919,335)	61,870,000	61,870,000
Extra Store	Commercial	Dammam	52,984,181	-	-	52,984,181	(1,683)	(526,551)	(528,234)	(2,932,498)	451,551	(2,480,947)	49,975,000	49,975,000
Iraqah Plaza	Commercial	Riyadh	93,955,614	-	-	93,955,614	(2,790)	(862,659)	(865,449)	(5,200,324)	(3,914,841)	(9,115,165)	83,975,000	83,975,000
Al Hamra Plaza	Commercial	Riyadh	71,346,032	-	-	71,346,032	(1,770)	(527,903)	(529,673)	(3,949,262)	1,082,903	(2,866,359)	67,950,000	67,950,000
Dar Al Baraa School	Commercial	Riyadh	165,807,140	-	-	165,807,140	(10,470)	(3,546,500)	(3,556,970)	(9,171,670)	6,951,500	(2,220,170)	160,030,000	160,030,000
Al Manahij School	Commercial	Riyadh	58,457,273	-	-	58,457,273	(2,355)	(762,535)	(764,890)	(3,234,918)	(1,792,465)	(5,027,383)	52,665,000	52,665,000
Amjad Qortuba School	Commercial	Riyadh	122,271,188	-	-	122,271,188	(5,268)	(1,719,873)	(1,725,141)	(6,765,920)	(3,775,127)	(10,541,047)	110,005,000	110,005,000
Ajdan Entertainment (note 5.6)	Commercial	Al Khobar	-	178,400,907	-	178,400,907	-	(3,492,027)	(3,492,027)	-	(10,283,880)	(10,283,880)	164,625,000	164,625,000
Work in progress (note 5.7)			13,508,574	3,932,684	(17,441,258)	-	-	-	-	-	-	-	-	-
			1,759,681,636	182,387,480	-	1,942,069,116	(55,389,217)	(29,130,449)	(84,519,666)	(70,326,556)	(26,839,816)	(97,166,372)	1,760,383,078	1,795,190,000

SEDCO CAPITAL REIT FUND

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

5 INVESTMENT PROPERTIES (continued)

5.2 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 year SR	Closing SR	Opening SR	(Charge)/ reversal for the year SR	Closing Impairment SR		
Al Khaldiya Business Centre	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
Al Jazeera Residential Compound	Residential	Riyadh	67,602,009	46,987	67,648,996	(1,450,479)	(528,764)	(1,979,243)	-	-	-	65,669,753	69,320,000
Hyper Panda	Commercial	Jeddah	39,300,000	-	39,300,000	(768,206)	(279,000)	(1,047,206)	-	-	-	38,252,794	39,325,000
Hyper Panda	Commercial	Riyadh	78,765,000	-	78,765,000	(1,550,040)	(562,950)	(2,112,990)	-	-	-	76,652,010	81,100,000
Public Prosecution 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
Al Rawdah Business Centre	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
Al Hayat Tower Apartments Hotel	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
Banque Saudi Fransi Building	Commercial	Dammam	28,519,294	-	28,519,294	(1,092,048)	(447,863)	(1,539,911)	-	-	-	26,979,383	28,085,000
Hyper Panda	Commercial	Dammam	62,545,580	-	62,545,580	(1,790,773)	(747,863)	(2,538,636)	-	-	-	60,006,944	65,175,000
Al Hokair Time Centre	Commercial	Dammam	34,206,942	-	34,206,942	(1,072,417)	(447,863)	(1,520,280)	-	-	-	32,686,662	33,600,000
Ajdan Walk	Commercial	Al Khobar	356,274,715	-	356,274,715	(12,668,123)	(6,357,349)	(19,025,472)	-	-	-	337,249,243	357,000,000
Hyper Panda (Branch & Parking) (note 5.6)	Commercial	Dammam	-	70,170,958	70,170,958	-	(3,381)	(3,381)	-	(3,882,577)	(3,882,577)	66,285,000	66,285,000
Al Olaya School (note 5.6)	Commercial	Riyadh	-	63,776,863	63,776,863	-	(2,988)	(2,988)	-	(3,528,875)	(3,528,875)	60,245,000	60,245,000
Extra Store (note 5.6)	Commercial	Dammam	-	52,984,181	52,984,181	-	(1,683)	(1,683)	-	(2,932,498)	(2,932,498)	50,050,000	50,050,000
Irqah Plaza (note 5.6)	Commercial	Riyadh	-	93,955,614	93,955,614	-	(2,790)	(2,790)	-	(5,200,324)	(5,200,324)	88,752,500	88,752,500
Al Hamra Plaza (note 5.6)	Commercial	Riyadh	-	71,346,032	71,346,032	-	(1,770)	(1,770)	-	(3,949,262)	(3,949,262)	67,395,000	67,395,000
Dar Al Baraa School (note 5.6)	Commercial	Riyadh	-	165,807,140	165,807,140	-	(10,470)	(10,470)	-	(9,171,670)	(9,171,670)	156,625,000	156,625,000
Al Manahij School (note 5.6)	Commercial	Riyadh	-	58,457,273	58,457,273	-	(2,355)	(2,355)	-	(3,234,918)	(3,234,918)	55,220,000	55,220,000
Amjad Qortuba School (note 5.6)	Commercial	Riyadh	-	122,271,188	122,271,188	-	(5,268)	(5,268)	-	(6,765,920)	(6,765,920)	115,500,000	115,500,000
Work in progress (note 5.7)			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 FINANCIAL STATEMENTS (continued)

At 31 December 2022

5 INVESTMENT PROPERTIES (continued)

5.3 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>31 December</i> <i>2022</i> <i>SR</i>	<i>31 December</i> <i>2021</i> <i>SR</i>
Net assets as reported	997,395,948	1,039,710,604
Net appreciation in value based on valuation	34,806,922	22,599,637
Net assets at fair value of investment properties	1,032,202,870	1,062,310,241
Net assets per unit, at cost	8.4885	8.8486
Impact on net assets per unit for the appreciation in value	0.2962	0.1923
Net assets per unit at fair value	8.7847	9.0409

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

5.5 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 31 December 2022 were carried out by Jones Lang LaSalle Saudi Arabia Co. and Value Strat Consulting (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.

5.6 The impairment of the new property acquired by the Fund during the current year and the 8 new properties acquired by the Fund during 2021, in connection with the capital increase (note 14), is due to capitalizing the additional acquisition costs incurred related to Real Estate Transaction Tax and Fund Manager fees.

5.7 During the year, work in progress relating to construction of parking lot in Al Khaldiyah Business Centre was completed and total cost of SR 17.4 million was capitalised during the year.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

6 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 9). 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>31 December 2022</i>		<i>31 December 2021</i>	
	<i>Positive / (Negative) Fair Value</i>	<i>Notional Amount</i>	<i>Positive / (Negative) Fair Value</i>	<i>Notional Amount</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Swap 1				
Nominal loan amount	11,410,187	250,000,000	1,066,675	250,000,000
Swap 2				
Nominal loan amount	10,235,135	240,000,000	(214,661)	240,000,000
Total	21,645,322	490,000,000	852,014	490,000,000

7 RENT RECEIVABLES

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

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Gross rent receivables	36,361,714	30,784,779
Allowance for expected credit losses (note 7.1)	(6,784,053)	(3,284,053)
	29,577,661	27,500,726

The gross rent receivables balance is current and is not past due except for receivable balance amounting to 6.78 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.

7.1 The movement in allowance for expected credit losses:

	<i>2022 SR</i>	<i>2021 SR</i>
Balance at 1 January	3,284,053	3,034,221
Charge for the year	3,500,000	249,832
Balance at year end	6,784,053	3,284,053

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

8 CASH AND CASH EQUIVALENTS

	<i>31 December</i> <i>2022</i> <i>SR</i>	<i>31 December</i> <i>2021</i> <i>SR</i>
Bank balances	1,550,920	62,053,842
Murabaha deposits with original maturities of less than three months (note (a) below)	25,000,000	-
	26,550,920	62,053,842

- a) During the year, the Fund earned finance income of SR 426,567 (2021: SR 11,314) at the rate of return ranging from 0.50% to 4.10% (2021: 0.48% to 0.62%).

At each reporting date, all bank balances including short-term Murabaha are assessed to have low credit risk as they are held with reputable and high credit rating domestic and international banking institutions and there has been no history of default with any of the Fund's bank balances. Therefore, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

9 FINANCING FACILITY FROM A BANK

During the year, the Fund settled a financing facility agreement with a local commercial bank with an approved limit of SR 1,050 million and entered into a new financing facility agreement with another local commercial bank with an approved limit of SR 1,175 million.

The new facility carries a commission of six months SAIBOR + 1% to be paid every six months and the principal is repayable in a single bullet payment up to 16 October 2028. The facility is secured against all existing investment properties.

As at 31 December 2022, the Fund has an undrawn amount of SR 375 million (31 December 2021: SR 425 million).

The Fund has recorded financing charges based on effective commission rate method amounting to SR 34.5 million (2021: SR 12.48 million).

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

	<i>31 December</i> <i>2022</i> <i>SR</i>	<i>31 December</i> <i>2021</i> <i>SR</i>
Non-current liabilities	785,924,480	615,511,202
Current liabilities – current portion of financing from a bank	8,293,739	4,141,929
	794,218,219	619,653,131

Current portion of financing from a bank presented above represent accrued commission amounting to SR 8,293,739 (31 December 2021: SR 4,141,929).

10 DIVIDEND PAYABLE

During the year ended 31 December 2022, the Fund Board declared and approved cash dividends amounting to SR 83.42 million (2021: SR 37.80 million). During the year ended 31 December 2022, the Fund paid an amount of SR 71.88 million to the Fund's Unitholders (2021: SR 35.55 million).

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

11 RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions comprise of transactions with the Fund Manager and Al-Inma Investment Company, the Fund Custodian, 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 terms and conditions of the Fund.

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

<i>Related party</i>	<i>Nature of transaction</i>	<i>2022</i> <i>SR</i>	<i>2021</i> <i>SR</i>
SEDCO Capital (Fund Manager)	Management fees	10,568,854	5,524,303
	Administrative Fees	528,443	276,215
	Shariah Fees	30,000	30,000
	Financing arrangement fee	14,687,500	4,500,000
	Brokerage and acquisition fees	6,157,531	5,693,125
	Payment of Fund Manager fees and reimbursement of fees paid on behalf of the Fund	(21,149,936)	(18,438,728)
Al Mahmal Trading Company (Affiliate of Fund Manager)	Rent income	1,004,110	866,000
	Property management and rent collection fees	5,419,859	5,189,943
Al-Inma Investment Company (Custodian)	Custody fees	421,575	223,413
Fund Board	Board remuneration	60,000	60,000

The balance due to a related party as at 31 December 2022 amounted to SR 15,322,392 (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 1,115,929 (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 12). Moreover, the balance due to the custodian of the Fund amounted to SR 207,336 (2021: SR 108,857), which is presented under accrued expenses and other payable (note 12).

12 ACCRUED EXPENSES AND OTHER PAYABLE

Accrued expenses and other payables comprise of the following:

	<i>31 December</i> <i>2022</i> <i>SR</i>	<i>31 December</i> <i>2021</i> <i>SR</i>
Maintenance fee payable (note 11)	1,115,929	1,230,602
Security deposits	766,621	831,154
Valuation fee payable	392,372	113,000
Custody fee payable (note 11)	207,336	108,857
Accrued professional fees	162,500	57,500
Tadawul fee payable	-	500,000
Real estate transaction tax (RETT)	-	33,003,625
Underwriting costs	-	2,532,500
Other payable	71,500	277,917
	2,716,258	38,655,155

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

13 DEFERRED REVENUE

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

	2022 SR	2021 SR
Balance at 1 January	17,273,031	3,522,464
Rent received during the year	76,588,704	33,414,997
Adjusted against revenue earned during the year	(80,379,050)	(19,664,430)
Balance at 31 December	<u>13,482,685</u>	<u>17,273,031</u>

14 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, out of which 32,500,000 were allocated to in-kind subscribers. The total number of units issued pursuant to capital increase amount to 117,500,000 units. During the current year ended 31 December 2022, there was no movement in number of units.

15 OPERATING AND OTHER EXPENSES

Operating and other expenses comprise of the following:

	2022 SR	2021 SR
Operating expenses	9,817,671	7,101,107
Tadawul and Edaa fees	504,063	1,001,904
Professional fees	1,344,607	3,165,174
Custody fees (note 11)	421,575	223,413
Board fees (note 11)	60,000	60,000
Other expenses	749,393	661,999
	<u>12,897,309</u>	<u>12,213,597</u>

16 FINANCIAL RISK MANAGEMENT

The Fund's principal financial liabilities comprise financing facility from a bank, due to a related party, and other payables. The main purpose of these financial liabilities is to finance the Fund's operations. The Fund's principal financial assets include derivative instruments at fair value through income statement, rent receivables, cash and cash equivalents and other receivables that derive directly from its operations. The Fund also holds investments properties and enters into derivative transactions.

The Fund is exposed to market risk, credit risk and liquidity risk. The Fund Manager oversees the management of these risks. 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.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

16 FINANCIAL RISK MANAGEMENT (continued)

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include financing facility from a bank and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2022 and 2021.

1) *Commission rate risk*

Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's exposure to the risk of changes in market interest rates relates primarily to the Fund's long-term financing facility which is at floating rate of interest and is subject to re-pricing on a regular basis.

The Fund analyses its commission rate exposure on a regular basis by monitoring commission rate trends and believes that the impact of such changes is not significant to the Fund.

Commission rate sensitivity

As at 31 December 2022, it is estimated that a general increase / decrease of 100 basis points in floating interest rates on financing facility, with all other variables held constant, would increase / decrease the Fund's net assets by approximately SR 8.0 million (2021: SAR 6.0 million).

2) *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of 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 Saudi Riyal.

3) *Price risk*

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements. The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. As of the date of statement of financial position, the Fund is not materially exposed to price risk.

b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Fund is exposed to credit risk from its operating activities (primarily rent receivables) and from its financing activities, including deposits with banks.

It is the policy of the Fund 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:

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

16 FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Maximum exposure to credit risk at the reporting date:

Assets	31 December 2022 SR	31 December 2021 SR
Cash and cash equivalents	26,550,920	62,053,842
Rent receivables	36,361,714	30,784,779
	<u>62,912,634</u>	<u>92,838,621</u>

The Fund implemented IFRS 9 – Financial Instruments which measures the probability of default for all rent receivables.

For the measurement of expected credit losses, all trade receivables are grouped together based on the common credit risk characteristics and the aging of these receivables, the ratios of the expected losses are approximately reasonable in respect of trade receivables losses.

The expected loss ratios have been prepared based on the payments / collections of the rent receivables in data of 3 years and historical similar credit losses incurred during such period. The historical losses have been revised to reflect the information from macroeconomic factors and researchers that impacts the tenants' ability to settle receivables.

The cash and cash equivalents is assessed to have low credit risk as it is held with a reputable and high credit rating domestic institution and there has been no history of default with bank balances. Therefore, the probability of default based on forward looking factors and any loss given defaults is considered to be negligible.

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. All financial liabilities other than non-current liability are payable within 12 months from the date of 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. As at 31 December 2022, the Fund has an undrawn amount of SR 375 million (31 December 2021: SR 425 million).

SEDCO CAPITAL REIT FUND

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

16 FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities is as follows:

<i>31 December 2022</i> <i>SR</i>	<i>Less than 3 months</i>	<i>3 – 12 months</i>	<i>More than 1</i> <i>year</i>	<i>Total</i>
Financing facility from a bank	-	8,293,739	785,924,480	794,218,219
Dividends payable	21,296,875	-	-	21,296,875
Due to a related party	15,322,392	-	-	15,322,392
Other payable	1,787,137	766,621	-	2,553,758
	<u>38,406,404</u>	<u>9,060,360</u>	<u>785,924,480</u>	<u>833,391,244</u>
<i>31 December 2021</i> <i>SR</i>	<i>Less than 3 months</i>	<i>3 – 12 months</i>	<i>More than 1</i> <i>year</i>	<i>Total</i>
Financing facility from a bank	-	4,141,929	615,511,202	619,653,131
Dividends payable	9,750,000	-	-	9,750,000
Due to a related party	4,500,000	-	-	4,500,000
Other payable	4,762,876	831,154	-	5,594,030
	<u>19,012,876</u>	<u>4,973,083</u>	<u>615,511,202</u>	<u>639,497,161</u>

17 FAIR VALUE MEASUREMENT

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

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

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

17 FAIR VALUE MEASUREMENT (continued)

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

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

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

External valuers are involved for valuation of investment properties.

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

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

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

Financial assets measured at fair value

31 December 2022	<i>Carrying amount</i>	<i>Level 2</i>
	<i>SR</i>	<i>SR</i>
Derivative instruments at fair value through income statement	21,645,322	21,645,322
	<hr/>	<hr/>
31 December 2021	<i>Carrying amount</i>	<i>Level 2</i>
	<i>SR</i>	<i>SR</i>
Derivative instruments at fair value through income statement	852,014	852,014
	<hr/>	<hr/>

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

18 LAST VALUATION DAY

The last valuation day of the year was 31 December 2022 (2021: 31 December 2021).

19 APPROVAL OF THE FINANCIAL STATEMENTS

These Financial statements have been approved by the Fund Board on 30 March 2023G, (corresponding to 08 Ramadhan 1444H.)