

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

FINANCIAL STATEMENTS
For the year ended December 31, 2020
with
**INDEPENDENT AUDITOR'S
REPORT TO THE UNITHOLDERS**

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

FINANCIAL STATEMENTS
For the year ended December 31, 2020

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Independent Auditor's Report

To the unitholders of SEDCO Capital REIT Fund

Opinion

We have audited the financial statements of **SEDCO Capital REIT FUND (the "Fund")**, managed by Saudi Economic and Development Securities Company ("SEDCO Capital Company" or "the "Fund Manager"), which comprise the statement of financial position as at December 31, 2020, the statements of comprehensive income, changes in net assets attributable to unitholders and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2020, 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 and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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 professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent Auditor's Report

To the unitholders of SEDCO Capital REIT Fund (continued)

Key Audit Matters

The Key audit matter	How the matter was addressed in our audit
<p>Valuation of investment properties</p> <p>As at December 31, 2020, the carrying value of investment properties aggregated SR 1,005.4 million (December 31, 2019: SAR 1,019.9 million) and the fair value of these properties amounted to SAR 1,032.4 million (December 31, 2019: SAR 1,047.4).</p> <p>The investment properties are stated at cost less accumulated depreciation and impairment losses, (if any). However, the fair value of the investment properties is disclosed in the note 10 to the financial statements.</p> <p>In accordance with the requirements of relevant accounting standards, the Fund is required to assess indicators of impairment on its investment properties at each reporting date. In case such indicators are identified, the recoverable of such investment properties are required to be determined.</p> <p>As part of its assessment of impairment indicators, the Fund reviews both internal and external indicators of impairment including but not limited to net cash flows, operating losses, physical condition of its properties and adverse market changes or conditions. The Fund also uses the valuation reports from the independent valuers engaged by the Fund Manager to evaluate the recoverable amounts of properties at the reporting date.</p> <p>We considered this as a key audit matter since the assessment of recoverable amounts, where required, involves the exercise of significant judgment and estimates.</p> <p><i>Refer to the summary of significant accounting policies note 10.3 relating to impairment of investment properties, note 5 which contains the significant accounting judgment, estimates and assumptions relating to impairment and note 10 relating to investment properties.</i></p>	<p>Our audit procedures in response to the assessed risk of material misstatement in assessing impairment in the investment properties comprised of:</p> <ul style="list-style-type: none">- Obtaining an understanding of the process adopted by the Fund Manager in identifying the impairment in investment properties.- Obtaining an understanding of the valuation approach adopted by the Fund manager. We held correspondence with the Fund's independent valuers through the Fund Manager to understand the assumptions and methodologies used in valuing the investment properties and the market evidence used by the independent valuers to support their assumptions. We also obtained an understanding of the involvement of the Fund manager's valuation process to assess whether appropriate oversight has occurred.- Assessing valuers' credentials, their independence, professional qualifications, competence, experience and ensured that they are certified from Saudi Authority for Accredited Valuers (TAQEEM).- Assessing the value in use of investment properties determined by the Fund Manager.- Involving our specialist to assess the key assumptions and estimates, such as discount rate, exit yield rate, annual rental income, operating expenditure and occupancy, used by the real estate valuation experts in determining the fair values of the investment properties.- Comparing the recoverable amounts of the investment properties with their carrying values to check whether recognition of any impairment loss is required.- Assessing the adequacy of the disclosures in the financial statements.



Independent Auditor's Report

To the unitholders of SEDCO Capital REIT Fund (continued)

Other Information

The Fund Manager is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The 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 annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of 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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable provisions of the Real Estate Investment Funds Regulations issued by 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 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 judgement and maintain professional scepticism 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.

Independent Auditor's Report

To the unitholders of SEDCO Capital REIT Fund (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Fund Manager.
- Conclude on the appropriateness of 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, then 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 of **SEDCO Capital REIT Fund ("the Fund")**.

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

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.

KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454

Jeddah, Shaban 10, 1442H
Corresponding to March 23, 2021



SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

(Expressed in Saudi Arabian Riyals)

	<u>Notes</u>	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
<u>ASSETS</u>			
Current assets			
Cash at bank		20,585,698	34,534,020
Rent receivable	8	15,919,638	7,634,432
Prepayments and other receivables	9	6,260,042	6,264,308
Total current assets		42,765,378	48,432,760
Non-current assets			
Investment properties	10	1,005,373,263	1,019,938,026
Total assets		1,048,138,641	1,068,370,786
<u>LIABILITIES</u>			
Current liabilities			
Dividends payable	11	7,500,000	9,900,000
Due to related parties	12	6,915,085	5,053,513
Accrued expenses and other payables	13	2,745,272	2,300,598
Deferred revenue	14	3,522,464	5,033,571
Derivative instruments at fair value through profit or loss	15	1,303,370	--
Financing facility from a bank	16	1,468,518	25,326,863
Total current liabilities		23,454,709	47,614,545
Non-current liabilities			
Financing facility from a bank	16	486,735,553	459,232,392
Total liabilities		510,190,262	506,846,937
Net assets attributable to unitholders		537,948,379	561,523,849
Units in issue (number)	17	60,000,000	60,000,000
Net assets per unit (SAR)	10.4	8.9658	9.3587

S. Al-W

The accompanying notes from 1 to 24 form an integral part of these financial statements.

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

	<u>Notes</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
INCOME			
Rental income		68,104,900	76,802,347
Murabaha income		3,250	1,251,053
		<u>68,108,150</u>	<u>78,053,400</u>
EXPENSES			
Management, administrative and shariah fees	7&12	6,167,584	6,310,671
Depreciation	10	16,086,432	16,122,408
Impairment / (reversal) on investment properties	10	3,455,936	(3,075,828)
Expected credit losses	8	2,000,000	569,458
Unrealised loss on derivative instruments at fair value through profit or loss	15	2,178,483	--
Financing fees and charges	16	18,495,689	26,963,654
Operating and other expenses	18	10,002,680	9,023,105
Total expenses		<u>58,386,804</u>	<u>55,913,468</u>
Net profit for the year		<u>9,721,346</u>	<u>22,139,932</u>
Total comprehensive income for the year		<u>9,721,346</u>	<u>22,139,932</u>

S. Alkhalaf

The accompanying notes from 1 to 24 form an integral part of these financial statements.

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
For the year ended December 31, 2020
(Expressed in Saudi Arabian Riyals)

	For the year ended December 31,
Net assets attributable to Unitholders at the beginning of the year (Note 17)	578,983,917
Total comprehensive income for the year ended December 31, 2019	22,139,932
Dividends (Note 11)	<u>(39,600,000)</u>
Net assets attributable to unitholders as at December 31, 2019 (Note 17)	561,523,849
Total comprehensive income for the year ended December 31, 2020	9,721,346
Dividends (Note 11)	<u>(33,296,816)</u>
Net assets attributable to unitholders as at December 31, 2020 (Note 17)	<u>537,948,379</u>

S. ALAL

The accompanying notes from 1 to 24 form an integral part
of these financial statements.

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

STATEMENT OF CASH FLOWS
For the year ended December 31, 2020
(Expressed in Saudi Arabian Riyals)

	<u>Notes</u>	For the year ended December 31, 2020	For the year ended December 31, 2019
Net profit for the year		9,721,346	22,139,932
Cash flow from operating activities:			
<i>Adjustment for:</i>			
Depreciation	10	16,086,432	16,122,408
Impairment / (Reversal) in investment property	10	3,455,936	(3,075,828)
Expected credit losses	8	2,000,000	569,458
		<u>31,263,714</u>	<u>35,755,970</u>
Net changes in operating assets and liabilities:			
Rent receivable		(10,285,206)	7,015,410
Prepayments and other receivables		4,266	16,293,632
Payments made for the acquisition of investment properties		--	(73,235,661)
Payments made for work in progress		(4,977,605)	--
Due to related parties		1,861,572	(11,962,830)
Accrued expenses and other payables		444,674	(1,026,072)
Derivative instruments at fair value through profit or loss		1,303,370	--
Deferred income		(1,511,107)	2,369,558
Financing facility from a bank		3,644,816	(13,781,631)
		<u>21,748,494</u>	<u>(38,571,624)</u>
Net cash generated / (used in) operating activities			
Cash flow from financing activities:			
Dividend paid during the year	11	(35,696,816)	(38,850,000)
Net cash used in from financing activities		<u>(35,696,816)</u>	<u>(38,850,000)</u>
Net change in cash and cash equivalents:		(13,948,322)	(77,421,624)
Cash and cash equivalents at beginning of the year		34,534,020	111,955,644
Cash and cash equivalents at end of the year		<u>20,585,698</u>	<u>34,534,020</u>

S. Alhadi.

The accompanying notes from 1 to 24 form an integral part of these financial statements.

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

1 THE FUND AND ITS ACTIVITIES

SEDCO Capital REIT Fund (the "Fund") is a closed-ended Shariah compliant real estate investment fund, established and managed by Saudi Economic and Development Securities Company ("SEDCO Capital" or the "Fund Manager"), a subsidiary of 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 23/04/1430H, corresponding to 19/4/2009, manages the Fund. The Fund Manager conducts following securities activities:

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

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

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

The terms and conditions of the Fund were approved by the CMA on Rabi Awal 16, 1439 H (corresponding to December 04, 2017). The offering period for the subscription of the units was from January 24, 2018 to February 20, 2018. Unitholders subscribed for the units of the Fund during the offering period and cash was held in a collection account of NCB Capital. The Fund commenced its activities on April 01, 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 has been established and units are offered in accordance with the Real Estate Investment Funds Regulations issued by CMA under Resolution No. 1-193-2006, dated 19/6/1427H, (The "Real Estate Investment Funds Regulations"), and in accordance with the instructions issued by CMA in respect of traded real estate investment funds pursuant to Resolution No. 6-130-2016, dated 23/1/1438H, corresponding to 24/10/2016G, ("Real Estate Investment Funds Instructions") detailing requirements for all the Real Estate Investment Funds within the Kingdom of Saudi Arabia.

2 BASIS OF ACCOUNTING

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public 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 and the Information Memorandum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention using the accrual basis of accounting and the going concern concept.

4 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 Riyals (“SAR”) which is the Fund’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currency are translated into SAR using the exchange rates prevailing at the statement of financial position date. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Useful lives of investment properties

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

Impairment of investment properties

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

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

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

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Impairment of financial assets

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

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

6. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the last annual financial statements.

6.1 *Cash and cash equivalents*

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

6.2 *Financial instruments*

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

Initial recognition

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

Derecognition

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

Subsequent measurement

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

6.3 *Investment properties*

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

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

6.4 *Accrued expenses and other payables*

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

6.5 *Provisions*

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

6.6 *Financing*

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

6.7 *Revenue recognition*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

6.8 *Zakat and income tax*

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

6.9 *Dividend payable*

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

6.10 *Commission income and expense*

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

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

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

6.11 *Offsetting*

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

6.12 *Net assets per unit*

The net assets per unit is calculated by dividing the Net assets attributable to Unitholders included in the statement of financial position by the numbers of units issued.

7. ADMINISTRATION AND OTHER FEES

Administration and Management Fees

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

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.

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

7. ADMINISTRATION AND OTHER FEES (continued)

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.

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.

Custody fee

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

Shariah fees

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

Edaa fees

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

Tadawul fee

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

8. RENT RECEIVABLE

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

	December 31, <u>2020</u>	December 31, <u>2019</u>
Rent receivable	18,953,859	8,668,653
Expected credit losses	<u>(3,034,221)</u>	<u>(1,034,221)</u>
	<u>15,919,638</u>	<u>7,634,432</u>

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

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8. RENT RECEIVABLE (continued)

The movement in allowance for expected credit losses is as follows:

	<u>2020</u>	<u>2019</u>
Balance at January 1	1,034,221	464,763
Charge for the year	<u>2,000,000</u>	<u>569,458</u>
Balance at December 31	<u>3,034,221</u>	<u>1,034,221</u>

9. PREPAYMENT AND OTHER RECEIVABLES

Prepayment and other receivables at comprise of the following:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
VAT receivable	6,133,736	6,165,678
Prepaid insurance	126,306	--
Prepaid rent	<u>--</u>	<u>98,630</u>
	<u>6,260,042</u>	<u>6,264,308</u>

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10. INVESTMENT PROPERTIES

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

	Type	Location	Opening cost	Addition during the year	Closing cost	Opening depreciation	Depreciation during the year	Closing depreciation	Opening impairment	Impairment reversal during the year	Closing impairment	Net book value	Fair Value
Khalidiyah Business Center (See 10.3)	Commercial	Jeddah	148,984,706	--	148,984,706	3,679,809	1,991,614	5,671,423	--	(2,325,283)	(2,325,283)	140,988,000	140,988,000
Al Ajazzera Compound (See 10.3)	Residential	Riyadh	67,572,046	29,963	67,602,009	921,069	529,410	1,450,479	--	--	--	66,151,530	67,860,000
Panda Jeddah	Commercial	Jeddah	39,300,000	--	39,300,000	489,206	279,000	768,206	--	--	--	38,531,794	39,825,000
Panda Riyadh	Commercial	Riyadh	78,765,000	--	78,765,000	987,090	562,950	1,550,040	--	--	--	77,214,960	81,600,000
Public prosecution building	Commercial	Jeddah	63,269,676	116,600	63,386,276	2,276,103	1,307,373	3,583,476	--	--	--	59,802,800	65,935,000
Al Rawda Business Center (See 10.3)	Commercial	Jeddah	126,495,000	8,000	126,503,000	4,751,099	2,627,347	7,378,446	(6,722,901)	(1,130,653)	(7,853,554)	111,271,000	111,271,000
Burj AlHayat	Commercial	Riyadh	41,260,000	--	41,260,000	1,381,348	787,800	2,169,148	--	--	--	39,090,852	40,900,000
Saudi Fransi Building	Commercial	Dammam	28,519,294	--	28,519,294	644,185	447,863	1,092,048	--	--	--	27,427,246	28,285,000
Panda Al rayan	Commercial	Dammam	62,545,580	--	62,545,580	1,042,910	747,863	1,790,773	--	--	--	60,754,807	65,175,000
Alhokair Time (See 10.3)	Commercial	Dammam	34,206,942	--	34,206,942	624,554	447,863	1,072,417	--	--	--	33,134,525	33,600,000
Ajdan Walk	Commercial	Al Khobar	356,274,715	--	356,274,715	6,310,774	6,357,349	12,668,123	--	--	--	343,606,592	357,000,000
Work in progress (See 10.6)			2,576,115	4,823,042	7,399,157	--	--	--	--	--	--	7,399,157	--
			<u>1,049,769,074</u>	<u>4,977,605</u>	<u>1,054,746,679</u>	<u>23,108,147</u>	<u>16,086,432</u>	<u>39,194,579</u>	<u>(6,722,901)</u>	<u>(3,455,936)</u>	<u>(10,178,837)</u>	<u>1,005,373,263</u>	<u>1,032,439,000</u>

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10. INVESTMENT PROPERTIES (continued)

The details of the properties as at December 31, 2019 is as follows:

	Type	Location	Opening cost	Addition during the year	Closing cost	Opening depreciation	Depreciation during the year	Closing depreciation	Opening impairment	Impairment during the year	Closing impairment	Net book value	Fair value
Khalidiyah Business Center (See 10.3)	Commercial	Jeddah	148,984,706	--	148,984,706	1,581,168	2,098,641	3,679,809	--	--	--	145,304,897	151,321,000
Al Ajazzera Compound (See10.3)	Residential	Riyadh	67,465,000	107,046	67,572,046	394,757	526,312	921,069	--	--	--	66,650,977	69,860,000
Panda Jeddah	Commercial	Jeddah	39,300,000	--	39,300,000	210,206	279,000	489,206	--	--	--	38,810,794	39,800,000
Panda Riyadh Public prosecution building	Commercial	Riyadh	78,765,000	--	78,765,000	424,140	562,950	987,090	--	--	--	77,777,910	81,600,000
Al Rawda Business Center (See10.3)	Commercial	Jeddah	63,269,676	--	63,269,676	978,013	1,298,090	2,276,103	--	--	--	60,993,573	67,000,000
Burj AlHayat	Commercial	Riyadh	126,495,000	--	126,495,000	2,135,846	2,615,253	4,751,099	(9,798,729)	3,075,828	(6,722,901)	115,021,000	115,021,000
Saudi Fransi Building	Commercial	Riyadh	41,260,000	--	41,260,000	593,548	787,800	1,381,348	--	--	--	39,878,652	40,350,000
	Commercial	Dammam	28,519,294	--	28,519,294	196,323	447,862	644,185	--	--	--	27,875,109	28,100,000
Panda Al rayan Alhokair Time (See 10.3)	Commercial	Dammam	62,545,580	--	62,545,580	295,047	747,863	1,042,910	--	--	--	61,502,670	63,500,000
	Commercial	Dammam	34,206,942	--	34,206,942	176,691	447,863	624,554	--	--	--	33,582,388	33,900,000
Ajdan Walk Work in progress (See 10.6)	Commercial	Al Khobar	354,722,215	1,552,500	356,274,715	--	6,310,774	6,310,774	--	--	--	349,963,941	357,000,000
			--	2,576,115	2,576,115	--	--	--	--	--	--	2,576,115	--
			<u>1,045,533,413</u>	<u>4,235,661</u>	<u>1,049,769,074</u>	<u>6,985,739</u>	<u>16,122,408</u>	<u>23,108,147</u>	<u>(9,798,729)</u>	<u>3,075,828</u>	<u>(6,722,901)</u>	<u>1,019,938,026</u>	<u>1,047,452,000</u>

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10. INVESTMENT PROPERTIES (continued)

10.3 For the year ended December 31, 2020, the Fund recorded an impairment loss amounting to SR 3.4 million (December 31, 2019: an impairment reversal amounting to SR 3 million).

The impairment on this investment property is determined based on the valuation by two independent valuers (refer to 10.5). Key assumptions taken for valuation includes the rental income, occupancy rates, escalations, exit yield and discount rates, which were broadly in range with the assumptions taken in the valuations carried out as at December 31, 2020.

10.4 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:

	December 31, 2020	December 31, 2019
Net assets as reported	537,948,379	561,523,849
Net appreciation in value based on valuation as at	27,065,737	27,513,974
Net assets at fair value of investment properties	565,014,116	589,037,823
Net assets per unit, at cost	8.9658	9.3587
Impact on net assets per unit for the appreciation in value	0.4511	0.4586
Net assets per unit at fair value	9.4169	9.8173

10.5 In accordance with article 21 of the Real Estate Investment Funds Regulations issued by Capital Market Authority (CMA), Saudi Arabia, the Fund Manager estimates the fair value of the Fund's real estate assets based on two valuations prepared by independent valuers to assess an impairment in the carrying value of any property. However, in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia, investments in real estate properties are carried at cost less accumulated depreciation less impairment in these financial statements. Impairments are recorded for other than temporary declines in the fair value of the respective properties below carrying values. The valuations of the investment properties as at December 31, 2020 were carried out by Value Strat and White Cubes, which are accredited valuers by Saudi Authority for Accredited Valuers (TAQEEM).

10.6 Work in progress represents a project of parking lot in Khalidiyah Business Center. The project is expected to be completed in the second quarter of the year 2021.

11. DIVIDEND PAYABLE

During the year ended December 31, 2020, the Fund declared cash dividends amounting SR 33.3 million (2019: SR 39.6 million). During the year ended, the Fund paid an amount of SR 35.7 million (2019: SR 38.85 million) to Unitholders and SR 7.5 million was also distributed subsequently to year end.

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12. RELATED PARTIES TRANSACTIONS AND BALANCES

Related party transactions comprise of transactions with the Fund Manager and other affiliates of SEDCO Capital in the ordinary course of business, undertaken on mutually agreed terms. All related party transactions are approved by the Fund Board. Significant related party transactions are summarized below:

<u>Related parties</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Amount of transaction 2020</u>	<u>Amount of transaction 2019</u>	<u>Balance at 2020</u>	<u>Balance at 2019</u>
<u>Due to related parties</u>						
Saudi Economic and Development Securities Company ("Fund Manager")	Fund Manager	Management fees	5,845,879	5,981,591		
		Admin fees	291,705	299,080		
		Shariah advisory Financing arrangement fee	30,000	30,000		
		Brokerage and acquisition fee	--	1,552,500		
		Reimbursement of fees paid on behalf of the Fund	4,306,012	19,826,001	6,915,085	5,053,513
<u>Rent Receivable</u>	(Note 8)					
Al Mahmal Trading Company	Affiliate	Rent income	(886,000)	(886,000)	--	--
<u>Accrued expenses and other payable</u>	(Note 13)					
Al Mahmal Trading Company	Affiliate	Property Management and rent collection fees	5,065,219	4,336,971	1,465,270	1,050,873
Fund Board's remuneration	Fund Board	Remuneration	60,000	60,000	22,500	--

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13. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables at comprise of the following:

	December 31, 2020	December 31, 2019
Maintenance fee payable (Note 12)	1,465,270	1,050,873
Security deposits	876,654	876,654
Custody fee payable	117,139	120,475
Valuation fee payable	113,000	62,785
Tadawul fees payable	95,000	95,000
Audit fee payable	50,000	36,250
Other payable	28,209	58,561
	2,745,272	2,300,598

14. DEFERRED REVENUE

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

	December 31, 2020	December 31, 2019
Balance at the beginning of the year	5,033,571	2,664,013
Rent received during the year	14,482,694	23,310,250
Adjusted against revenue earned	(15,993,801)	(20,940,692)
Balance at the end of the year	3,522,464	5,033,571

15. DERIVATIVE INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

	December 31, 2020		December 31, 2019	
	Negative Fair Value	Notional Amount	Negative Fair Value	Notional Amount
Swap 1				
Nominal loan amount	(412,840)	250,000,000	--	--
Profit Rate Swap	0.91%	1.43%	--	--
Swap 2				
Nominal loan amount	(890,530)	240,000,000	--	--
Profit Rate Swap	0.91%	1.69%	--	--

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16. FINANCING FACILITY FROM A BANK

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

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

The Fund has booked financing charges based on effective profit method amounting to SR18.49 million (2019: SR 26.96 million).

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

	December 31, 2020	December 31, <u>2019</u>
Non-current liabilities	486,735,553	459,232,392
Current liabilities	1,468,518	25,326,863
	<u>488,204,071</u>	<u>484,559,255</u>

17. UNITS IN ISSUE

The Fund has issued 60 million units at the price of SR 10 per unit. During the year there was no movement in number of units. As at December 31, 2020 the number of units are 60,000,000 (December 31, 2019: 60,000,000)

18. OPERATING EXPENSES AND OTHER EXPENSES

Operating expenses and other expenses comprise of the following:

	For the year ended December 31, 2020	For the year ended December 31, <u>2019</u>
Operating expenses	7,393,088	7,131,517
Professional fees	1,109,361	362,873
Tadawul and Edaa fees (Note 7)	498,785	540,460
Custody fees (Note 7)	235,669	211,871
Board fees	60,000	60,000
Other expenses	705,777	716,384
	<u>10,002,680</u>	<u>9,023,105</u>

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19. FINANCIAL RISK MANAGEMENT

19.1 Financial risk factors

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

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

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency. The Fund does not have any significant foreign exchange risk since the majority of its transactions are carried out in SAR.

(ii) Commission rate risk

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

The Fund's commission rate risks arise mainly from its financing facility from a bank, which is at floating rate of interest and is subject to re-pricing on a regular basis.

Commission rate sensitivity

As at December 31, 2020, 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 5.1 million (2019: SR 5.6 million).

(iii) Price risk

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

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19. FINANCIAL RISK MANAGEMENT (continued)

19.1 Financial risk factors (continued)

(b) Credit risk

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

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

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

Maximum exposure to credit risk at the reporting date:

	December 31, <u>2020</u>	December 31, <u>2019</u>
<u>Assets</u>		
Cash at bank	20,585,698	34,534,020
Rent receivable (Note 8)	15,919,638	7,634,432
	<u>36,505,336</u>	<u>42,168,452</u>

(c) Liquidity risk

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

The Fund's terms and conditions provide redemption of units on liquidation of the Fund. The Fund's financial liabilities primarily consist of payables which are expected to be settled within one month from the statement of financial position date.

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 December 31, 2020, the Fund has an unutilized credit facility from bank a amounting to SR 110 million (December 31, 2019: SR 110 million).

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19 FINANCIAL RISK MANAGEMENT (continued)

19.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

Financial liabilities	<u>As at December 31, 2020</u>					<u>As at December 31, 2019</u>				
	<u>0 to 3 months</u>	<u>Less than 1 year</u>	<u>More than 1 year</u>	<u>Contractual liability</u>	<u>Carrying amount</u>	<u>0 to 3 months</u>	<u>Less than 1 year</u>	<u>More than 1 year</u>	<u>Contractual liability</u>	<u>Carrying amount</u>
Derivative instruments at fair value through profit or loss	--	1,303,370	--	1,303,370	1,303,370	--	--	--	--	--
Dividends payable	7,500,000	--	--	7,500,000	7,500,000	9,900,000	--	--	9,900,000	9,900,000
Due to related parties	6,915,085	--	--	6,915,085	6,915,085	5,053,513	--	--	5,053,513	5,053,513
Accrued expenses and other payable	2,745,272	--	--	2,745,272	2,745,272	2,300,598	--	--	2,300,598	2,300,598
Deferred revenue	3,522,464	--	--	3,522,464	3,522,464	5,033,571	--	--	5,033,571	5,033,571
Financing facility from a Bank	--	1,468,518	486,735,553	488,204,071	488,204,071	--	25,326,863	459,232,392	484,559,255	484,559,255
Total undiscounted financial liabilities	<u>20,682,821</u>	<u>2,771,888</u>	<u>486,735,553</u>	<u>510,190,262</u>	<u>510,190,262</u>	<u>22,287,682</u>	<u>25,326,863</u>	<u>459,232,392</u>	<u>506,846,937</u>	<u>506,846,937</u>

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19 FINANCIAL RISK MANAGEMENT (continued)

19.1 Financial risk factors (continued)

(d) Operational risk

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

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

19.2 Fair value estimation

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

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

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

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

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

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20. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following is a brief on the other new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2021:

Effective for annual periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
1-Jun-2020	Amendments to IFRS 16: Leases for COVID-19 rent related concessions	The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.
1-Jan-22	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: <ul style="list-style-type: none"> • What is meant by a right to defer settlement • That a right to defer must exist at the end of the reporting period • That classification is unaffected by the likelihood that an entity will exercise its deferral right • 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 amendment is not expected to have an impact on the financial statements of the Company.

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21. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Effective for annual periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
1-Jan-22	Reference to the Conceptual Framework – Amendments to IFRS 3	In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations -Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB’s Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 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.
1-Jan-22	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 (PP&E), 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 recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.
1-Jan-22	Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a ‘directly related cost approach’.
1-Jan-22	Amendments to IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities	The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. There is no similar amendment proposed for IAS 39. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment

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21. LAST VALUATION DAY

The last valuation day of the year was December 31, 2020 (2019: December 31, 2019).

22. IMPACT OF COVID-19

At the beginning of the year 2020, the presence of Coronavirus disease COVID-19 was confirmed, which spread worldwide, causing disturbance to business, commercial and economic activities.

The Fund's Board has approved a discount policy to deal with such requests in a manner that protects the interests of both unitholders and tenants. The policy focuses on analyzing the sector to which the tenant belongs, estimates a timeframe, and sets the negotiations' parameters.

Based on the approved discount policy, the Fund Manager negotiated with the affected tenants. The outcome was as follows: the total value of discounts granted to affected tenants represents approximately 9% of the Fund's total annual rental income.

However, the Fund continues to determine net asset values with the frequency set out in the memorandum, consistently applying valuation policies and reflective of prevailing market conditions. In determining the investment valuations as of December 31, 2020, the Fund has evaluated and considered the potential impact (based on the best available information) of the uncertainties caused by the COVID-19 pandemic on each individual investment and has taken into account the economic and commercial activities.

Any changes made to valuations to estimate the overall impact of COVID-19 is subject to very high levels of uncertainty, as little reasonable and supportable forward-looking information is currently available on which to base those changes.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty. Therefore, the actual outcomes may be significantly different from those projected. Management will continue to monitor the situation, and any changes required will be reflected in future reporting periods.

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

24. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Fund Board on Rajab 24, 1442H, corresponding to March 08, 2021.