



SEDSCO Capital REIT Fund

Annual Report
2023

December 2023



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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 2023.

SEDCO Capital REIT Fund portfolio comprises 21 income-generating assets, geographically diversified across the Eastern Province (32%), Jeddah (37%) and Riyadh (31%). The portfolio enjoys sectoral diversification across the entertainment (44%), office (14%), retail (20%), residential (3%), hospitality (2%) and Education (17%) sectors.

Despite the challenging market conditions facing the portfolio over the last 6 months, the average occupancy rate stood at 97%, recording a slight decrease of 1.6% compared to December 2022.

Properties leased to single tenant represent 54% of the current portfolio with long term leases permitting for stability, while 46% of the properties are leased to multi-tenanted with multiple lease agreements providing growth potential. The weighted average lease expiry (WALE) stood at 7.1 years.

The average value of the Fund's property portfolio, as valued by two independent valuers, was estimated at SAR 2,343 million, there's a slight decrease of 0.2% compared to the total purchase price.

In terms of dividend distribution, the Fund distributed a SAR 0.581 per unit amounting to SAR 97,738,612 for the period from 01 January 2023 to 31 December 2023 which translate to 6.03% yield on annualized basis.

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

"As we navigate through the latter half of 2023, the global economic pressures observed earlier in the year have continued to impact the Saudi market. Despite the ongoing challenges, including the effects of successive federal funds rate hikes since 2022 and their continuation into 2023, our analysis remains nuanced and forward-looking.

The swift pace of interest rate increases has notably influenced the Kingdom's real estate investment sales market. The combination of heightened rates and relatively stricter lending conditions has subdued transactional activity and affected asset valuations across the sector. A notable standstill persists between buyers and sellers, largely due to a disparity in pricing expectations— a critical factor for REITs focused on dividend yields.

Nevertheless, even in challenging market conditions, favorable investment opportunities did persist. Strategic investors can still identify valuable prospects, although these require careful consideration. Residential properties, particularly leased residential compounds, alongside Grade A business parks in Riyadh, stand out as areas with healthy demand. This upward trajectory extends beyond Riyadh, with cities like Jeddah and the greater Dammam area presenting new development potentials in key sectors, including mixed-use, residential (for sale), branded residences, lifestyle hotels and light industrial/ logistics projects.

Looking forward, there are expectations that interest rates might decrease starting from 2024, according to the central bank. Lower interest rates are expected to make borrowing more appealing, increase the profitability of debt-financed real estate investments, and improve accessibility to financing. This shift in financial conditions is something SEDCO Capital plans to take advantage of. We aim to find and invest in projects that match our fund's strategy and benefit from the changing market.

Our strategy for the short to medium term remains focused on projects that adapt to the latest trends in the real estate market and address current challenges. With the anticipated improvement in financing conditions, SEDCO Capital is well-placed to navigate these changes.

Despite current hurdles, our outlook for the Saudi real estate market in 2024 and beyond is positive. The expected changes in interest rates, alongside ongoing economic growth and government initiatives, are set to increase the demand for quality real estate. Our approach and readiness position us to make the most of these upcoming opportunities, providing value to our investors and unitholders. "

Abdulwahhab Ahmed Abed
Chief Business Development Officer

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 600,000,000
Number of Units Upon Listing	60,000,000 units
Fund Size After Increasing the Fund's Assets	SAR 1,869,444,440
Number of Units After Increasing the Fund's Assets	186,944,444 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
Actual Dividend as of Reporting Date (on an annual basis)	6.03%

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.

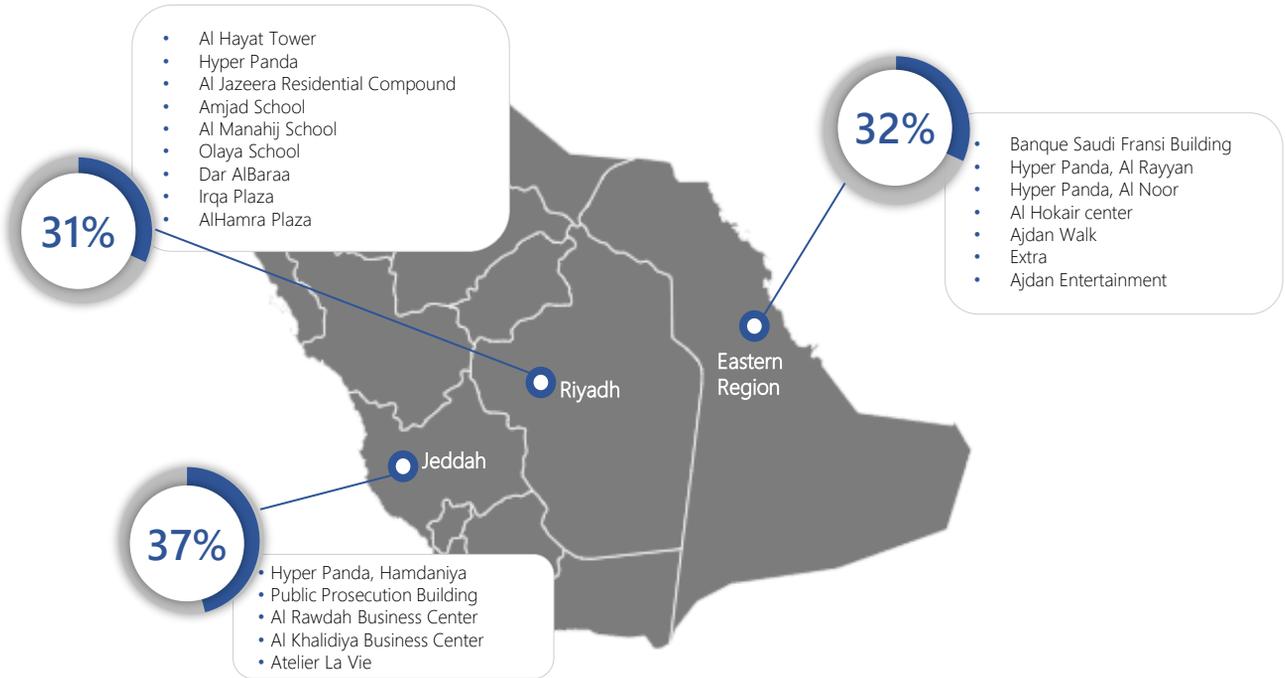
A review of the investment activities during the period and Fund Updates

- The occupancy rate stood at 97.0%, recording a slight decrease of 1.6% compared to December 2022.
- JLL and Esnad valued SEDCO Capital REIT Fund properties. As of 31 December 2023, the fair value of the Fund's assets has slightly increased by 2% reaching SAR 2,342.9 in comparison to latest exercise in June 2023.
- The Fund's cash balance amounted to 6,193,713 as of 31 December 2023. An amount of SAR 52,500,000 was placed in Murabaha to be matured in the 1st quarter of 2024. The cash balances will be used in operational activities and to pay the Fund's obligations.

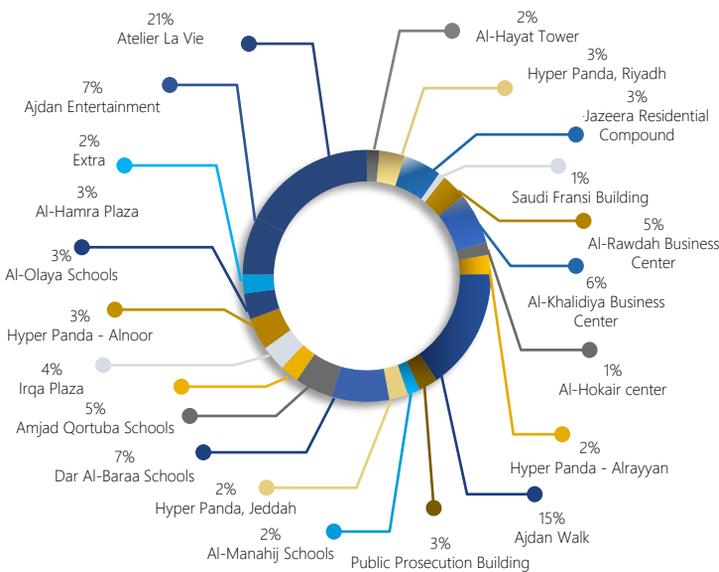
Portfolio Description

Geographical Diversity:

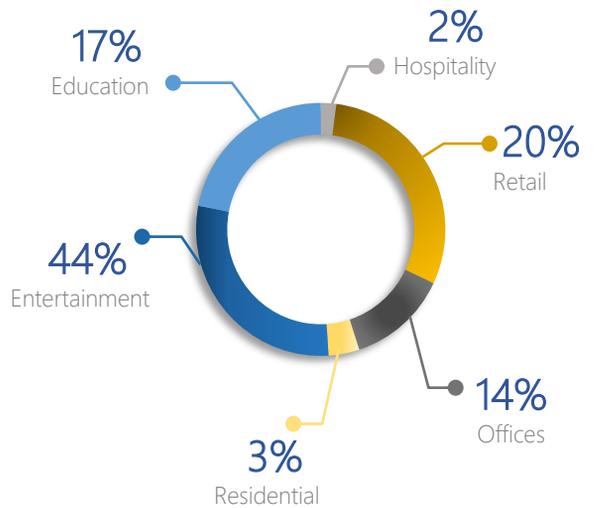
The Fund's assets are diversified across Riyadh 31%, Jeddah 37% and Eastern Province 32%.



Assets Allocation



Sectoral Diversification of the Portfolio



Properties – Riyadh

Al Hayat Tower Apartments Hotel



Description	Hotel apartments are 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 0.86% of the total rent
Uncollected Revenue From Total Revenue	0.70%
Tenant	Al Hafila Al Raeah Hotel Apartment Est.
Weighted Average Lease Expiry	3.0 years

Hyper Panda - Riyadh



Description	Hypermarket is located on Ishbillia District Branch, Riyadh
Sector	Retail
Land Area/m ²	23,604
Building Area/m ²	10,784
Occupancy Rate	100%
Annual Income	SAR 6,116,250 represents 3.54% of the total rent
Uncollected Revenue From Total Revenue	N/A
Tenant	Panda Retail Company
Weighted Average Lease Expiry	4.5 years

Al Jazeera Residential Compound



Description	Residential compound located in the center of Riyadh on Mashaja Bin Saud St. Sulaymaniyah District
Sector	Residential
Land Area/m ²	20,758
Building Area/m ²	12,696
Occupancy Rate	%100
Annual Income	SAR 7,644,000 represents 4.42% of the total rent
Uncollected Revenue From Total Revenue	N/A
Tenant	Multiple tenants
Weighted Average Lease Expiry	0.5 years

Properties – Riyadh

Al Hamra Plaza Center



Description	Located in the center of Riyadh, Batha St. Al Mansoura District
Sector	Retail
Land Area/m ²	21,120
Building Area/m ²	13,021
Occupancy Rate	100%
Annual Income	SAR 5,432,000 represents 3.14% of the total rent
Uncollected Revenue From Total Revenue	N/A
Tenant	Unified Real Estate Development
Weighted Average Lease Expiry	2.0 years

Irqah Plaza Center



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	99%
Annual Income	SAR 7,177,176 represents 4.15% of the total rent
Uncollected Revenue From Total Revenue	2.72%
Tenant	Multiple tenants
Weighted Average Lease Expiry	8.7 years

Al Manahij School



Description	Al Ghadeer Dist. North 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 2.31% of the total rent
Uncollected Revenue From Total Revenue	N/A
Tenant	Nabaa Education Co.
Weighted Average Lease Expiry	9.1 years

Properties – Riyadh

Dar Al Baraa Schools



Description	Dar Al-Baraa Schools are located on Al-Sunbula St. Al-Narjis District
Sector	Education
Land Area/m ²	15,385
Building Area/m ²	33,429
Occupancy Rate	100%
Annual Income	SAR 12,134,063 represents 7.02% of the total rent
Uncollected Revenue From Total Revenue	N/A
Tenant	Al Mseef Education Co.
Weighted Average Lease Expiry	17.8 years

Olaya Schools



Description	Olaya schools are located on Abdulaziz Abu Hussein St. Al-Murasalat District
Sector	Education
Land Area/m ²	10,500
Building Area/m ²	12,314
Occupancy Rate	100%
Annual Income	SAR 4,752,400 represents 2.75% of the total rent
Uncollected Revenue From Total Revenue	N/A
Tenant	Tadrees Co. Ltd
Weighted Average Lease Expiry	9.5 years

Amjad Qortuba Schools



Description	Amjad Qortuba Schools are located on Dammam St. Qortuba District
Sector	Education
Land Area/m ²	14,300
Building Area/m ²	34,231
Occupancy Rate	100%
Annual Income	SAR 8,328,394 represents 4.82% of the total rent
Uncollected Revenue From Total Revenue	3.13%
Tenant	Amjad Qortuba for Educational Services Co.
Weighted Average Lease Expiry	8.2 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 4,620,000 represents 2.67% of the total rent
Uncollected Revenue From Total Revenue	3.69%
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	81%
Annual Income	SAR 9,990,564 represents 5.78% of the total rent
Uncollected Revenue From Total Revenue	3.12%
Tenant	Multiple tenants
Weighted Average Lease Expiry	2.5 years

Hyper Panda - Jeddah



Description	Hyper Panda is located on Hamdaniya St. Al Hamdaniya District. Jeddah
Sector	Retail
Land Area/m ²	13,686
Building Area/m ²	5,858
Occupancy Rate	100%
Annual Income	SAR 2,988,845 represents 1.73% of the total rent
Uncollected Revenue From Total Revenue	N/A
Tenant	Panda Retail Company
Weighted Average Lease Expiry	4.1 years

Properties – Jeddah

Al Rawdah Business Center



Description	A commercial/office center located on Prince Saud Al Faisal St. Al Rawdah District
Sector	Office
Land Area/m ²	2,463
Building Area/m ²	17,526
Occupancy Rate	84%
Annual Income	SAR 7,604,017 represents 4.40% of the total rent
Uncollected Revenue From Total Revenue	7.81%
Tenant	Multiple tenants
Weighted Average Lease Expiry	1.4 years

Atelier La Vie



Description	Atelier La Vie is located on King Abdulaziz Road.
Sector	Entertainment
Land Area/m ²	29,745
Building Area/m ²	27,489
Occupancy Rate	88%
Annual Income	SAR 35,088,763 represents 20.29% of the total rent
Uncollected Revenue From Total Revenue	4.25%
Tenant	Multiple tenants
Weighted Average Lease Expiry	3.1 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 Dist. Dammam
Sector	Retail
Land Area/m ²	5,191
Building Area/m ²	879
Occupancy Rate	100%
Annual Income	SAR 2,000,000 represents 1.16% of the total rent
Uncollected Revenue From Total Revenue	N/A
Tenant	Banque Saudi Fransi
Weighted Average Lease Expiry	10.0 years

Properties – Dammam & Khobar

Hyper Panda – Dammam Al Rayyan



Description	Hypermarket is located on Imam Ali bin Abi Talib St. in Al-Rayyan dist. 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 3.02% of the total rent
Uncollected Revenue From Total Revenue	N/A
Tenant	Panda Retail Company
Weighted Average Lease Expiry	6.1 years

Al Hokair Center



Description	Al Hokair Center 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 1.27% of the total rent
Uncollected Revenue From Total Revenue	1.80%
Tenant	Abdulmohsen Al Hokair Group for Tourism and Development Company
Weighted Average Lease Expiry	13.9 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 14.64% of the total rent
Uncollected Revenue From Total Revenue	9.11%
Tenant	AlOula Real Estate Development Company
Weighted Average Lease Expiry	5.1 years

Properties – Dammam & Khobar

Hyper Panda – Dammam Al Noor



Description	Hypermarket is located on 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 2.91% of the total rent
Uncollected Revenue From Total Revenue	1.65%
Tenant	Panda Retail Company
Weighted Average Lease Expiry	10.9 years

Extra Center



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 2.22% of the total rent
Uncollected Revenue From Total Revenue	N/A
Tenant	United Electronics Company
Weighted Average Lease Expiry	9.6 years

Ajdan Entertainment



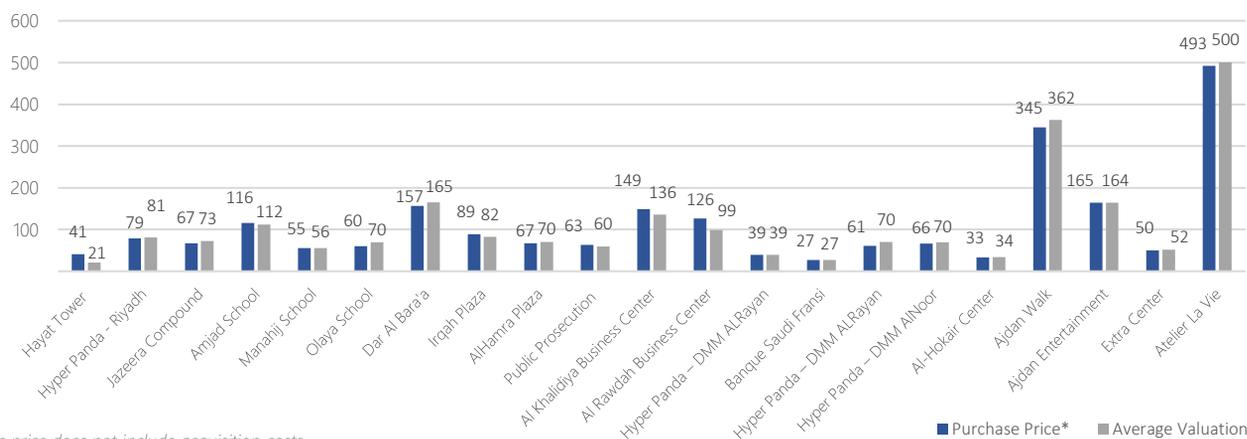
Description	Ajdan Entertainment is located on Prince Turki Street in Al Khobar
Sector	Entertainment
Land Area/m ²	6,866
Building Area/m ²	16,093.4
Occupancy Rate	100%
Annual Income	SAR 12,341,838 represents 7.23% of the total rent
Uncollected Revenue From Total Revenue	7.72%
Tenant	Multiple tenants
Weighted Average Lease Expiry	12.8 years

Fair value vs. Purchase Price and Book Value

As at the end of December 2023 and based on the average valuation of two independent accredited real estate valuers; JLL and Esnad, the fair value of the Fund's assets recorded a 2% increase when compared to Jun 2023.

The portfolio recorded a 0.25% decrease when compared to the total purchase cost –(excluding transaction costs). The fair value of the total Fund's assets as of 31 December 2023 is SAR 2,343 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%	3.0 Years
Hyper Panda - Riyadh	Leased	100%	4.5 Years
Al Jazeera Residential Compound	Leased	100%	0.5 Years
Public Prosecution Building	Leased	100%	0.2 Years
Al Khalidiya Business Center	Leased	81%	2.5 Years
Hyper Panda - Jeddah	Leased	100%	4.1 Years
Al Rawdah Business Center	Leased	84%	1.4 Years
Building leased to Banque Saudi Fransi	Leased	100%	10.0 Years
Hyper Panda – DMM AlRayan	Leased	100%	6.1 Years
Al Hokair Center	Leased	100%	13.9 Years
Ajdan Walk	Leased	100%	5.1 Years
Al Manahij Schools	Leased	100%	9.1 years
Dar Al Baraa Private Schools	Leased	100%	17.8 years
Extra Center	Leased	100%	9.6 years
Al Hamra Plaza Center	Leased	100%	2.0 years
Olaya Private Schools	Leased	100%	9.5 years
Hyper Panda – DMM AlNoor	Leased	100%	10.9 years
Amjad Qurtoba Private Schools	Leased	100%	8.2 years
Iraqh Plaza Center	Leased	99%	8.7 years
Ajdan Entertainment	Leased	100%	12.8 years
Atelier La Vie	Leased	88%	3.1 years

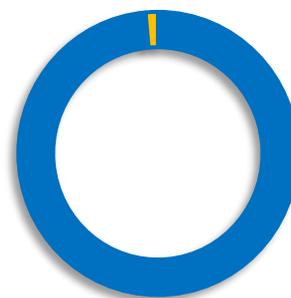
100% of the Fund's assets are leased and generating income

Portfolio Average Occupancy Rate 97.0%

Portfolio Average WALE
7.1 years

Portfolio Occupancy Rate

As of 31 December 2023, the occupancy rate stood at 97%, recording a slight decrease of 1.6% compared to December 2022.



97%
Occupancy Rate

Dividend Distributions

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

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

2023	Q1	Q2	Q3	Q4
Yield*	6.25%	5.65%	6.11%	6.13%
Total amount	18,359,375	25,071,875	27,106,944	27,200,418
Per unit (SAR)	0.15625	0.13411404	0.145000	0.14550001
Number of units	117,500,000	186,944,444	186,944,444	186,944,444

* Annual basis

Material Development During the Year

- The Fund Manager obtained the approval of the Capital Market Authority to increase the total value of the fund's assets by offering additional units to acquire Atelier La Vie property in Jeddah, and trading of the new fund units began as of July 2, 2023.
- During the year, The Fund Manager announced changes in the membership of the Board of Directors of SEDCO Capital REIT Fund due to the death of board member Eng. Saeed Mubarak Baaramah may the deceased be filled with his mercy and pleasure, and may he grant patience and solace to his family and relatives. And the resignation of Mr. Tariq Hussain Linjawi Chairman of the Board of Directors. The members of the Fund's Board of Directors after the change: Mr. Ziad Youssef Al-Aqeel (Chairman), Mr. Sami Al-Zakri, Mr. Sherif Saleem, Mr. Samer Abu Aker, Mr. Abdulwahhab Abed.
- During the period, The Fund Manager signed a memorandum of understanding to purchase an educational complex property in the United Arab Emirates on Jumada al-Awal 9, 1445H, corresponding to November 23, 2023G.

Subsequent Events

- NA

Stock Performance

The stock witnessed different levels of volatility during the period, recording its highest price at 10.36 SAR, and lowest at 7.60 SAR, to end the last trading session on 31 Dec 2023 at 9.12 SAR.



Changes to the Fund's Documents During the Year

- 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.
- The Fund Manager's pledge has been added to the Zakat and Tax section. The Fund Manager undertakes to register the fund with the Zakat, Tax and Customs Authority within the regulatory period. He also undertakes to submit a declaration of information and data requested by the Zakat and Customs Tax Authority for the purposes of examining and reviewing the declarations within the regulatory period and to provide the assigned unitholders with publishable information necessary to calculate the zakat base. By notifying the Zakat, Tax and Customs Authority of the expiry of the fund within the regulatory period for that.

Summary of Fund's Performance

Based on the financial results and achievements during the year The Fund has successfully achieved its target objective by distributing 6.03% cash dividend -on an annual basis- for the period between 1 January 2023 and 31 December 2023.

Topics Discussed and Resolutions Issued by the Fund Board

TOPICS

RESOLUTIONS

- Fund Board Report 2022

- The Fund's Board of Directors approved the Annual Fund Board of Directors Report for the year 2022.

- Draft of Financial Statements - Period Ended 31 December 2022

- The Fund's Board of Directors approved the financial statements of SCREIT for the year ended 31 December 2022

- Q1 2023 Dividend Distribution

- The Fund's Board of Directors approved the distribution of quarterly cash dividends for the period (Q1 2023: 01 JAN 2023 to 31 MAR 2023) to SEDCO Capital REIT Fund unitholders. The total amount to be distributed is SAR 18,359,375 being an annualized return of 6.25%.

- SCREIT Fund Board Composition

- The Fund's Board of Directors approved the updated Fund Board Composition

- Updating the Fund's Terms and Conditions memorandum

- The Fund's Board of Directors approved the updated terms and conditions.

- Q2 2023 Dividend Distribution

- The Fund's Board of Directors approved the distribution of quarterly cash dividends for the period (Q2 2023: 01 APR 2023 to 30 JUN 2023) to SEDCO Capital REIT Fund unitholders. The total amount to be distributed is SAR 25,071,875 being an annualized return of 5.65%.

- Draft of Interim Financial Statements - Period Ended 30 June 2023

- The Fund's Board of Directors approved the interim condensed financial statements of the Fund for the period ended 30 June 2023

- Q3 2023 Dividend Distribution

- The Fund's Board of Directors approved the distribution of quarterly cash dividends for the period (Q3 2023: 01 Jul 2023 to 30 Sep 2023) to the Fund unitholders. The total amount to be distributed is SAR 27,106,944 being an annualized return of 6.11%.

- Q4 2023 Dividend Distribution

- The Fund's Board of Directors approved the distribution of quarterly cash dividends for the period Q4 2023: 01 Oct 2023 to 31 Dec 2023) to the Fund unitholders. The total amount to be distributed is SAR 27,200,418 being an annualized return of 6.13%.

Financial Performance

Fund Size	As of 31 Dec 2023	As of 31 Dec 2022	As of 31 Dec 2021	As of 31 Dec 2020
Net market value of the Fund's assets at the end of the financial year (Fair Value)	1,619,968,000	1,032,202,870	1,062,310,241	565,014,116
Net market value of the Fund's assets per unit at the end of the financial year (Fair Value)	8.6655	8.7847	9.0409	9.4169
Net market value of the Fund's assets at the end of the financial year (Book Value)	1,533,218,570	997,395,948	1,039,710,604	537,948,379
Net market value of the Fund's assets per unit at the end of the financial year (Book Value)	8.2015	8.4885	8.8486	8.9658
Highest net asset value per unit for each financial year (Fair Value)	8.6655	8.8489	9.0409	9.6297
Lowest net asset value per unit for each financial year (Fair Value)	8.6390	8.7847	8.9975	9.4169
Income distribution per unit	0.87	1.35	0.62	1.14
Percentage of expenses borne by the Fund	7.96%	11.43%	10.20%	9.72%
Net income / (Loss)	33,561,234	41,110,344	(35,437,775)	9,721,346
Distribution yield (based on market traded price)	6.37%	6.88%	2.54%	5.94%
Number of units in issue	186,944,444	117,500,000	117,500,000	60,000,000

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

Indicator	As of 31 Dec 2023	As of 31 Dec 2022	Cap (Limit)
Operating expenses	13,768,872	14,042,280	Not to exceed 7% of the rental income of the property
Management fees	13,292,704	10,568,854	1% of the Fund's net assets according to the latest financial statements
Finance fees	54,129,449	34,525,866	NA
Professional fees	1,315,867	1,434,607	NA
Other costs	7,089,222	1,478,865	1% of the Fund's net assets according to the latest financial statements
Depreciation and amortization	39,356,940	55,970,265	NA
Total expenses	128,953,054	118,020,737	-
Expenses ratio	5.22%	6.24%	-
Ratio of Non-Cash Expenses to the Net income of the Fund	117%	136%	-

Performance Record

1. Total return for one year, three years, five years:

Period	Since Inception	One Year	Three Years	Five Years
Total Return*	6.29%	6.03%	6.48%	6.29%

* Annual basis

2. Annual total return for each of the past fiscal years (since inception):

Period	2023	2022	2021	2020	2019
Total Return	6.03%	7.10%	6.30%	5.55%	6.60%

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 1,164,536 units as at the end of Dec 2023.

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

- Financing amount equals SAR 800 million, representing 32% of the total asset value.
- Maturity date 16 October 2028

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 0.62% of total Fund revenues whereas maintenance contracts account for 1.25% 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.

Risk Assessment

The Fund’s activities expose it to a variety of different risk factors that are exogenous such as 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 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. Given current trends and changes in demand patterns of the real estate sector, the Manager highlights the following points: 1) The wider acceptance of work from home could have implications for the office market and may lower demand for office space and related services 2) The rising interest rates over the last years have led to widening cap rates and may impact market dynamics for buy/sale transactions and leasing.
Risks related to the use of debt	The use of debt results in risks such as challenges with (extended) periods of high interest/profit rate levels, and 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 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, which can impact cap rates, real estate investments may nevertheless perform 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 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 due to the limit that the Fund can invest only up to 25% of the value of its assets in real estate development. The Manager also aims to mitigate this risk through management of the contractual framework of the properties.

Risk Assessment – Cont.

Main Risks	Description	Assessment
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.	<p>The 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.</p> <p>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. Moreover, Manager’s ability to uphold a robust reputation and foster strong relationships with other service providers ensures that the Manager has reliable support available whenever needed.</p>
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.	<p>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 Manager ensures that there are adequate funds to repay obligation in a timely and cost-effective manner. The Manager employs a comprehensive approach by generating multiple scenarios and carefully evaluating opportunities at a fund level in order to mitigate risks. Additionally, the Fund Manager also has a cash management process, in which he has the option to utilize any excess cash for 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.</p>
Regulatory Risk	<p>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.</p> <p>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.</p>	<p>The Manager has implemented processes to monitor regulatory requirements in all fund management functions, such as Compliance and Risk Management aim to provide another layer of assurance that proper controls are in place to avoid any non-compliance.</p>
Legal Risk	Risks involved in legal arrangements, contracts, agreements and obligations.	<p>The 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.</p>
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 SC’s information resources and may result in financial losses.	<p>The 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.</p>

Risk Assessment – Cont.

Main Risks	Description	Assessment
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 third Valuer.
Capital Deployment Risk and Reinvestment Risks	Risk of delay in capital deployment.	There is notable risk mitigation currently since the Fund has largely deployed its capital. Nevertheless, any actions such as portfolio rebalancing may create future deployment and/or reinvestment risks.
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 Manager.
Environmental, Social and Governance (ESG) Risks, in Particular Climate Risk	<p>Environmental, Social, and Governance (ESG) risks refer to the three factors in measuring the sustainability and societal impact of an investment.</p> <p>ESG criteria can help to better determine the future financial performance of companies (return and risk).</p> <p>Any environmental issues of properties, such as the use of hazardous materials, could adversely impact its value.</p> <p>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.</p> <p>New regulations for mitigating carbon emissions may cause future capital expense requirements and/or decrease real estate market values.</p>	<p>The Manager assesses ESG risks in the analysis of investment opportunities and in its monitoring according to its responsible investment policy. In the Manager’s experience, ESG assessment can complement traditional financial analysis and due diligence.</p> <p>The 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.</p>
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.	<p>The escalation of geopolitical conflicts may be reflected in the risk premia of global risk assets and thus may impact the Fund, too.</p> <p>Given the fact that these events are highly uncertain and unpredictable and therefore the Fund as well as the Manager may be negatively impacted by the occurrence of any such event.</p>

Risk Assessment – Cont.

Main Risks	Description	Assessment
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.	<p>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.</p> <p>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.</p>
Inflationary Pressure / Supply chain issues	Risk that production and supply chain bottlenecks likely to lead to unexpected inflation level.	<p>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.</p> <p>The alleviation of pandemic restrictions may ease some supply chain bottlenecks that have been a cause of inflation.</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>
Risk of Global Recession	Risk of a regional or global recession and a string of financial crises in emerging market and developing economies that would do them lasting harm.	While such factors are beyond the control of the Manager, the proactive action plan to be in place for any potential slowing of businesses.
Risk of Artificial intelligence (AI) productivity boost	Risks to disrupt traditional real estate practices by streamlining processes, reducing costs, and increasing efficiency. This disruption may also lead to job displacement and market consolidation, impacting real estate professionals and smaller businesses. Additionally, the adoption of AI in real estate may widen economic disparities by favoring larger firms and investors with access to advanced AI technologies and data analytics capabilities.	Manager recognizes that the greater and more rapid the investment in new technologies, the greater the potential impact on productivity. However, changes in productivity tended to be signaled a few years in advance. Therefore, any development in this area is to be closely monitored by the Manager.

Socioeconomic and Demographic Overview

KSA



Country Profile

Saudi Arabia holds an estimated 17% 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.

Saudi Arabia initiated Vision 2030 as a comprehensive strategy to foster economic development and reduce reliance on oil. This visionary plan incorporates various economic and financial reforms with the objective of transforming the Saudi economy into a diversified and sustainable one.

According to estimates by the General Authority for Statistics, in 2023, the real GDP of KSA experienced a decline of 0.8% compared to the previous year, primarily attributed to a decrease of 9.0% in oil-related activities. Conversely, non-oil sectors and government activities saw growth rates of 4.4% and 2.1%, respectively.

According to the World Bank, Saudi Arabia is forecasted to experience a rebound in growth over the upcoming years. Despite ongoing voluntary oil production cuts, the growth is expected to be seen in the country's oil output and exports.

GDP

The data released by the government revealed that Saudi Arabia's real gross domestic product (GDP) contracted by 4.3% year-on-year in the fourth quarter of 2023. This decline in GDP reflects the ongoing impact of reduced oil activities on overall economic growth, which fell by 16.2% year-on-year.

The kingdom experienced a 4.4% contraction in GDP in the third quarter of 2023, marking its first year-on-year decline since the onset of the COVID-19 pandemic. This downturn was attributed to reductions in oil production and a decrease in crude prices.

Overall, kingdom's economy saw a 0.8% contraction in 2023, primarily attributed to the underperformance of the oil sector. Conversely, non-oil activities demonstrated a growth rate of 4.4% during the same period.

As per World Bank Saudi Arabia is expected to see the growth rebound to 4.1% in 2024 and further to 4.2% in 2025. The investment in non-oil sectors, aligned with Saudi Vision 2030, is poised to be a significant growth driver in the coming years.

Inflation

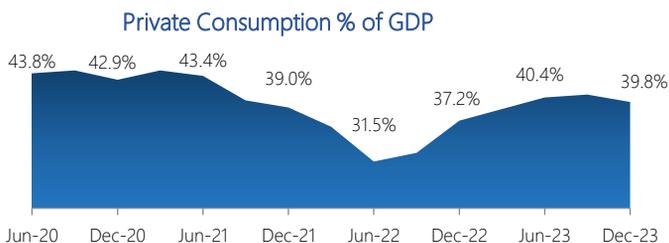
Annual inflation grew by 1.5% in December 2023 down as compared to same period last year. The main driver of inflation in December 2023 was higher prices of housing, water, electricity, gas, and other fuels and prices of food and beverages.

As compared to December 2022, in December 2023, there was a 9.0% increase in actual housing rents, with apartment rents specifically rising by 12.1%. Prices also accelerated for food and beverages (1.2%), Restaurants and hotels (2.5%), education (0.8%) and recreation & culture prices (1.0%)

By contrast, prices for furnishings, household equipment, and maintenance experienced a decrease of 3.2%, attributed to a decline in furniture, carpets, and other floor coverings. Similarly, clothing and footwear prices decreased by 4.2%, mainly due to a 6.6% reduction in garment prices. Additionally, transportation prices declined by 1.3%, primarily driven by a 2.5% decrease in the purchase of motor cars.

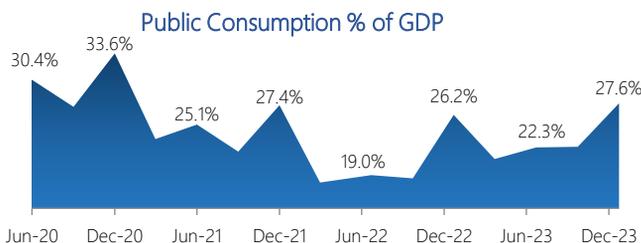
Private Consumption

Private Consumption accounted for 39.8% of nominal GDP in December 2023, compared to 40.8% in the previous quarter. Private Consumption share has grown in the recent years, with the average ratio standing at 34.1% from Mar 2003 to June 2023.



Public Consumption

Public Consumption accounted for 27.6% of nominal GDP in December 2023, compared to 22.4% in the previous quarter. Public consumption share has an average ratio of 22.1% from March 2003 to June 2023.



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.

In its efforts to strengthen its ambitious economic reform agenda, Saudi Arabia has reinforced its commitment to its sovereign wealth fund, the Public Investment Fund (PIF). Last year, PIF's investment of \$31.5 billion made it world's top spending sovereign wealth fund. According to LSEG data, the kingdom transferred an 8% stake in the oil giant Aramco to PIF, valued at around \$163.6 billion. The transfer underscores Saudi Arabia's dedication to enhancing and broadening the national economy, highlighting PIF's pivotal role in spearheading economic transformation. In 2023, Saudi Arabia reached the midpoint between the launch of Vision 2030 in 2016 and its envisioned completion. Noteworthy achievements include surpassing the female labor force participation target in 2020, reaching 35% by Q2 2023, and increasing home ownership from 47% to 67% by 2022. Additionally, non-oil fiscal revenue tripled by 2022, driven by VAT. However, challenges to the vision 2030 remains, with non-oil exports at 17% of GDP in Q2 2023, falling short of the 50% 2030 target. Additionally, FDI averaging 0.9% from 2016-22, falls significantly short of the 2030 target of 5.7%, indicating significant room for improvement.

Real Estate Sector Overview

Riyadh, Jeddah and Dammam





Real Estate Market Overview – Riyadh

Hospitality Sector

Riyadh's average daily rate (ADR) surged by 18% Y-o-Y during 2023, reaching SAR 847. Both the Average Daily Rate (ADR) and occupancy rates demonstrated improvement compared to the previous year, benefiting from a nationwide recovery driven by eased travel restrictions and expedited visa processing for tourists. Riyadh hotels experienced their peak occupancy levels in October and November, reaching 80% in November. In 2023 Riyadh and Jeddah emerged as frontrunners in the regional market for ADR performance. Although the average occupancy levels in both cities currently rank in the middle range compared to other regional markets, the overall occupancy across Saudi Arabia in 2023 witnessed an 8% increase compared to 2022.

Hospitality Sector Performance

Occupancy Rate
3.1% YoY



ADR
17.5% YoY

KPI YTD December 2023



ADR
SAR 847



Occupancy Rate
70%



RevPAR
SAR 591

Retail Sector Performance – Lease Rates and Deliveries

Super Regional and
Regional Mall
3% YoY



Super Regional and
Regional Mall
SAR 1,700-4,000 per
sqm



Total Stock



2025 Expected
Deliveries

Retail Sector

Recent years have seen notable growth in Riyadh's tourism sector which is anticipated to boost demand for retail, particularly in proximity to popular tourist attractions. With its substantial youth demographic and affluent millennial and Gen Z consumers, Riyadh's retail sector is primed for expansion. This trend is underscored by the emergence of upscale destinations like Centria Mall and VIA Riyadh, housing premier global brands. A significant portion of the current supply comprises low to mid-quality retail malls, while upcoming developments like Avenue Mall, Mall of Saudi, and Diriyah Square are anticipated to offer superior quality when they enter the market by 2025. Most of the announced projects are expected to be completed by 2025 and those beyond 2026 are mainly part of larger initiatives like Diriyah Gate and King Salman Park. These projects are projected to add a total of 1,831,454 sqm of gross floor area (GFA) to the existing supply by 2030. The bulk of the new retail space is expected to be in the form of super-regional malls across six key developments.

Residential Sector

In contrast to other regions in the Kingdom, Riyadh notably saw a 7% increase in transaction volumes last year, contrasting with a 21% decline in Jeddah and a 12% drop in the Dammam Metropolitan Area (DMA). The capital's growing population and urban migration are driving heightened demand for housing. However, despite this demand, the total value of residential transactions in Riyadh only grew by 1% in 2023, reaching SAR 50.9 billion, suggesting a slowdown in the robust price growth witnessed over the past few years. While average apartment prices reached a new record high of SAR 5,250 per sqm, representing a year-on-year increase of 4.5%, prices in the fourth quarter only rose by 2%. Conversely, villa prices experienced a more subdued increase of 0.5% throughout 2023, reaching an average of SAR 4,970 per sqm by the year's end. In the medium to long term, the government's vision to transform Riyadh into a prominent financial center for both the Kingdom and the region is anticipated to bolster demand for homeownership. Notably, around 200 companies, including prominent entities like Unilever and Siemens, have already enrolled in the Program HQ initiative. These enterprises are not only boosting employment opportunities within the Kingdom but also stimulating the notable levels of intra-Saudi migration observed.

Residential Transactions



Volume
7.0% YoY



Value
1.0% YoY

Sales Prices



Apartment
+4.5% YoY



Villa
+0.5% YoY

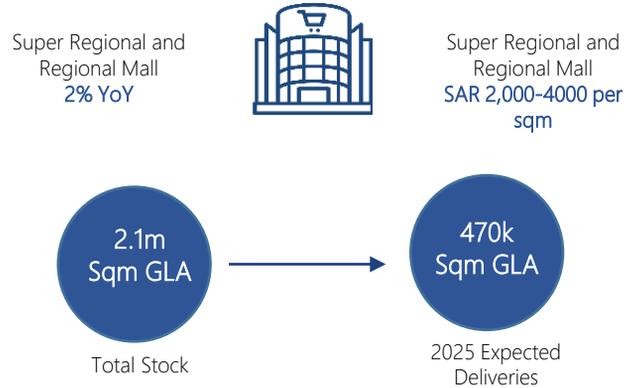


Real Estate Market Overview – Jeddah

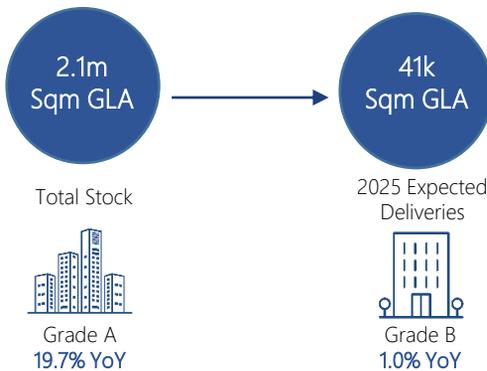
Retail Sector

After witnessing various development initiatives and projects in the capital Riyadh, attention has now shifted to the city of Jeddah. Since 2020, ten lifestyle retail centers have emerged in Jeddah, with three more slated for 2023-2024. The commencement of the Jeddah Central project by HRH Crown Prince Mohammed bin Salman entails a USD 20 billion strategy aimed at enticing tourists and affluent foreigners. One of the noteworthy projects that is being undertaken to cater to the retail needs of the Jeddah's growing population in the Southeastern part of the city is Shouq7. Souq7 aims to transform into a premier shopping destination, blending the essence of traditional Saudi bazaars and souqs with modern infrastructure to offer both tenants and shoppers a unique experience that celebrates heritage, culture, and tradition. It will feature 4,000 shops, creating over 24,000 jobs and is expected to generate SAR 2.3 billion in annual retail sales.

Retail Sector Performance – Lease Rates and Deliveries



Office Sector Performance – Rental Rates and Deliveries



Office Sector

In Jeddah market, the average rents for Grade A office spaces surged to SAR 1,406 per sqm, marking a 19.7% rise compared to the preceding year. Meanwhile, Grade B rents experienced a marginal uptick of 1.0% during the same period, reaching an average rent of SAR 707 per sqm. The average occupancy rates in both Grade A and Grade B office segments observed notable growth rates, with increases of 1.9% and 6.1%, respectively. As a result, the occupancy rates now stand at 92.5% and 82.1% for Grade A and Grade B office spaces, respectively. In Jeddah and the Dammam Metropolitan Area (DMA), the presence of institutional-quality demand remains scarce, with demand levels notably lower than those observed in Riyadh. Riyadh is poised to remain the Kingdom's key employment center, driven by a growing preference among multinational firms to establish their headquarters and operations in the city. In contrast, Grade A properties in Jeddah and the Dammam are predominantly occupied by government offices and public sector entities.



Real Estate Market Overview – Dammam

Retail Sector

During the fourth quarter of 2023, Dammam's retail market witnessed a slight increase of 1% in average rental rates for both regional and super regional malls. Currently, market players are employing diverse tactics to leverage the increasing demand for luxury products and services in Saudi Arabia. This includes expanding their footprint through flagship stores, boutiques, and upscale retail establishments in key cities like Riyadh, Jeddah, and Dammam. Cenomi Retail, a top brand partner in Saudi Arabia, will open the inaugural Fnac flagship store in Nakheel Mall, Dammam. This premium retail destination will feature multimedia, electronics, gaming, lifestyle, and household products, marking Cenomi Retail's dedication to enhancing the shopping experience for customers in KSA. A significant portion of upcoming retail offerings in major Saudi cities is expected to consist of super-regional malls, suggesting a possibility of market saturation in large-scale retail development. However, key differentiators like entertainment, leisure amenities, and a varied F&B selection will continue to be essential for drawing foot traffic in a growingly competitive market.

Retail Sector Performance – Occupancy Rates and Deliveries





Education Sector Overview

The education sector in the Kingdom of Saudi Arabia is undergoing a substantial transformation, driven by the considerable population growth and the government's steadfast commitment to delivering top-tier educational opportunities. Accounting for 16% of the budgeted expenditures in 2024, the education sector is estimated to receive an allocation of SR 195 billion.

The Saudi government remains committed to enhancing its education infrastructure for citizens, as outlined in its Human Capability Development Program under Vision 2030.

Saudi Arabia leads the GCC region with over 8 million students, making it the largest education market. The kingdom has total of 35,400 schools, 79% of which are public, leaving significant potential for growth in the private sector.

The Kingdom of Saudi Arabia also holds the largest share of the K-12 market in the GCC, with approximately 6 million students out of the region's total of 9.6 million, representing nearly 62% of the total. Despite this, it has the lowest private sector K-12 education participation rates in the region, with around 15% total student penetration. Moreover, only 13% of Saudi students are enrolled in private schools.

A recent study conducted by Knight Frank examining the supply and demand dynamics indicates a notable demand for K-12 education in Saudi Arabia. The private educational sector in the country requires an estimated 214,000 additional seats for students, with Riyadh requiring over 63,500 additional seats and Jeddah needing 42,600 additional seats by 2035. Notably, private schools offering international curricula have experienced remarkable growth, registering a 24.4% increase from 2018 to 2022.

The government is prioritizing human capital development through the launch of the Human Capital Development Program (HCDP) as a key component of Vision 2030 initiatives. The HCDP sets forth ambitious goals by 2025, such as increasing kindergarten enrollment to 40% and elevating the number of Saudi universities ranked among the world's top 200 to 6.

Additionally, with the rapid influx of expatriate workers drawn by visionary projects like Giga, the demand for high-quality educational institutions is on the rise to meet this growth. It's noteworthy that the number of expatriates possessing administrative experience in the Kingdom surged six-fold, reaching nearly 1.2 million between March and September 2022.

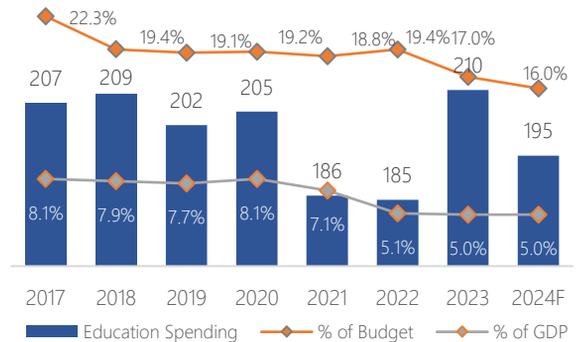
Thus, Saudi Arabia's education sector, propelled by Vision 2030 initiatives and government investment, faces challenges but presents significant opportunities for growth and development in meeting the nation's educational needs and enhancing human capital.

Recent Updates

The Kingdom of Saudi Arabia has introduced an educational visa program targeting international students seeking to pursue studies within the Kingdom. The issuance of educational visas for international students intending to study in Saudi universities will be conducted via the "Study in Saudi Arabia" platform. This service aims to streamline procedures for students seeking to pursue education in the country and promote collaboration between the Ministry of Education, the Ministry of Foreign Affairs, and associated sectors.

The government has made significant investments in e-learning initiatives, resulting in the enrollment of 9 million students on distance learning platforms. Additionally, approximately 300,000 children have accessed the virtual kindergarten platform, highlighting the widespread adoption and impact of these digital education solutions.

Education Expenditure % of GDP and % of Budget

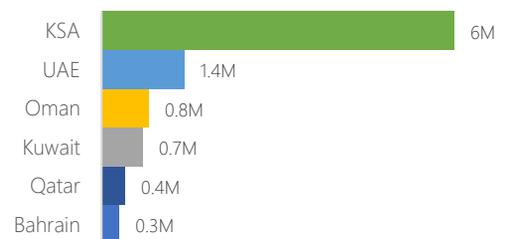


No of Students In KSA



- Technical and Vocational Training Corporation
- University Students
- K-12 Students

KSA: Largest K-12 Market in GCC





Entertainment Sector Overview

Travel, tourism, and entertainment are key sectors within Saudi Arabia's Vision 2030 strategy for economic diversification. The government of Saudi Arabia is dedicated to boosting domestic household expenditure on leisure and entertainment pursuits while positioning the nation as a leading global travel destination.

The gradual liberalization of the entertainment sector has catalyzed a dynamic surge in construction projects, ranging from state-of-the-art movie theaters to captivating theme parks, grand live events, and essential sports infrastructure. Saudi Arabia's Public Investment Fund (PIF) has made substantial investments in renowned entertainment entities like Activision Blizzard, Electronic Arts, Take-Two Interactive Software, and Live Nation. Furthermore, the resounding success of Saudi Seasons, an annual extravaganza featuring pop concerts, thrilling car races, exclusive pop-up restaurants, prestigious auto shows, and an array of entertainment spectacles, underscores the profound demand within this burgeoning industry. Bolstering this momentum, the General Entertainment Authority has pledged a staggering \$64 billion investment by 2028 to propel the growth and evolution of Saudi Arabia's domestic entertainment sector.

In the realm of tourism, Saudi Arabia has set ambitious goals to welcome over 100 million visitors annually by 2030. To achieve this objective, the country has implemented a series of strategic initiatives, including the introduction of an e-visa system for citizens from 57 countries, the unlocking of its UNESCO World Heritage sites, the development of resorts along its Red Sea coast, and the establishment of a cruise line. In October 2021, the Ministry of Tourism unveiled a monumental \$1 trillion investment package for the sector over the next decade. Additionally, the Ministry affirmed its commitment to collaborating with private sector investors to harness new growth opportunities as tourism enters a post-COVID pandemic resurgence phase.

At present, religious tourism remains the dominant economic contributor within the tourism sector. With the objective of maximizing the benefits derived from religious pilgrimages, the government is focused on enhancing its capacity to accommodate a larger number of Hajj and Umrah visitors, aiming to increase from around 10 million visitors per year in 2019 to over 30 million by 2030. This anticipated growth is expected to drive increased demand for hotels and other tourist services in Mecca and Medina.

Saudi Arabia is also investing into sports teams, infrastructure, and events both domestically and internationally, spanning various disciplines from football and golf to Formula 1 and video gaming. This robust sports strategy, spearheaded primarily by the Public Investment Fund, stands as a pivotal element of the Vision 2030 program aimed at economic diversification and social transformation within the Kingdom.

In conclusion, Vision 2030's comprehensive initiatives in the tourism sector reflect Saudi Arabia's determination to diversify its economy, capitalize on its rich cultural heritage, and establish itself as a premier global destination, heralding a new era of growth and opportunity.



Sources: Ministry of Finance; Colliers, International Trade Administration, Knight Frank, CBRE, World bank, Colliers, Zawya

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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.

For more information

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 License No. 11157-37

 info@sedcocapital.com

Financial Statements
As of 31 December 2023

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital)

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

FOR THE YEAR ENDED 31 DECEMBER 2023

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

FINANCIAL STATEMENTS

For the year ended 31 December 2023

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Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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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 2023, 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, which include material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2023, 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 that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 2023, the carrying value of investment properties held by the Fund was SR 2,257.8 million (2022: SR 1,760.4 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 judgement, estimates and assumptions for valuation of investment properties. Also, refer to note 4.2 for the disclosure of material accounting policy information 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 2023 Annual Report

Other information consists of the information included in the Fund's 2023 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 2023 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 2023 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.

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.

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)

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: 18 Ramadan 1445H
(28 March 2024)



SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	<i>2023</i> <i>SR</i>	<i>2022</i> <i>SR</i>
ASSETS			
NON-CURRENT ASSET			
Investment properties	5	2,257,750,502	1,760,383,078
TOTAL NON-CURRENT ASSET		2,257,750,502	1,760,383,078
CURRENT ASSETS			
Derivative instruments at fair value through income statement ("FVTIS")	6	-	21,645,322
Rent receivables	7	63,149,487	29,577,661
Prepayments and other receivables		4,781,043	6,275,396
Cash and cash equivalents	8	58,693,713	26,550,920
TOTAL CURRENT ASSETS		126,624,243	84,049,299
TOTAL ASSETS		2,384,374,745	1,844,432,377
LIABILITIES			
NON-CURRENT LIABILITY			
Financing facility from a bank	9	782,253,943	785,924,480
TOTAL NON-CURRENT LIABILITY		782,253,943	785,924,480
CURRENT LIABILITIES			
Dividends payable	10	27,215,427	21,296,875
Due to a related party	11	15,354,478	15,322,392
Accrued expenses and other payable	12	6,951,008	2,716,258
Deferred revenue	13	8,682,428	13,482,685
Current portion of financing facility from a bank	9	10,698,891	8,293,739
TOTAL CURRENT LIABILITIES		68,902,232	61,111,949
TOTAL LIABILITIES		851,156,175	847,036,429
NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS		1,533,218,570	997,395,948
UNITS IN ISSUE	14	186,944,444	117,500,000
Net assets per unit (SR)		8.2015	8.4885

The attached notes from 1 to 20 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 2023

		2023	2022
	<i>Notes</i>	<i>SR</i>	<i>SR</i>
INCOME/(LOSS)			
Rental income		161,784,997	137,505,273
Murabaha income	8 (a)	3,835,325	426,567
Net (loss) / gain on derivative instruments at FVTIS		(3,111,034)	21,199,241
Other income		5,000	-
TOTAL INCOME		162,514,288	159,131,081
EXPENSES			
Management, administrative and shariah fees		13,984,509	11,127,297
Depreciation	5	31,966,107	29,130,449
Financing fees and bank charges	9	57,221,413	34,525,866
Expected credit loss on rent receivables	7.1	4,000,000	3,500,000
Impairment charge on investment properties	5	4,298,869	26,839,816
Operating and other expenses	15	17,482,156	12,897,309
TOTAL EXPENSES		128,953,054	118,020,737
NET INCOME FOR THE YEAR		33,561,234	41,110,344
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		33,561,234	41,110,344

The attached notes from 1 to 20 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 2023

	2023	2022
	SR	SR
Net assets attributable to the unitholders at 1 January	997,395,948	1,039,710,604
Total comprehensive income for the year	33,561,234	41,110,344
Issue of additional units (note 14)	694,444,440	-
Discount on issuance of units (note 14)	(94,444,440)	-
Dividend (note 10)	(97,738,612)	(83,425,000)
Net assets attributable to the unitholders as at 31 December	<u>1,533,218,570</u>	<u>997,395,948</u>

The attached notes from 1 to 20 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 2023

	<i>Notes</i>	2023 <i>SR</i>	2022 <i>SR</i>
OPERATING ACTIVITIES			
Net income for the year		33,561,234	41,110,344
<i>Adjustments to reconcile net income to net cash from operating activities:</i>			
Depreciation	5	31,966,107	29,130,449
Expected credit loss on rent receivables	7.1	4,000,000	3,500,000
Impairment on investment properties	5	4,298,869	26,839,816
Net loss/(gain) on derivative instruments at fair value through income statement		3,111,034	(21,199,241)
Financing fees and bank charges	9	57,221,413	34,525,866
		134,158,657	113,907,234
Net changes in operating assets and liabilities:			
Rent receivables		(37,571,826)	(5,576,935)
Prepayments and other receivables		1,494,353	(1,105,920)
Derivative instruments at fair value through income statement		18,534,288	405,933
Due to a related party		32,086	10,822,392
Accrued expenses and other payable		4,234,750	(35,938,897)
Deferred revenue		(4,800,257)	(3,790,346)
		116,082,051	78,723,461
INVESTING ACTIVITIES			
Payments made for the acquisition of investment properties		(532,083,968)	(178,454,796)
Payments made for work in progress		(1,548,432)	(3,932,684)
		(533,632,400)	(182,387,480)
FINANCING ACTIVITIES			
Proceeds from issuance of new units	14	600,000,000	-
Repayment of loan principal and interest		(51,724,298)	(821,863,690)
Dividend paid during the year	10	(91,820,060)	(71,878,125)
Proceeds from loans and borrowings		-	975,000,000
Movement in Financing facility from a bank		(6,762,500)	(13,097,088)
		449,693,142	68,161,097
Net change in cash and cash equivalents		32,142,793	(35,502,922)
Cash and cash equivalents at beginning of the year		26,550,920	62,053,842
Cash and cash equivalents at end of the year		58,693,713	26,550,920

The attached notes from 1 to 20 form an integral part of these financial statements.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

1 THE FUND AND ITS ACTIVITIES

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

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

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

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

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

The terms and conditions of the Fund were approved by the Capital Market Authority (the "CMA") on 16 Rabi Awal 1439 H (corresponding to 4 December 2017). The offering 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, and 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

At 31 December 2023

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 2023 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

At 31 December 2023

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 MATERIAL ACCOUNTING POLICY INFORMATION

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

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

4 MATERIAL ACCOUNTING POLICY INFORMATION (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

At 31 December 2023

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.3 Financial instruments – initial recognition and subsequent measurement (continued)

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

At 31 December 2023

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.3 Financial instruments – initial recognition and subsequent measurement (continued)

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. Refer note 16.

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.

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.9 Revenue recognition (continued)

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 2023 (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

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

Standard, interpretation, amendments	Description	Effective date
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. The new standard had no impact on the Fund's financial statements.	01 January 2023
Amendments to IAS 8	The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Fund's financial statements.	01 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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 have had an impact on the Fund disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Fund financial statements.	01 January 2023
Narrow scope amendments to IAS 1	Practice statement 2 and IAS 8 - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	01 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction -	These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments had no impact on the Fund's financial statements.	01 January 2023
Amendment to IAS 12 - International tax reform - pillar two model rules -	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. The amendments had no impact on the Fund's financial statements as the Fund is not in scope of the Pillar Two model rules.	01 January 2023

SEDCO CAPITAL REIT FUND

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.12 Standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments and revisions which are effective from periods on or after 1 January 2024. The fund has opted not to early adopt these pronouncements and the management does not expect these to have a significant impact on the financial statements of the fund.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. The amendments are not expected to have a material impact on the Fund's financial statements.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. The amendments are not expected to have a material impact on the Fund's financial statements.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. The amendments are not expected to have a material impact on the Fund's financial statements.	1 January 2024
Amendments to IAS 21 – Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The amendments are not expected to have a material impact on the Fund's financial statements.	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28. The amendments are not expected to have a material impact on the Fund's financial statements.	(Available for optional adoption/effective date deferred indefinitely)
Other Standards		
IFRS S1 & IFRS S2, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA

SEDCO CAPITAL REIT FUND

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

5 INVESTMENT PROPERTIES

5.1 The details of the investment properties as at 31 December 2023 is as follows:

	Type	Location	Cost			Depreciation			Impairment			Net Book value SR	Fair Value 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 Khaldiyah Business Centre	Commercial	Jeddah	166,425,964	-	166,425,964	(9,770,345)	(2,022,760)	(11,793,105)	(19,970,619)	1,393,760	(18,576,859)	136,056,000	136,056,000
Al Jazeera Residential Compound	Residential	Riyadh	67,702,885	-	67,702,885	(2,578,956)	(531,086)	(3,110,042)	-	-	-	64,592,843	72,752,000
Hyper Panda	Commercial	Jeddah	39,300,000	-	39,300,000	(1,326,206)	(279,000)	(1,605,206)	-	-	-	37,694,794	39,154,500
Hyper Panda	Commercial	Riyadh	78,765,000	-	78,765,000	(2,675,940)	(562,950)	(3,238,890)	-	-	-	75,526,110	80,723,000
Public Prosecution Building	Commercial	Jeddah	63,395,580	695,622	64,091,202	(6,024,783)	(1,174,480)	(7,199,263)	(4,620,799)	4,620,799	-	56,891,939	59,677,000
Al Rawdah Business Centre	Commercial	Jeddah	126,503,000	-	126,503,000	(12,769,938)	(2,635,012)	(15,404,950)	(9,148,062)	(3,186,487)	(12,334,549)	98,763,501	98,763,500
Al Hayat Tower Apartments Hotel	Commercial	Riyadh	41,260,000	-	41,260,000	(3,177,656)	(235,130)	(3,412,786)	(18,422,344)	1,360,630	(17,061,714)	20,785,500	20,785,500
Banque Saudi Fransi Building	Commercial	Dammam	28,519,294	-	28,519,294	(1,987,774)	(447,863)	(2,435,637)	-	-	-	26,083,657	27,094,000
Hyper Panda	Commercial	Dammam	62,545,580	-	62,545,580	(3,286,499)	(747,863)	(4,034,362)	-	-	-	58,511,218	70,215,000
Al Hokair Time Centre	Commercial	Dammam	34,206,942	-	34,206,942	(1,968,143)	(447,863)	(2,416,006)	-	-	-	31,790,936	33,999,000
Ajdan Walk	Commercial	Al Khobar	356,274,715	-	356,274,715	(25,382,818)	(6,357,349)	(31,740,167)	-	-	-	324,534,548	362,424,500
Hyper Panda (Branch & Parking)	Commercial	Dammam	70,170,958	103,971	70,274,929	(1,120,696)	(1,189,813)	(2,310,509)	(1,550,262)	1,550,262	-	67,964,420	69,592,500
Al Olaya School	Commercial	Riyadh	63,776,863	-	63,776,863	(987,528)	(1,062,826)	(2,050,354)	(919,335)	919,335	-	61,726,509	69,587,500
Extra Store	Commercial	Dammam	52,984,181	-	52,984,181	(528,234)	(540,097)	(1,068,331)	(2,480,947)	2,217,097	(263,850)	51,652,000	51,652,000
Iraqah Plaza	Commercial	Riyadh	93,955,614	-	93,955,614	(865,449)	(745,213)	(1,610,662)	(9,115,165)	(905,787)	(10,020,952)	82,324,000	82,324,000
Al Hamra Plaza	Commercial	Riyadh	71,346,032	-	71,346,032	(529,673)	(560,390)	(1,090,063)	(2,866,359)	2,866,359	-	70,255,969	70,418,000
Dar Al Baraa School	Commercial	Riyadh	165,807,140	-	165,807,140	(3,556,970)	(3,755,045)	(7,312,015)	(2,220,170)	2,220,170	-	158,495,125	165,180,500
Al Manahij School	Commercial	Riyadh	58,457,273	-	58,457,273	(764,890)	(708,761)	(1,473,651)	(5,027,383)	3,619,760	(1,407,623)	55,575,999	55,576,000
Amjad Qortuba School	Commercial	Riyadh	122,271,188	-	122,271,188	(1,725,141)	(1,606,619)	(3,331,760)	(10,541,047)	3,743,620	(6,797,427)	112,142,001	112,142,000
Ajdan Entertainment (note 5.6)	Commercial	Al Khobar	178,400,907	-	178,400,907	(3,492,027)	(3,183,511)	(6,675,538)	(10,283,880)	2,946,511	(7,337,369)	164,388,000	164,388,000
Atelier La Vie (note 5.6)	Commercial	Jeddah	-	531,284,375	531,284,375	-	(3,172,476)	(3,172,476)	-	(27,664,898)	(27,664,898)	500,447,001	500,447,000
Work in progress (note 5.7)			-	1,548,432	1,548,432	-	-	-	-	-	-	1,548,432	-
			<u>1,942,069,116</u>	<u>533,632,400</u>	<u>2,475,701,516</u>	<u>(84,519,666)</u>	<u>(31,966,107)</u>	<u>(116,485,773)</u>	<u>(97,166,372)</u>	<u>(4,298,869)</u>	<u>(101,465,241)</u>	<u>2,257,750,502</u>	<u>2,342,951,500</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

5 INVESTMENT PROPERTIES (continued)

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

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

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 2023 SR</i>	<i>31 December 2022 SR</i>
Net assets as reported	1,533,218,570	997,395,948
Net appreciation in value based on valuation	86,749,430	34,806,922
Net assets at fair value of investment properties	1,619,968,000	1,032,202,870
Net assets per unit, at cost	8.2015	8.4885
Impact on net assets per unit for the appreciation in value	0.4640	0.2962
Net assets per unit at fair value	8.6655	8.7847

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 2023 were carried out by Jones Lang LaSalle Saudi Arabia Co. and Esnad (2022: Jones Lang LaSalle Saudi Arabia Co. and Value Strat Consulting), 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, 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. During 2022, the impairment of the new property acquired by the Fund was also 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 restoration of the floor in Irqah Plaza. The project is expected to be completed in the second half of 2024. The expected cost to complete is SR 2 million.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

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 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 two CRSs matured on 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 2023</i>		<i>31 December 2022</i>	
	<i>Positive / (Negative)</i>		<i>Positive / (Negative)</i>	
	<i>Fair Value</i>	<i>Notional Amount</i>	<i>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
Swap 2				
Nominal loan amount	-	-	10,235,135	240,000,000
Total	-	-	21,645,322	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 2023</i>	<i>31 December 2022</i>
	<i>SR</i>	<i>SR</i>
Gross rent receivables	73,933,540	36,361,714
Allowance for expected credit losses (note 7.1)	(10,784,053)	(6,784,053)
	63,149,487	29,577,661

7.1 The movement in allowance for expected credit losses:

	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Balance at 1 January	6,784,053	3,284,053
Charge for the year	4,000,000	3,500,000
Balance at year end	10,784,053	6,784,053

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

8 CASH AND CASH EQUIVALENTS

	<i>31 December</i> <i>2023</i> <i>SR</i>	<i>31 December</i> <i>2022</i> <i>SR</i>
Bank balances	6,193,713	1,550,920
Murabaha deposits with original maturities of less than three months (note (a) below)	52,500,000	25,000,000
	58,693,713	26,550,920

- a) During the year, the Fund earned finance income of SR 3,835,325 (2022: SR 426,567) at the rate of return ranging from 3.60% to 5.80% (2022: 0.50% to 4.10%).

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 2022, the Fund settled a financing facility agreement with a local commercial bank with an approved limit of SR 1,050 million and entered into a new financing facility agreement with another local commercial bank with an approved limit of SR 1,175 million. During the current year, the approved limit increased to SR 1,716 million).

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

As at 31 December 2023, the Fund has an undrawn amount of SR 916 million (31 December 2022: SR 375 million). The Fund has recorded financing charges based on effective commission rate method amounting to SR 57.2 million (31 December 2022: SR 34.5 million).

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

	<i>31 December</i> <i>2023</i> <i>SR</i>	<i>31 December</i> <i>2022</i> <i>SR</i>
Non-current liabilities	782,253,943	785,924,480
Current liabilities – current portion of financing from a bank	10,698,891	8,293,739
	792,952,834	794,218,219

Current portion of financing from a bank presented above represent accrued commission amounting to SR 10.70 million (31 December 2022: SR 8.29 million).

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

10 DIVIDEND PAYABLE

During the year ended 31 December 2023, the Fund Board declared and approved cash dividends amounting to SR 97.74 million (2022: SR 83.42 million). During the year ended 31 December 2023, the Fund paid an amount of SR 91.82 million to the Fund's Unitholders (2022: SR 71.88 million). The details for the distributions as follows:

Board Resolution date	The period paid for	Amount per unit (rounded)	Total
30 March 2022	1 January 2022 – 31 March 2022	0.1725	20,268,750
30 June 2022	1 April 2022 – 30 June 2022	0.1750	20,562,500
29 September 2022	1 July 2022 – 30 September 2022	0.1813	21,296,875
22 December 2022	1 October 2022 – 31 December 2022	0.1813	21,296,875
04 May 2023	1 January 2023 – 31 March 2023	0.1563	18,359,375
26 July 2023	1 April 2023 – 30 June 2023	0.1341	25,071,875
17 October 2023	1 July 2023 – 30 September 2023	0.1450	27,106,944
26 December 2023	1 October 2023 – 31 December 2023	0.1455	27,200,418

11 RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions comprise of transactions with the Fund Manager, Fund Board, 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:

Related party	Nature of transaction	2023 SR	2022 SR
SEDCO Capital (Fund Manager)	Management fees	13,236,106	10,568,854
	Administrative Fees	661,805	528,443
	Shariah Fees	30,000	30,000
	Financing arrangement fee	6,762,500	14,687,500
	Brokerage and acquisition fees	14,159,375	6,157,531
	Payment of Fund Manager fees and reimbursement of fees paid on behalf of the Fund	(34,817,700)	(21,149,936)
Al Mahmal Trading Company (Affiliate of Fund Manager)	Rent income	1,004,110	1,004,110
	Property management and rent collection fees	5,103,850	5,419,859
Al-Inma Investment Company (Custodian)	Custody fees	531,566	421,575
Fund Board	Board remuneration	60,000	60,000

The balance due to a related party as at 31 December 2023 amounted to SR 15,354,478 (31 December 2022: SR 15,322,392) which represents the amount payable to the Fund Manager. Additionally, the balance due to Al Mahmal Trading Company amounted to SR 1,610,112 (31 December 2022: SR 1,115,929) represents the amount payable for property management and rent collections fees which is presented under accrued expenses and other payable (note 12). Moreover, the balance due to the custodian of the Fund amounted to SR 321,543 (2022: SR 207,336), which is presented under accrued expenses and other payable (note 12).

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

12 ACCRUED EXPENSES AND OTHER PAYABLE

Accrued expenses and other payables comprise of the following:

	<i>31 December</i> <i>2023</i> <i>SR</i>	<i>31 December</i> <i>2022</i> <i>SR</i>
Maintenance fee payable (note 11)	1,610,112	1,115,929
Security deposits	4,469,024	766,621
Valuation fee payable	428,453	392,372
Custody fee payable (note 11)	321,543	207,336
Accrued professional fees	93,565	162,500
Other payable	28,311	71,500
	<u>6,951,008</u>	<u>2,716,258</u>

13 DEFERRED REVENUE

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

	<i>2023</i> <i>SR</i>	<i>2022</i> <i>SR</i>
Balance at 1 January	13,482,685	17,273,031
Rent received during the year	60,023,435	76,588,704
Adjusted against revenue earned during the year	(64,823,692)	(80,379,050)
Balance at 31 December	<u>8,682,428</u>	<u>13,482,685</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 2021, the Fund initiated a capital increase and issued additional 57,500,000 units at SR 10 per unit to reach total number of units issued of 117,500,000 units. Furthermore, during the current year ended 31 December 2023, the Fund initiated a capital increase and issued additional 69,444,444 units at a discounted price of SR 8.64 per unit. Net proceeds from the capital increase amounted to SR 600 million. Total number of units issued as at period end is 186,944,444 units (31 December 2022: 117,500,000).

15 OPERATING AND OTHER EXPENSES

	<i>2023</i> <i>SR</i>	<i>2022</i> <i>SR</i>
Operating expenses	9,759,798	9,817,671
Tadawul and Edaa fees	886,739	504,063
Professional fees	1,225,867	1,344,607
Custody fees (note 11)	531,566	421,575
Board fees (note 11)	60,000	60,000
Al Jazeera Capital (Lead Manager)	1,400,066	-
Receiving Banks (Riyad Bank – Rajhi Bank – SNB)	1,840,000	-
Fees of the legal advisor	258,750	-
Other expenses	1,519,370	749,393
	<u>17,482,156</u>	<u>12,897,309</u>

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

16 ZAKAT

On 3 December 2022 corresponding to 9 Jumada Al-Awal 1444H, Zakat, Tax and Customs Authority (“ZATCA”) issued the Ministerial Resolution No. (29791) and approved the rules for collection of Zakat from the investors in the investment funds. These rules confirm and clarify the treatment of investments in investment funds for Zakat purposes in the books of the Zakat payers who voluntarily wish to declare and treat such items as deductions from the Zakat base in their declarations, provided that the conditions for deduction contained in the regulations and rules are met.

The new rules provided Unitholders a mechanism of calculating and paying Zakat in order to deduct their investment in the funds. All Investment Funds are required to register and submit informative returns, and the responsibility of paying zakat will be at the unitholder level. Pursuant to the Ministerial Resolution, the Fund has registered with ZATCA and will file its first informative return for the year ended 31 December 2023.

The Zakat base is based on the following:

	2023
	SR
Adjustment to the adjusted net income	
Net income for the year	33,561,234
Expected credit loss on rent receivables	4,000,000
Net (loss) / gain on derivative instruments at FVTIS	3,111,034
	<hr/>
Adjusted net income for the year	40,672,268
Zakat Base	
Opening net assets attributable to the unitholders	997,395,948
Dividends paid	(91,820,060)
Issue of additional units	694,444,440
Discount on issuance of units	(94,444,440)
Movement in the allowance for expected credit loss	6,784,053
Dividends payable	27,215,427
Financing facility from a bank – non-current portion	782,253,943
Investment properties	(2,257,750,502)
	<hr/>
Total	64,078,809
	<hr/>
Total adjusted zakat base @365/354	66,069,958
	<hr/>
Total adjusted net income and zakat base for the year	106,742,226
	<hr/>
Zakat Base liability @2.5%	2,668,556
Number of Unit	186,944,444
Zakat per unit (rounded)	0.0143

The Fund has no liability to pay the Zakat and is only required to file the information only return.

17 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.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

17 FINANCIAL RISK MANAGEMENT (continued)

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

a) Market risk

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 2023 and 2022.

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 2023, 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 7.9 million (2022: SAR 8.0 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.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

17 FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

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:

Assets	31 December 2023	31 December 2022
	<i>SR</i>	<i>SR</i>
Cash and cash equivalents	58,693,713	26,550,920
Rent receivables	73,933,540	36,361,714
	132,627,253	62,912,634

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 4 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 2023, the Fund has an undrawn amount of SR 916 million (31 December 2022: SR 375 million).

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

17 FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

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

<i>31 December 2023</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	-	10,698,891	782,253,943	792,952,834
Dividends payable	27,215,427	-	-	27,215,427
Due to a related party	15,354,478	-	-	15,354,478
Other payable	2,388,419	4,469,024	-	6,857,443
	<u>44,958,324</u>	<u>15,167,915</u>	<u>782,253,943</u>	<u>842,380,182</u>
<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>

18 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.

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:

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

18 FAIR VALUE MEASUREMENT (continued)

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

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

19 LAST VALUATION DAY

The last valuation day of the year was 31 December 2023 (2022: 31 December 2022).

20 APPROVAL OF THE FINANCIAL STATEMENTS

These Financial statements have been approved by the Fund Board on 28 March 2024, (corresponding to 18 Ramadan 1445H.)