

SEDCO CAPITAL REIT FUND
(Managed by SEDCO Capital)

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

FOR THE YEAR ENDED 31 DECEMBER 2024

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

FINANCIAL STATEMENTS

For the year ended 31 December 2024

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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 2024, and the statement of income and other comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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.

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 International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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

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

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

Report on the Audit of the Financial Statements (continued)

Key Audit Matter (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>Impairment of investment properties</p> <p>As at 31 December 2024, the carrying value of investment properties held by the Fund was ₪ 2,201.2 million (2023: ₪ 2,257.8 million), net of impairment of ₪ 125.5 million (2023: ₪ 101.5 million).</p> <p>The investment properties are stated at cost net of accumulated depreciation and impairment losses, if any. 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 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, including economic fluctuations impact on the Fund's business.</p> <p><i>Refer to note 3 which includes the disclosure of significant accounting judgement, estimates and assumptions for valuation of investment properties. Also, refer to note 4.2 for the disclosure of material accounting policy information relevant for recognition and measurement of investment properties. Also, refer to note 5 for details regarding investment properties.</i></p> | <p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> • Reviewed the procedures in identifying impairment indicators in respect of investment properties. • Evaluated objectivity, independency, competence and experience of the valuers. We also ensured that the valuers are certified from Saudi Authority for Accredited 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. ○ Analyze 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. • We also compared the recoverable amounts, for a sample investment properties, with their carrying values to determine whether recognition of any impairment loss is required. • 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

Other information consists of the information included in the Fund's 2024 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 2024 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.

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 IFRS Accounting 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, i.e. the Fund Board, are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on the Audit of the Financial Statements (continued)

Auditor's 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 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: 26 Ramadan 1446H
(26 March 2025G)



SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

| | <i>Notes</i> | 2024 ⌘ | 2023 ⌘ |
|---|--------------|----------------------|------------------|
| ASSETS | | | |
| NON-CURRENT ASSET | | | |
| Investment properties | 5 | 2,201,225,799 | 2,257,750,502 |
| TOTAL NON-CURRENT ASSET | | 2,201,225,799 | 2,257,750,502 |
| CURRENT ASSETS | | | |
| Rent receivables | 6 | 92,197,542 | 63,149,487 |
| Prepayments and other assets | | 1,309,922 | 4,781,043 |
| Cash and cash equivalents | 7 | 183,299,076 | 58,693,713 |
| TOTAL CURRENT ASSETS | | 276,806,540 | 126,624,243 |
| TOTAL ASSETS | | 2,478,032,339 | 2,384,374,745 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITY | | | |
| Financing facility from a bank | 8 | 953,489,955 | 782,253,943 |
| TOTAL NON-CURRENT LIABILITY | | 953,489,955 | 782,253,943 |
| CURRENT LIABILITIES | | | |
| Dividends payable | 9 | 23,382,275 | 27,215,427 |
| Due to a related party | 10 | 17,086,164 | 15,354,478 |
| Accrued expenses and other payable | 11 | 10,173,586 | 6,951,008 |
| Deferred revenue | 12 | 7,645,222 | 8,682,428 |
| Current portion of financing facility from a bank | 8 | 12,098,951 | 10,698,891 |
| TOTAL CURRENT LIABILITIES | | 70,386,198 | 68,902,232 |
| TOTAL LIABILITIES | | 1,023,876,153 | 851,156,175 |
| NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS | | 1,454,156,186 | 1,533,218,570 |
| UNITS IN ISSUE | 13 | 186,944,444 | 186,944,444 |
| Net assets per unit (⌘) | | 7.7785 | 8.2015 |

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 2024

| | <i>Notes</i> | 2024 ₹ | 2023 ₹ |
|--|--------------|--------------------|------------------|
| INCOME/(LOSS) | | | |
| Rental income | | 173,534,076 | 161,784,997 |
| Murabaha income | 7 (a) | 3,181,988 | 3,835,325 |
| Net loss on derivative instruments at FVTIS | | - | (3,111,034) |
| Other income | | - | 5,000 |
| TOTAL INCOME | | 176,716,064 | 162,514,288 |
| EXPENSES | | | |
| Depreciation | 5 | 34,187,472 | 31,966,107 |
| Management, administrative and shariah fees | | 17,102,783 | 13,984,509 |
| Operating and other expenses | 14 | 17,713,357 | 17,482,156 |
| Impairment charge on investment properties | 5 | 24,003,263 | 4,298,869 |
| Expected credit loss on rent receivables | 6.1 | 6,000,000 | 4,000,000 |
| Financing fees and bank charges | 8 | 63,299,349 | 57,221,413 |
| TOTAL EXPENSES | | 162,306,224 | 128,953,054 |
| NET INCOME FOR THE YEAR | | 14,409,840 | 33,561,234 |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 14,409,840 | 33,561,234 |

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 2024

| | 2024 ₹ | 2023 ₹ |
|--|----------------------|----------------------|
| Net assets attributable to the unitholders at 1 January | 1,533,218,570 | 997,395,948 |
| Total comprehensive income for the year | 14,409,840 | 33,561,234 |
| Issue of additional units (note 13) | - | 694,444,440 |
| Discount on issuance of units (note 13) | - | (94,444,440) |
| Dividend (note 9) | (93,472,224) | (97,738,612) |
| Net assets attributable to the unitholders as at 31 December | <u>1,454,156,186</u> | <u>1,533,218,570</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 CASH FLOWS

For the year ended 31 December 2024

| | <i>Notes</i> | 2024 # | 2023 # |
|---|--------------|---------------------|------------------|
| OPERATING ACTIVITIES | | | |
| Net income for the year | | 14,409,840 | 33,561,234 |
| <i>Adjustments to reconcile net income to net cash from operating activities:</i> | | | |
| Depreciation | 5 | 34,187,472 | 31,966,107 |
| Impairment on investment properties | 5 | 24,003,263 | 4,298,869 |
| Expected credit loss on rent receivables | 6.1 | 6,000,000 | 4,000,000 |
| Net loss on derivative at FVTIS | | - | 3,111,034 |
| Financing fees and bank charges | 8 | 63,299,349 | 57,221,413 |
| | | 141,899,924 | 134,158,657 |
| Net changes in operating assets and liabilities: | | | |
| Rent receivables | | (35,048,055) | (37,571,826) |
| Prepayments and other assets | | 3,471,121 | 1,494,353 |
| Due to a related party | | 1,731,686 | 32,086 |
| Accrued expenses and other payable | | 3,222,578 | 4,234,750 |
| Derivative instruments at FVTIS | | - | 18,534,288 |
| Deferred revenue | | (1,037,206) | (4,800,257) |
| | | 114,240,048 | 116,082,051 |
| INVESTING ACTIVITIES | | | |
| Payments made for the additions to investment properties | | (1,151,292) | (532,083,968) |
| Payments made for work in progress | | (514,740) | (1,548,432) |
| | | (1,666,032) | (533,632,400) |
| FINANCING ACTIVITIES | | | |
| Proceeds from issuance of new units | 13 | - | 600,000,000 |
| Proceeds from loans and borrowings | | 167,500,000 | - |
| Repayment of loan principal and interest | | (58,163,277) | (51,724,298) |
| Movement in financing facility from a bank | | - | (6,762,500) |
| Dividend paid during the year | 9 | (97,305,376) | (91,820,060) |
| | | 12,031,347 | 449,693,142 |
| Net change in cash and cash equivalents | | | |
| | | 124,605,363 | 32,142,793 |
| Cash and cash equivalents at beginning of the year | | 58,693,713 | 26,550,920 |
| | | 183,299,076 | 58,693,713 |

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 2024

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-Akhirah 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 IFRS Accounting Standards 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 in compliance with the applicable provisions of the Real Estate Investment Funds Regulations issued by Board of the Capital Market Authority, and the Fund's terms and conditions.

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

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.

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” or “ﷲ”) 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, occupancy rates, escalations, exit yield and discount rate. The Fund engaged two independent valuation specialists to assess fair values as at 31 December 2024 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 behavior that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

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

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

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 analyzed. 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 6.

Useful lives of investment properties

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

4 MATERIAL ACCOUNTING POLICY INFORMATION

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

4.1 Current versus non-current classification

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized 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

At 31 December 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.2 Investment properties

Investment properties are non-current assets held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of operations, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

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

4.3 Financial instruments – initial recognition and subsequent measurement

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

a) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized 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 amortized 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 amortized 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 amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Fund's financial assets at amortized cost includes rent receivables, prepayments and other assets and cash and cash equivalents.

Financial assets at fair value through income statement (FVIS)

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 recognized in the statement of income. The Fund currently does not have any asset classified at FVIS.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

a) Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through OCI (FVOCI)

Upon initial recognition, the Fund can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to income statement. Dividends are recognised as other income in the statement of income when the right of payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Fund currently does not have any asset classified at FVOCI.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (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 recognizes 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, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognizes 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 recognized 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 payables.

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.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

b) *Financial liabilities (continued)*

Gains or losses on liabilities held for trading are recognized 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 amortized 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 amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized 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 amortization is included as finance costs in the statement of income statement.

Derecognition

A financial liability is derecognized 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 recognized 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 recognized amounts and there is an intention to settle on a net basis, to realize 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 recognized 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. Cash and cash equivalents are carried at amortised cost in the statement financial position.

4.6 Provisions

Provisions are recognized 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 recognized 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 recognized as a finance cost.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.7 Zakat and income tax

Taxation/zakat is the obligation of the unitholders and therefore, no provision for such liability is made in these financial statements. Refer note 15.

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.

Murabaha 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 ₪ 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 ₪200,000, paid on a semi-annual basis.

f) Shariah fees

The Fund Manager is entitled to receive annual sharia fee amounting to ₪ 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 ₪30,000 annually for each member, and the fund board fees will not exceed ₪60,000, annually.

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.10 Expenses (continued)

i) Depository Centre Fees (Edaa fees)

The depository company, Edaa, is entitled to receive a fee for creating the unitholder register (₪ 50,000 plus 2 ₪ for each unit holder, not to exceed ₪ 500,000) and annual fees of ₪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 ₪ 50,000 and an annual fee of 0.03% of the Fund's unit market value, with a minimum of ₪50,000 and maximum of ₪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 2024 (unless otherwise stated). The Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. These did not have any impact on the Fund's financial statements.

| Standard, interpretation, amendments | Description | Effective date |
|---|---|----------------|
| Amendment to IFRS 16 – Leases on sale and leaseback | These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. | 1 January 2024 |
| Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements | These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. | 1 January 2024 |
| Amendment to IAS 1 – Non-current liabilities with covenants and Classification of liabilities as current or non-current | These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. | 1 January 2024 |

SEDCO CAPITAL REIT FUND

(Managed by SEDCO Capital)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.12 Standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments and revisions which are effective from periods on or after 1 January 2025. The Fund has opted not to early adopt these pronouncements and the management does not expect these to have a significant impact on the financial statements of the fund.

| Standard, interpretation, amendments | Description | Effective date |
|--|--|----------------|
| Amendment to IAS 21 – Lack of exchangeability | IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique. | 1 January 2025 |
| IFRS 18, Presentation and Disclosure in Financial Statements | IFRS 18 provides guidance on items in statement of profit or loss classified into five categories: operating; investing; financing; income taxes and discontinued operations. It defines a subset of measures related to an entity's financial performance as 'management-defined performance measures' ('MPMs'). The totals, subtotals and line items presented in the primary financial statements and items disclosed in the notes need to be described in a way that represents the characteristics of the item. It requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences. | 1 January 2027 |
| IFRS 19, Subsidiaries without Public Accountability: Disclosures | IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS Accounting Standards. | 1 January 2027 |

SEDCO CAPITAL REIT FUND
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

5 INVESTMENT PROPERTIES

5.1 The details of the investment properties as at 31 December 2024 is as follows:

| | Type | Location | Cost | | | Depreciation | | Impairment | | Net Book value £ | Fair Value £ | | | |
|---------------------------------|-------------|-----------|---------------|--------------------------------|----------------|---------------|---------------|--------------------------|---------------|---------------------|-----------------|---------------|-------------------------------------|-------------------------|
| | | | Opening £ | Additions during the year £ | Transfers £ | Closing £ | Opening £ | Charge for the year £ | Closing £ | | | Opening £ | (Charge)/reversal for the year £ | Closing impairment £ |
| | | | | | | | | | | | | | | |
| Al Khaldiayah Business Centre | Commercial | Jeddah | 166,425,964 | 318,676 | - | 166,744,640 | (11,793,105) | (2,069,962) | (13,863,067) | (18,576,859) | (21,503,073) | 131,378,500 | 131,378,500 | |
| Al Jazera Residential Compound | Residential | Riyadh | 67,702,885 | - | - | 67,702,885 | (3,110,042) | (531,087) | (3,641,129) | - | - | 64,061,756 | 79,184,500 | |
| Hyper Panda | Commercial | Jeddah | 39,300,000 | - | - | 39,300,000 | (1,605,206) | (279,000) | (1,884,206) | - | - | 37,415,794 | 39,330,500 | |
| Hyper Panda | Commercial | Riyadh | 78,765,000 | - | - | 78,765,000 | (3,238,890) | (562,950) | (3,801,840) | - | - | 74,963,160 | 81,828,500 | |
| Public Prosecution Building | Commercial | Jeddah | 64,091,202 | 310,490 | - | 64,401,692 | (7,199,263) | (1,326,482) | (8,525,745) | - | - | 55,875,947 | 60,329,000 | |
| Al Rawdah Business Centre | Commercial | Jeddah | 126,503,000 | 3,450 | - | 126,506,450 | (15,404,950) | (2,539,514) | (17,944,464) | (12,334,549) | (7,440,986) | 101,121,000 | 101,121,000 | |
| Al Hayat Tower Apartments Hotel | Commercial | Riyadh | 41,260,000 | - | - | 41,260,000 | (3,412,786) | (275,949) | (3,688,735) | (17,061,714) | (16,589,765) | 20,981,500 | 20,981,500 | |
| Banque Saudi Fransi Building | Commercial | Dammam | 28,519,294 | - | - | 28,519,294 | (2,435,637) | (447,861) | (2,883,498) | - | - | 25,635,796 | 27,406,500 | |
| Hyper Panda | Commercial | Dammam | 62,545,580 | - | - | 62,545,580 | (4,034,362) | (747,863) | (4,782,225) | - | - | 57,763,355 | 72,433,000 | |
| Al Hokair Time Centre | Commercial | Dammam | 34,206,942 | - | - | 34,206,942 | (2,416,006) | (447,861) | (2,863,867) | - | - | 31,343,075 | 34,024,000 | |
| Ajdan Walk | Commercial | Al Khobar | 356,274,715 | - | - | 356,274,715 | (31,740,167) | (6,357,351) | (38,097,518) | - | (1,445,697) | 316,731,500 | 316,731,500 | |
| Hyper Panda (Branch & Parking) | Commercial | Dammam | 70,274,929 | - | - | 70,274,929 | (2,310,509) | (1,236,912) | (3,547,421) | - | - | 66,727,508 | 70,611,000 | |
| Al Olaya School | Commercial | Riyadh | 63,776,863 | - | - | 63,776,863 | (2,050,354) | (1,090,406) | (3,140,760) | - | - | 60,636,103 | 71,855,000 | |
| Extra Store | Commercial | Dammam | 52,984,181 | - | - | 52,984,181 | (1,068,331) | (606,610) | (1,674,941) | (263,850) | - | 51,309,240 | 52,111,500 | |
| Iraqa Plaza | Commercial | Riyadh | 93,955,614 | - | 2,063,172 | 96,018,786 | (1,610,662) | (779,935) | (2,390,597) | (10,020,952) | (9,151,189) | 84,477,000 | 84,477,000 | |
| Al Hamra Plaza | Commercial | Riyadh | 71,346,032 | - | - | 71,346,032 | (1,090,063) | (646,379) | (1,736,442) | - | - | 69,609,590 | 72,103,500 | |
| Dar Al Baraa School | Commercial | Riyadh | 165,807,140 | - | - | 165,807,140 | (7,312,015) | (3,821,650) | (11,133,665) | - | - | 154,673,475 | 169,684,500 | |
| Al Manahij School | Commercial | Riyadh | 58,457,273 | - | - | 58,457,273 | (1,473,651) | (817,353) | (2,291,004) | (1,407,623) | (203,769) | 55,962,500 | 55,962,500 | |
| Amjad Quruba School | Commercial | Riyadh | 122,271,188 | - | - | 122,271,188 | (3,331,760) | (1,718,928) | (5,050,688) | (6,797,427) | (1,351,500) | 115,869,000 | 115,869,000 | |
| Ajdan Entertainment | Commercial | Al Khobar | 178,400,907 | - | - | 178,400,907 | (6,675,538) | (3,271,906) | (9,947,444) | (7,337,369) | (21,273,463) | 147,180,000 | 147,180,000 | |
| Atelier La Vie | Commercial | Jeddah | 531,284,375 | 518,676 | - | 531,803,051 | (3,172,476) | (4,611,513) | (7,783,989) | (27,664,898) | (46,509,062) | 477,510,000 | 477,510,000 | |
| Work in progress (note 5.6) | | | 1,548,432 | 514,740 | (2,063,172) | - | - | - | - | - | - | - | - | |
| | | | 2,475,701,516 | 1,666,032 | - | 2,477,367,548 | (116,485,773) | (34,187,472) | (150,673,245) | (101,465,241) | (24,003,263) | 2,201,225,799 | 2,282,112,500 | |

SEDCO CAPITAL REIT FUND
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

5 INVESTMENT PROPERTIES (continued)

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

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

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At 31 December 2024

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>2024</i> S\$ | <i>31 December</i> <i>2023</i> S\$ |
|---|--|--|
| Net assets as reported | 1,454,156,186 | 1,533,218,570 |
| Net appreciation in value based on valuation | 80,886,701 | 86,749,430 |
| Net assets at fair value of investment properties | 1,535,042,887 | 1,619,968,000 |
| Net assets per unit, at cost | 7.7785 | 8.2015 |
| Impact on net assets per unit for the appreciation in value | 0.4327 | 0.4640 |
| Net assets per unit at fair value | 8.2112 | 8.6655 |

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 the average of two valuations prepared by two independent valuers. The valuations of the investment properties as at 31 December 2024 were carried out by Jones Lang LaSalle Saudi Arabia Co. and Esnad (2023: Jones Lang LaSalle Saudi Arabia Co. and Esnad), 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 work in progress was related to restoration of the floor in Irqah Plaza which was completed during the year.

6 RENT RECEIVABLES

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

| | <i>31 December</i> <i>2024</i> S\$ | <i>31 December</i> <i>2023</i> S\$ |
|---|--|--|
| Gross rent receivables | 108,981,595 | 73,933,540 |
| Allowance for expected credit losses (note 6.1) | (16,784,053) | (10,784,053) |
| | 92,197,542 | 63,149,487 |

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At 31 December 2024

6 RENT RECEIVABLES (continued)

6.1 The movement in allowance for expected credit losses:

| | 2024 ₹ | 2023 ₹ |
|----------------------|-------------------|-------------------|
| Balance at 1 January | 10,784,053 | 6,784,053 |
| Charge for the year | 6,000,000 | 4,000,000 |
| Balance at year end | <u>16,784,053</u> | <u>10,784,053</u> |

The aging of rent receivables is as follows:

| | 2024 ₹ | 2023 ₹ |
|--------------------|--------------------|-------------------|
| Not due | 12,615,982 | 8,801,465 |
| 0-30 days | 39,679,351 | 15,932,799 |
| 31 – 60 days | 10,673,593 | 6,428,897 |
| 61 – 90 days | 17,650,405 | 2,750,584 |
| 91 – 150 days | 728,008 | 843,333 |
| 151 – 180 days | 10,759,560 | 6,778,282 |
| More than 181 days | 16,874,696 | 32,398,180 |
| | <u>108,981,595</u> | <u>73,933,540</u> |

7 CASH AND CASH EQUIVALENTS

| | 31 December 2024 ₹ | 31 December 2023 ₹ |
|---|--------------------------|--------------------------|
| Bank balances | 1,299,076 | 6,193,713 |
| Murabaha deposits with original maturities of less than three months (note (a) below) | 182,000,000 | 52,500,000 |
| | <u>183,299,076</u> | <u>58,693,713</u> |

- a) During the year, the Fund earned Murabaha income of ₹3,181,988 (2023: ₹3,835,325) at the rate of return ranging from 4.60% to 5.65% (2023: 3.60% to 5.80%).

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.

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

8 FINANCING FACILITY FROM A BANK

During 2022, the Fund entered into a financing facility agreement with a local commercial bank with an approved limit of ₺1,175 million. During the 2023, the approved limit increased to ₺1,716 million.

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

As at 31 December 2024, the Fund has an undrawn amount of ₺748.5 million (31 December 2023: ₺916 million). The Fund has recorded financing charges based on effective commission rate method amounting to ₺63.3 million (31 December 2023: ₺57.2 million).

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

| | <i>31 December</i> <i>2024</i> ₺ | <i>31 December</i> <i>2023</i> ₺ |
|--|--|--|
| Non-current liabilities | 953,489,955 | 782,253,943 |
| Current liabilities – current portion of financing from a bank | 12,098,951 | 10,698,891 |
| | <u>965,588,906</u> | <u>792,952,834</u> |

Current portion of financing from a bank presented above represent accrued commission amounting to ₺12.10 million (31 December 2023: ₺10.70 million).

9 DIVIDEND PAYABLE

During the year ended 31 December 2024, the Fund Board declared and approved cash dividends amounting to ₺93.47 million (2023: ₺97.74 million). During the year ended 31 December 2024, the Fund paid an amount of ₺97.31 million to the Fund's Unitholders (2023: ₺91.82 million). The details for the distributions as follows:

| Board Resolution date | The period paid for | Amount per unit (rounded) | Total ₺ |
|-----------------------|-----------------------------------|------------------------------|------------|
| 04-May-23 | 1 January 2023 – 31 March 2023 | 0.1563 | 18,359,375 |
| 26-Jul-23 | 1 April 2023 – 30 June 2023 | 0.1341 | 25,071,875 |
| 17-Oct-23 | 1 July 2023 – 30 September 2023 | 0.1450 | 27,106,944 |
| 26-Dec-23 | 1 October 2023 – 31 December 2023 | 0.1455 | 27,200,418 |
| 15-May-24 | 1 January 2024 – 31 March 2024 | 0.1250 | 23,368,056 |
| 9-Jul-24 | 1 April 2024 – 30 June 2024 | 0.1250 | 23,368,056 |
| 13-Nov-24 | 1 July 2024 – 30 September 2024 | 0.1250 | 23,368,056 |
| 26-Dec-24 | 1 October 2024 – 31 December 2024 | 0.1250 | 23,368,056 |

10 RELATED PARTY TRANSACTIONS AND BALANCES

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

SEDCO CAPITAL REIT FUND

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

| <i>Related party</i> | <i>Nature of transaction</i> | <i>2024</i> ₹ | <i>2023</i> ₹ |
|---|---|---------------------|------------------|
| SEDCO Capital (Fund Manager) | Management fees | 16,259,793 | 13,236,106 |
| | Administrative Fees | 812,990 | 661,805 |
| | Shariah Fees | 30,000 | 30,000 |
| | Financing arrangement fee | - | 6,762,500 |
| | Brokerage and acquisition fees | - | 14,159,375 |
| | Payment of Fund Manager fees and reimbursement of fees paid on behalf of the Fund | (15,371,096) | (34,817,700) |
| Al Mahmal Trading Company (Affiliate of Fund Manager) | Rent income | 1,074,834 | 1,004,110 |
| | Property management and rent collection fees | 4,691,354 | 5,103,850 |
| Al-Inma Investment Company (Custodian) | Custody fees | 650,392 | 531,566 |
| Fund Board | Board remuneration | 60,000 | 60,000 |

The balance due to a related party as at 31 December 2024 amounted to ₹17,086,164 (31 December 2023: ₹15,354,478) which represents the amount payable to the Fund Manager. Additionally, the balance due to Al Mahmal Trading Company amounted to ₹2,770,202 (31 December 2023 ₹1,610,112) represents the amount payable for property management and rent collections fees which is presented under accrued expenses and other payable (note 11). Moreover, the balance due to the custodian of the Fund amounted to ₹971,935 (2023: ₹321,543), which is presented under accrued expenses and other payable (note 11).

11 ACCRUED EXPENSES AND OTHER PAYABLE

Accrued expenses and other payables comprise of the following:

| | <i>31 December</i> <i>2024</i> ₹ | <i>31 December</i> <i>2023</i> ₹ |
|---|--|--|
| Property management and rent collections fees payable (note 10) | 2,770,202 | 1,610,112 |
| Security deposits | 2,880,211 | 4,469,024 |
| Valuation fee payable | 422,986 | 428,453 |
| Custody fee payable (note 10) | 971,935 | 321,543 |
| Tadawul fee payable | 5,000 | - |
| Accrued professional fees | 112,765 | 93,565 |
| Other payable | 3,010,487 | 28,311 |
| | 10,173,586 | 6,951,008 |

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

12 DEFERRED REVENUE

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

| | 2024 S | 2023 S |
|---|---------------------|---------------------|
| Balance at 1 January | 8,682,428 | 13,482,685 |
| Rent received during the year | 27,146,542 | 60,023,435 |
| Adjusted against revenue earned during the year | (28,183,748) | (64,823,692) |
| Balance at 31 December | 7,645,222 | 8,682,428 |

13 UNITS IN ISSUE

The Fund initially issued a total of 60,000,000 units at the price of S 10 per unit. During 2021, the Fund initiated a capital increase and issued additional 57,500,000 units at S 10 per unit to reach total number of units issued of 117,500,000 units. Furthermore, during the year ended 31 December 2023, the Fund initiated a capital increase and issued additional 69,444,444 units at a discounted price of S 8.64 per unit. Net proceeds from the capital increase amounted to S 600 million. Total number of units issued as at period end is 186,944,444 units (31 December 2023: 186,944,444).

14 OPERATING AND OTHER EXPENSES

| | 2024 S | 2023 S |
|---|-------------------|-------------------|
| Operating expenses | 12,669,839 | 9,759,798 |
| Tadawul and Edaa fees | 724,670 | 886,739 |
| Professional fees | 1,123,026 | 1,225,867 |
| Custody fees (note 10) | 650,392 | 531,566 |
| Board fees (note 10) | 60,000 | 60,000 |
| Al Jazeera Capital (Lead Manager) | - | 1,400,066 |
| Receiving Banks (Riyad Bank – Rajhi Bank – SNB) | - | 1,840,000 |
| Fees of the legal advisor | - | 258,750 |
| Other expenses | 2,485,430 | 1,519,370 |
| | 17,713,357 | 17,482,156 |

15 ZAKAT

As per Zakat, Tax and Customs Authority (“ZATCA”) regulations, all Investment Funds are required to register and submit informative returns, and the responsibility of paying zakat will be at the unitholder level. The Fund has registered with ZATCA and filed an informative return for the year ended 31 December 2023.

The Fund has no liability to pay the Zakat and is only required to file the information only return. Zakat is the obligation of the unitholders and therefore, no provision for such liability is made in these financial statements.

SEDCO CAPITAL REIT FUND

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

15 ZAKAT (continued)

The Zakat base is based on the following:

| | 2024 ₹ |
|---|------------------------|
| Adjustment to the adjusted net income | |
| Net income for the year | 14,409,840 |
| Expected credit loss on rent receivables | - |
| Net (loss) / gain on derivative instruments at FVTIS | - |
| | <hr/> |
| Adjusted net income for the year | 14,409,840 |
| Owner's equity and equivalent: | |
| Net assets attributable to the unitholders | 1,454,156,186 |
| Due to related parties | 17,086,164 |
| | <hr/> |
| Total Owner's equity and equivalents | 1,471,242,350 |
| Long-term Liabilities: | |
| Financing facility from a bank | 953,489,955 |
| | <hr/> |
| Liabilities and equivalents up to the limit of the deductions | 953,489,955 |
| Total additions including adjustments | 2,424,732,305 |
| Less: Investment properties | 2,201,225,799 |
| | <hr/> |
| Total deductions | (2,201,225,799) |
| Zakat Base | 223,506,506 |
| Zakat base or minimum or maximum zakat cap | 223,506,506 |
| Zakat due @366/354 | 5,777,075 |
| Minimum Zakat cap calculation as per Art. 27 | 14,409,840 |
| Maximum Zakat cap calculation as per Art. 28 | 1,471,242,350 |
| Deductible items listed Under Current Assets Amounts | |
| Total | - |
| Current liabilities | 53,300,034 |
| Current assets | 276,806,540 |
| Percentage | 0.00% |
| Non - Deductible items listed Under Non-Current Assets Amounts | |
| Total | - |
| Current liabilities | 953,489,955 |
| Current assets | 2,201,225,799 |
| Percentage | 0.00% |
| Number of Unit | 186,944,444 |
| Zakat per unit (rounded) | 0.03090 |

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

SEDCO CAPITAL REIT FUND

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NOTES TO THE FINANCIAL STATEMENTS

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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 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.

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 2024 and 2023.

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 2024, 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 decrease / increase the Fund's net assets by approximately ₪9.7 million (2023: ₪7.9 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.

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16 FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

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:

| Assets | 31 December 2024 ₹ | 31 December 2023 ₹ |
|---------------------------|-----------------------|-----------------------|
| Cash and cash equivalents | 183,299,076 | 58,693,713 |
| Rent receivables | 108,981,595 | 73,933,540 |
| | <u>292,280,671</u> | <u>132,627,253</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 rent 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 rent receivables losses. The expected loss ratios have been prepared based on the payments / collections of the rent receivables in data of 4 years and historical similar credit losses incurred during such period. The historical losses have been revised to reflect the information from macroeconomic factors and researchers that impacts the tenants' ability to settle receivables.

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 2024, the Fund has an undrawn amount of ₹748.5 million (31 December 2023: ₹916 million).

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

16 FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

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

| <i>31 December 2024</i> ⌘ | <i>Less than 3 months</i> | <i>3 – 12 months</i> | <i>More than 1 year</i> | <i>Total</i> |
|-------------------------------------|---------------------------|--------------------------|-----------------------------|-----------------------------|
| Financing facility from a bank | - | 12,098,951 | 953,489,955 | 965,588,906 |
| Dividends payable | 23,382,275 | - | - | 23,382,275 |
| Due to a related party | 17,086,164 | - | - | 17,086,164 |
| Accrued expenses and other payables | 4,328,415 | 2,880,211 | - | 7,208,626 |
| | <u>44,796,854</u> | <u>14,979,162</u> | <u>953,489,955</u> | <u>1,013,265,971</u> |
| | <u><u>44,796,854</u></u> | <u><u>14,979,162</u></u> | <u><u>953,489,955</u></u> | <u><u>1,013,265,971</u></u> |
| <i>31 December 2023</i> ⌘ | <i>Less than 3 months</i> | <i>3 – 12 months</i> | <i>More than 1 year</i> | <i>Total</i> |
| Financing facility from a bank | - | 10,698,891 | 782,253,943 | 792,952,834 |
| Dividends payable | 27,215,427 | - | - | 27,215,427 |
| Due to a related party | 15,354,478 | - | - | 15,354,478 |
| Accrued expenses and other payables | 2,481,984 | 4,469,024 | - | 6,951,008 |
| | <u>45,051,889</u> | <u>15,167,915</u> | <u>782,253,943</u> | <u>842,473,747</u> |
| | <u><u>45,051,889</u></u> | <u><u>15,167,915</u></u> | <u><u>782,253,943</u></u> | <u><u>842,473,747</u></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.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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:

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17 FAIR VALUE MEASUREMENT (continued)

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

External valuers are involved for valuation of investment properties. The fair value of investment properties is classified within level 3 of the fair value hierarchy. 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 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.

18 LAST VALUATION DAY

The last valuation day of the year was 31 December 2024 (2023: 31 December 2023).

19 APPROVAL OF THE FINANCIAL STATEMENTS

These Financial statements have been approved by the Fund Board on 25 March 2025, (corresponding to 25 Ramadan 1446H.)