

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital)

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

FOR THE YEAR ENDED 31 DECEMBER 2022

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

FINANCIAL STATEMENTS

For the year ended 31 December 2022

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of SEDCO Capital REIT Fund

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Other Matter

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

Key Audit Matter

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

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

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

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

Report on the Audit of the Financial Statements (continued)

Key Audit Matter (continued)

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



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

Report on the Audit of the Financial Statements (continued)

Other Information Included in the Fund's 2022 Annual Report

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on the Audit of the Financial Statements (continued)

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

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


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

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

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

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

for Ernst & Young Professional Services


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

Jeddah: 08 Ramadhan 1444H
30 March 2023G



SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

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

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

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

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2022

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

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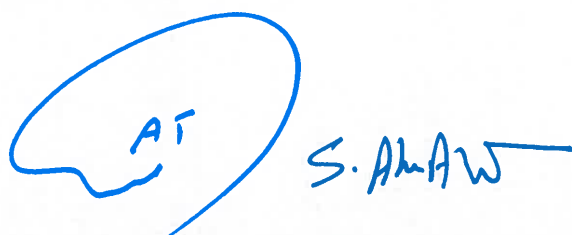
The attached notes from 1 to 19 form an integral part of these financial statements.

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

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



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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

1 THE FUND AND ITS ACTIVITIES

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPERATION

a) *Statement of compliance*

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

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

2 BASIS OF PREPERATION (continued)

b) Basis of measurement

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

c) Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions

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

Valuation of investment properties

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

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

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

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of non-financial assets

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

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

Provision for expected credit losses of rent receivables

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

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

Useful lives of investment properties

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Investment properties

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

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

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

4.3 Financial instruments – initial recognition and subsequent measurement

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

a) Financial assets

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

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

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

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

Subsequent measurement

Financial assets at amortised cost

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

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

Financial assets at fair value through income statement

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Financial instruments – initial recognition and subsequent measurement

a) *Financial assets (continued)*

Derecognition

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

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

Impairment

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

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

b) *Financial liabilities*

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

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

Subsequent measurement

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

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

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

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

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Financial instruments – initial recognition and subsequent measurement

b) *Financial liabilities (continued)*

Derecognition

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

c) *Offsetting of financial instruments*

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

4.4 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

4.5 Cash and cash equivalents

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

4.6 Provisions

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

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

4.7 Zakat and income tax

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

4.8 Dividend payable

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

4.9 Revenue recognition

Rental income

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Revenue recognition

Murabha income

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

4.10 Expenses

a) Administration and Management Fees

The Fund Manager is entitled to receive an administration and management fee of 0.05% and 1% respectively per annum of the fair value of the Fund's net assets calculated based on the most recent audited financial statements and paid on a semi-annual basis.

b) Performance fee

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

c) Financing arrangement fees

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

d) Brokerage fee and acquisition fee

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

e) Custody fee

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

f) Shariah fees

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

g) Property Management Fee

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

h) Board fees

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

i) Depository Centre Fees (Edaa fees)

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

j) Tadawul fee

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

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

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

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

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

IAS 41 Agriculture – Taxation in fair value measurement

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

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

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

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

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

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

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

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

Definition of Accounting Estimates - Amendments to IAS 8

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

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Standards issued but not yet effective (continued)

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

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

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

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

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

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

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

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

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

5 INVESTMENT PROPERTIES

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

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

5 INVESTMENT PROPERTIES (continued)

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

	Type	Location	Cost			Depreciation			Impairment			Net Book value (Audited) SR	Fair Value (Audited) SR
			Opening SR	Additions during the Year SR	Closing SR	Opening SR	Charge for the year SR	Closing SR	Opening SR	(Charge)/ reversal for the year SR	Closing Impairment SR		
Al Khaldiyah Business Centre	Commercial	Jeddah	148,984,706	-	148,984,706	(5,671,423)	(2,028,883)	(7,700,306)	(2,325,283)	1,371,883	(953,400)	140,331,000	140,331,000
Al Jazeera Residential Compound	Residential	Riyadh	67,602,009	46,987	67,648,996	(1,450,479)	(528,764)	(1,979,243)	-	-	-	65,669,753	69,320,000
Hyper Panda	Commercial	Jeddah	39,300,000	-	39,300,000	(768,206)	(279,000)	(1,047,206)	-	-	-	38,252,794	39,325,000
Hyper Panda	Commercial	Riyadh	78,765,000	-	78,765,000	(1,550,040)	(562,950)	(2,112,990)	-	-	-	76,652,010	81,100,000
Public Prosecution Building	Commercial	Jeddah	63,386,276	9,304	63,395,580	(3,583,476)	(1,301,750)	(4,885,226)	-	(5,410,354)	(5,410,354)	53,100,000	53,100,000
Al Rawdah Business Centre	Commercial	Jeddah	126,503,000	-	126,503,000	(7,378,446)	(2,673,848)	(10,052,294)	(7,853,554)	1,459,848	(6,393,706)	110,057,000	110,057,000
Al Hayat Tower Apartments Hotel	Commercial	Riyadh	41,260,000	-	41,260,000	(2,169,148)	(787,800)	(2,956,948)	-	(18,903,052)	(18,903,052)	19,400,000	19,400,000
Banque Saudi Fransi Building	Commercial	Dammam	28,519,294	-	28,519,294	(1,092,048)	(447,863)	(1,539,911)	-	-	-	26,979,383	28,085,000
Hyper Panda	Commercial	Dammam	62,545,580	-	62,545,580	(1,790,773)	(747,863)	(2,538,636)	-	-	-	60,006,944	65,175,000
Al Hokair Time Centre	Commercial	Dammam	34,206,942	-	34,206,942	(1,072,417)	(447,863)	(1,520,280)	-	-	-	32,686,662	33,600,000
Ajdan Walk	Commercial	Al Khobar	356,274,715	-	356,274,715	(12,668,123)	(6,357,349)	(19,025,472)	-	-	-	337,249,243	357,000,000
Hyper Panda (Branch & Parking) (note 5.6)	Commercial	Dammam	-	70,170,958	70,170,958	-	(3,381)	(3,381)	-	(3,882,577)	(3,882,577)	66,285,000	66,285,000
Al Olaya School (note 5.6)	Commercial	Riyadh	-	63,776,863	63,776,863	-	(2,988)	(2,988)	-	(3,528,875)	(3,528,875)	60,245,000	60,245,000
Extra Store (note 5.6)	Commercial	Dammam	-	52,984,181	52,984,181	-	(1,683)	(1,683)	-	(2,932,498)	(2,932,498)	50,050,000	50,050,000
Iraqh Plaza (note 5.6)	Commercial	Riyadh	-	93,955,614	93,955,614	-	(2,790)	(2,790)	-	(5,200,324)	(5,200,324)	88,752,500	88,752,500
Al Hamra Plaza (note 5.6)	Commercial	Riyadh	-	71,346,032	71,346,032	-	(1,770)	(1,770)	-	(3,949,262)	(3,949,262)	67,395,000	67,395,000
Dar Al Baraa School (note 5.6)	Commercial	Riyadh	-	165,807,140	165,807,140	-	(10,470)	(10,470)	-	(9,171,670)	(9,171,670)	156,625,000	156,625,000
Al Manahij School (note 5.6)	Commercial	Riyadh	-	58,457,273	58,457,273	-	(2,355)	(2,355)	-	(3,234,918)	(3,234,918)	55,220,000	55,220,000
Amjad Qortuba School (note 5.6)	Commercial	Riyadh	-	122,271,188	122,271,188	-	(5,268)	(5,268)	-	(6,765,920)	(6,765,920)	115,500,000	115,500,000
Work in progress (note 5.7)			7,399,157	6,109,417	13,508,574	-	-	-	-	-	-	13,508,574	-
			<u>1,054,746,679</u>	<u>704,934,957</u>	<u>1,759,681,636</u>	<u>(39,194,579)</u>	<u>(16,194,638)</u>	<u>(55,389,217)</u>	<u>(10,178,837)</u>	<u>(60,147,719)</u>	<u>(70,326,556)</u>	<u>1,633,965,863</u>	<u>1,656,565,500</u>

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

5 INVESTMENT PROPERTIES (continued)

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

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

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

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

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

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

6 DERIVATIVE INSTRUMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

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

During the year ended 31 December 2020, the Fund entered into two Commission Rate Swap (CRS) agreements with a commercial bank to swap its exposure to the variability in cash flows arising from variable portion of the agreed rate (SAIBOR) on financing facility obtained from a bank (note 9). The maturity date of the two CRSs are 15 October 2023 and 16 October 2023, respectively.

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

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

7 RENT RECEIVABLES

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

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

The gross rent receivables balance is current and is not past due except for receivable balance amounting to 6.78 million which is provided in full. Based on the historical experience, no provision is required for the receivable which is less than 30 days due.

7.1 The movement in allowance for expected credit losses:

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

8 CASH AND CASH EQUIVALENTS

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

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

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

9 FINANCING FACILITY FROM A BANK

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

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

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

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

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

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

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

10 DIVIDEND PAYABLE

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

11 RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions comprise of transactions with the Fund Manager and Al-Inma Investment Company, the Fund Custodian, and other affiliates of the Fund Manager in the ordinary course of business, undertaken on mutually agreed terms. These transactions were carried out on the basis of approved terms and conditions of the Fund.

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

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

The balance due to a related party as at 31 December 2022 amounted to SR 15,322,392 (31 December 2021: SR 4,500,000) which represents the amount payable to the Fund Manager. Additionally, the balance due to Al Mahmal Trading Company amounted to SR 1,115,929 (31 December 2021: SR 1,230,602) represents the amount payable for property management and rent collections fees which is presented under accrued expenses and other payable (note 12). Moreover, the balance due to the custodian of the Fund amounted to SR 207,336 (2021: SR 108,857), which is presented under accrued expenses and other payable (note 12).

12 ACCRUED EXPENSES AND OTHER PAYABLE

Accrued expenses and other payables comprise of the following:

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

13 DEFERRED REVENUE

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

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

14 UNITS IN ISSUE

The Fund initially issued a total of 60,000,000 units at the price of SR 10 per unit. During the year ended 31 December 2021, the Fund initiated a capital increase and issued additional 57,500,000 units at SR 10 per unit, out of which 32,500,000 were allocated to in-kind subscribers. The total number of units issued pursuant to capital increase amount to 117,500,000 units. During the current year ended 31 December 2022, there was no movement in number of units.

15 OPERATING AND OTHER EXPENSES

Operating and other expenses comprise of the following:

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

16 FINANCIAL RISK MANAGEMENT

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

The Fund is exposed to market risk, credit risk and liquidity risk. The Fund Manager oversees the management of these risks. The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

16 FINANCIAL RISK MANAGEMENT (continued)

a) Market risk

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

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

1) *Commission rate risk*

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

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

Commission rate sensitivity

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

2) *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates, and arises from financial instruments denominated in foreign currency. The Fund does not have any significant foreign exchange risk since the majority of its transactions are carried out in Saudi Riyal.

3) *Price risk*

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

b) Credit risk

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

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

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

16 FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Maximum exposure to credit risk at the reporting date:

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

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

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

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

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

c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's terms and conditions provide redemption of units on liquidation of the Fund. All financial liabilities other than non-current liability are payable within 12 months from the date of statement of financial position.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, principally through rental income, or by taking short / long term loans from the financial institutions. As at 31 December 2022, the Fund has an undrawn amount of SR 375 million (31 December 2021: SR 425 million).

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

16 FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

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

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

17 FAIR VALUE MEASUREMENT

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

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

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

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

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

17 FAIR VALUE MEASUREMENT (continued)

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

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

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

External valuers are involved for valuation of investment properties.

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

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

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

Financial assets measured at fair value

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

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

SEDCO CAPITAL REIT FUND

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

18 LAST VALUATION DAY

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

19 APPROVAL OF THE FINANCIAL STATEMENTS

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