

**SEDCO**  
CAPITAL



**SEDCO Capital REIT**  
Annual Report 2019

## Table of Contents

<b>03</b>	Management Statement
<b>04</b>	Fund Factsheet and Strategy
<b>04</b>	Fund Updates and Investment Activities Review During the Period
<b>05</b>	Portfolio Description
<b>06</b>	Properties
<b>10</b>	Dividend Distributions
<b>11</b>	Topics Discussed and Resolutions Issued by the Fund Board
<b>12</b>	Financial Performance
<b>13</b>	Risk Assessment
<b>16</b>	Real Estate Market Overview
<b>19</b>	SEDSCO Capital Overview
<b>22</b>	Financial Statements

## Management Statements

It is our honor to present the 2019 annual report of SEDCO Capital REIT to unitholders which includes main activities, achievements, operational results and general views with regards to the REIT portfolio along with highlights of the annual risk assessment and financial statements for the period ended 31 December 2019.

The inclusion of Saudi REITs in the FTSE EPRA Nareit Global Real Estate Index was in alignment with foreigner investors' appetite to invest in Saudi real estate. SEDCO Capital REIT successfully achieved all eligibility criteria to be one of the index constituents. The inclusion will expand the investor base by enhancing accessibility to foreign investors, further improve transparency and corporate governance and increase liquidity flowing from emerging and developed markets.

SEDCO Capital REIT current portfolio comprises of 11 underlying income generating assets geographically diversified in Eastern province 45%, Jeddah 37% and Riyadh 18%. Furthermore, the portfolio enjoys sectoral diversification by having Entertainment Sector being 37% of the portfolio, 33% office, 20% retail, 6% Residential and 4% Hospitality.

The occupancy rate stood at 92% with 67% of the properties being single tenant with long term leases permitting for stability, while 33% of the properties are leased to multi-tenanted with multiple lease agreements providing growth potential. The weighted average lease expiry (WALE) stood at 5.12 years.

The average value of the Fund's property portfolio, as priced by two independent valuers, was estimated at SAR 1,047 million, raised by 1.55% compared to the total purchase price. The equity per unit at fair value has slightly decreased reaching SAR 9.8173 compared to SAR 9.9039 in June 2019.

In terms of major contractual lease escalations for the portfolio, there are upcoming contractual lease escalations of 33.3%, 5.9% and 5.3% in 2020 for the properties leased to Banque Saudi Fransi, Burj Hayat and Panda Rayyan respectively, which expect to contribute positively in providing sustainable distributions to unitholders.

In terms of dividend distribution, the Fund announced a dividend distribution of SAR 0.660 per unit amounting to SAR 39,600,000 for the period from 1 January 2019 to 31 December 2019. Accordingly, the dividends in 2019

**“ Real Estate markets are cyclical by nature and accordingly we do believe in adaptive portfolio management tactics and strategies to constantly pursue ways to add value and improve the portfolio to ensure resilience but also to take advantage of the cyclicity. Our thesis continues to be focused on diversification and improving the quality of our portfolio with a focus on net operating income enhancement ”**

**Sherif Selim**

Head of International & Regional Real Estate

increased to 6.60% on an annual basis compared to 2018 dividend distribution of 6.1% on annual basis, indicating an improvement over the targeted yield of 6.1% per annum.

In line with the Fund's strategy, the Fund Manager started enhancing Al Khalidiya Business Centre by constructing a parking building and additional leasing space at a cost of SAR 16 million which is anticipated to add value to the property.

In accordance with the Fund's cash management strategy, the Fund has invested the available cash in Shariah-compliant Murabaha resulting in profits of SAR 1,251,053 during the period from 1 January 2019 to 31 December 2019. Furthermore, the Fund successfully claimed SAR 15.9 million from General Authority of Zakat and Tax (GAZT), which represents a part of the Value Added Tax (VAT). The Fund manager used this amount to rebalance the financing value, which is expected to have a positive impact on the Fund's financial results.

Finally, we would like to thank our unitholders for their trust and we remain committed to efficiently manage our properties and proactively address operational risks and capitalize on any growth opportunities that will add value to the Fund's portfolio.

## Fund Name

SEDCO Capital REIT Fund is a public closed-ended Shariah-compliant traded real estate investment fund, established in accordance with the laws and regulations applicable in the Kingdom of Saudi Arabia and complies with the regulations and instructions of the Capital Market Authority (“CMA”).

## Fund Factsheet

<b>Fund Size Upon Listing</b>	SAR 600 million
<b>Number of Units Listed</b>	60 million units
<b>Fund Currency</b>	Saudi Riyals (SAR)
<b>Headquarters</b>	Kingdom of Saudi Arabia
<b>Operation Date</b>	1 April 2018
<b>Date of listing the Fund in TADAWUL</b>	1 May 2018
<b>Fund Term</b>	99 years following the date of listing
<b>Target Dividend</b>	6.1%
<b>Actual Dividend as of Reporting Date (on an annual basis)</b>	6.6%

## Fund Strategy

### Fund Objectives and Dividend Policy

Acquire developed and ready to use properties in order to generate regular rental income and distribute at least 90% of the Fund's net profit to the unitholders throughout the term of the Fund. Dividend will be paid out within 30 business days following the end of June and December of each calendar year, excluding capital gains from the sale of assets which may be reinvested for acquiring assets for the interests of unitholders.

### Assets Targeted by the Fund for Investment

The Fund intends to achieve its objectives and enhance the value of shareholders' capital by:

- Investing in developed and ready to use properties in order to generate regular rental income.

- Re-invest the annual retained earning (10% of total annual income) and capital gains from property sales in developed and ready to use assets in order to generate regular rental income, upon distribution of at least 90% of the Fund's net profit throughout the term of the Fund to the unitholders.
- Invest in low-performing assets, but promising, as the Fund Manager sees in view of their location or structural and design characteristics, in order to increase their operational efficiency and raise their rates of return more than those generated at the time of acquisition by modifying one or some of the characteristics such as design, leasing strategies associated with tenant mix and lease price, and reasons for use.
- Invest no more than 25% of the Fund's total assets value, according to the latest audited financial statements, in real estate development activities, whether owned by the Fund or not, or to renovate or redevelop those assets.

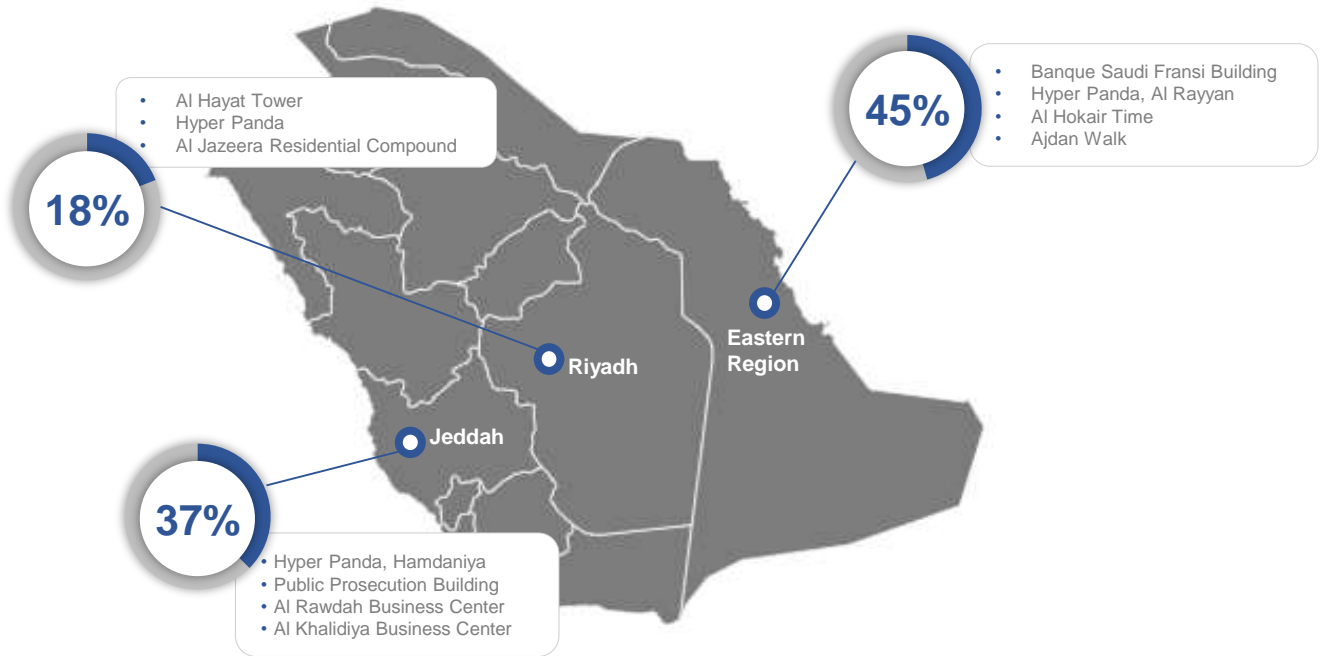
## Fund Updates

- The occupancy rate stabilized at 92% during 2019.
- Whitecubes and ValuStart valued SEDCO Capital REIT properties. As at 31 December 2019, the fair value of the Fund's assets raised by 1.55% reaching SAR 1,047 million.
- Fund's cash balance amounted to 34,534,020 as of 31 December 2019, including rent received. Part of the balance will be used for dividend distribution.
- The Fund has invested the cash available in Shariah-compliant Murabaha resulting in profits of SAR 1,251,053 during the period from 1 January 2019 to 31 December 2019.
- In line with the Fund's strategy, the Fund manager started enhancing Al Khalidiya Business Centre, by constructing a parking building and additional leasing space at a cost of SAR 16 million, adding value to the property. The construction work is expected to be complete during 2020.

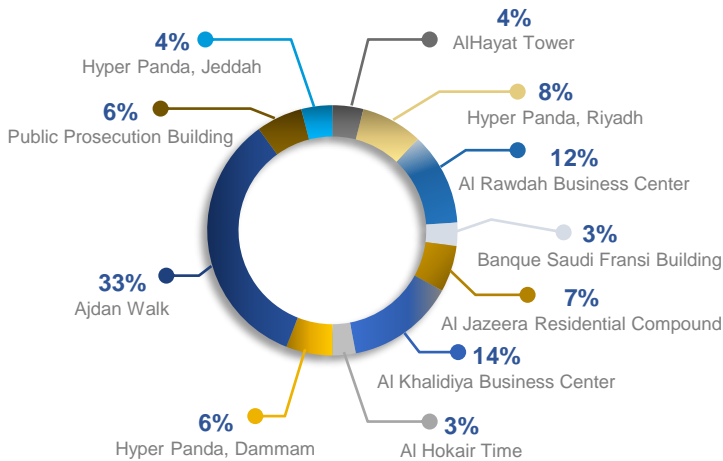
## Fund Assets

### Geographical Diversity

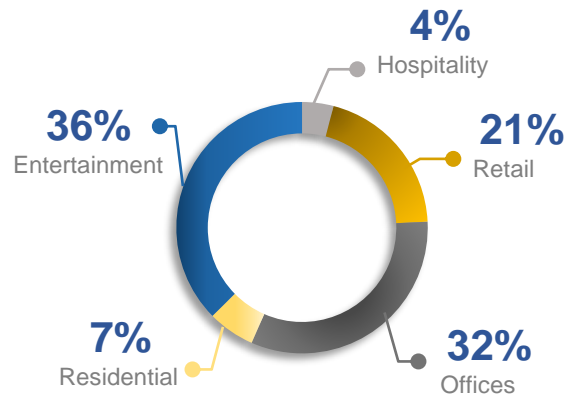
The Fund's assets are diversified across Riyadh 18%, Jeddah 37% and Eastern Province 45%.



### Assets Allocation



### Sectoral Diversification of the Portfolio





Fund Assets - Riyadh

Al Hayat Tower Apartments  
Hotel



<b>Description</b>	Hotel apartments located on Ka'ab Bin Malik Street, Al Maathar District, Riyadh
<b>Sector</b>	Hospitality
<b>Land Area/m<sup>2</sup></b>	1,495
<b>Building Area/m<sup>2</sup></b>	6,574
<b>Occupancy Rate</b>	100%
<b>Annual Income</b>	SAR 3,400,000
<b>Tenant</b>	Dar Al Masarat Arabia Company Limited
<b>Weighted Average Lease Expiry</b>	5 years

Hyper Panda - Riyadh



<b>Description</b>	Hypermarket in Riyadh - Ishbilliai District Branch
<b>Sector</b>	Retail
<b>Land Area/m<sup>2</sup></b>	23,604
<b>Building Area/m<sup>2</sup></b>	10,784
<b>Occupancy Rate</b>	100%
<b>Annual Income</b>	SAR 5,822,670
<b>Tenant</b>	Al Azizia Panda United Company
<b>Weighted Average Lease Expiry</b>	8.5 years

Al Jazeera Residential  
Compound



<b>Description</b>	Residential compound located in the center of Riyadh on Mashaja Bin Saud Street, Sulaymaniyah District
<b>Sector</b>	Residential
<b>Land Area/m<sup>2</sup></b>	20,758
<b>Building Area/m<sup>2</sup></b>	12,696
<b>Occupancy Rate</b>	100%
<b>Annual Income</b>	SAR 7,020,000
<b>Tenant</b>	Multi-Tenants
<b>Weighted Average Lease Expiry</b>	0.5 years

Fund Assets - Jeddah

Public Prosecution Building



<b>Description</b>	The Public Prosecution Building, located on the Rahmaniya Road, Al Rayyan District, Jeddah
<b>Sector</b>	Office
<b>Land Area/m<sup>2</sup></b>	4,767
<b>Building Area/m<sup>2</sup></b>	19,342
<b>Occupancy Rate</b>	100%
<b>Annual Income</b>	SAR 5,500,000
<b>Tenant</b>	Saudi Commission for Investigation and Prosecution (Public Prosecution)
<b>Weighted Average Lease Expiry</b>	1.2 years

Al Khaldiya Business Center



<b>Description</b>	A commercial/office center located on Prince Sultan Street, Al Khaldiya District, Jeddah
<b>Sector</b>	Office
<b>Land Area/m<sup>2</sup></b>	7,903
<b>Building Area/m<sup>2</sup></b>	24,876
<b>Occupancy Rate</b>	75%
<b>Annual Income</b>	SAR 10,459,770
<b>Tenant</b>	Multi-Tenants
<b>Weighted Average Lease Expiry</b>	2.5 years

Hyper Panda - Jeddah



<b>Description</b>	Hypermarket is located on Hamdaniya Street, Al Hamdaniya District, Jeddah
<b>Sector</b>	Retail
<b>Land Area/m<sup>2</sup></b>	13,686
<b>Building Area/m<sup>2</sup></b>	5,858
<b>Occupancy Rate</b>	100%
<b>Annual Income</b>	SAR 2,845,151
<b>Tenant</b>	Al Azizia Panda United Company
<b>Weighted Average Lease Expiry</b>	8.1 years

Al Rawdah Business Center



<b>Description</b>	A commercial/office center located on Prince Saud Al Faisal Street, Al Rawdah District
<b>Sector</b>	Office
<b>Land Area/m<sup>2</sup></b>	2,463
<b>Building Area/m<sup>2</sup></b>	17,526
<b>Occupancy Rate</b>	63%
<b>Annual Income</b>	SAR 6,423,117
<b>Tenant</b>	Multi-Tenants
<b>Weighted Average Lease Expiry</b>	1.1 years

Fund Assets - Dammam

Banque Saudi Fransi Building



<b>Description</b>	A building leased by Banque Saudi Fransi located on Imam Ali Bin Abi Talib, Al Rayyan District, Dammam
<b>Sector</b>	Retail
<b>Land Area/m<sup>2</sup></b>	5,191
<b>Building Area/m<sup>2</sup></b>	879
<b>Occupancy Rate</b>	100%
<b>Annual Income</b>	SAR 1,500,000
<b>Tenant</b>	Banque Saudi Fransi
<b>Weighted Average Lease Expiry</b>	5.9 years

Hyper Panda - Dammam



<b>Description</b>	Panda Hypermarket is located on Imam Ali Bin Abi Talib, Al Rayyan District, Dammam
<b>Sector</b>	Retail
<b>Land Area/m<sup>2</sup></b>	18,145
<b>Building Area/m<sup>2</sup></b>	9,800
<b>Occupancy Rate</b>	100%
<b>Annual Income</b>	SAR 4,966,761
<b>Tenant</b>	Al Azizia Panda United Company
<b>Weighted Average Lease Expiry</b>	5.1 years

Al Hokair Time Center



<b>Description</b>	Al Hokair Time is located on the East Coast of Dammam
<b>Sector</b>	Entertainment
<b>Land Area/m<sup>2</sup></b>	5,156
<b>Building Area/m<sup>2</sup></b>	3,326
<b>Occupancy Rate</b>	100%
<b>Annual Income</b>	SAR 2,200,000
<b>Tenant</b>	Abdulmohsen Al Hokair Group for Tourism and Development Company
<b>Weighted Average Lease Expiry</b>	17.4 years

Ajdan Walk

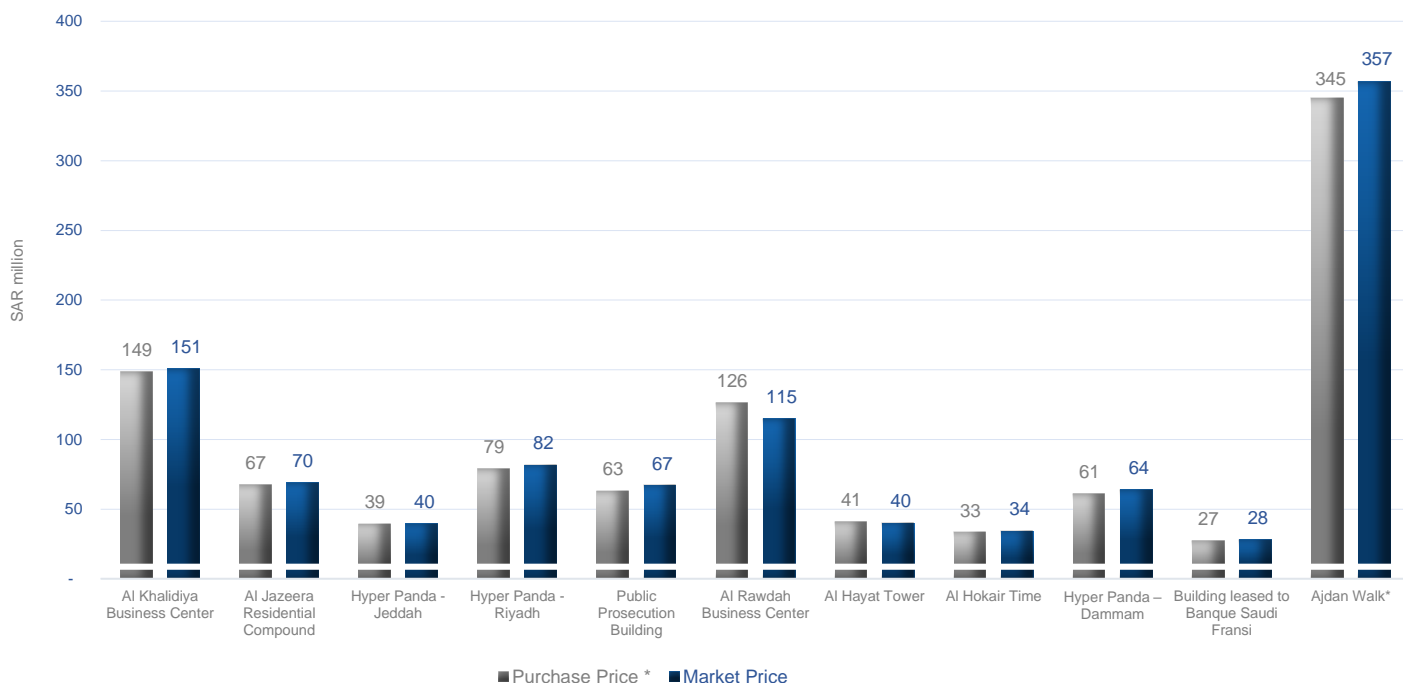


<b>Description</b>	Ajdan Walk is located on Prince Turki Street in Al Khobar
<b>Sector</b>	Entertainment / Office
<b>Land Area/m<sup>2</sup></b>	16,966
<b>Building Area/m<sup>2</sup></b>	32,212
<b>Occupancy Rate</b>	100%
<b>Annual Income</b>	SAR 25,000,000
<b>Tenant</b>	AlOula Real Estate Development Company
<b>Weighted Average Lease Expiry</b>	9.1 years



### Fair value vs. Purchase Price

Based on the average valuation of two independent accredited real estate valuers; ValuStrat and Whitecubes, the fair value of the Fund's assets at the end of December 2019 was raised by 1.55% reaching SAR 1,047 million, compared to the total purchase cost of SAR 1,031 million excluding transaction costs.

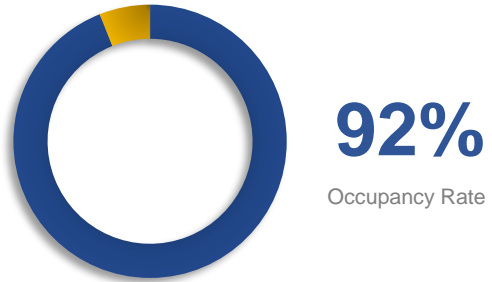


### Summary of Leased and Non-leased Assets, Occupancy Rate, and Weighted Average Lease Expiry (WALE)

Property	Leased/Non-leased	Occupancy	WALE
Al Hayat Hotel Apartments Tower	Leased	100%	5.0 years
Hyper Panda - Riyadh	Leased	100%	8.5 years
Al Jazeera Residential Compound	Leased	100%	0.5 years
Public Prosecution Building	Leased	100%	1.2 years
Al Khalidiya Business Center	Leased	75%	2.5 years
Hyper Panda - Jeddah	Leased	100%	8.1 years
Al Rawdah Business Center	Leased	63%	1.1 years
Building leased to Banque Saudi Fransi	Leased	100%	5.9 years
Hyper Panda – Dammam	Leased	100%	5.1 years
Al Hokair Time	Leased	100%	17.4 years
Ajdan Walk	Leased	100%	9.1 years
<b>All assets are leased and income generating</b>		<b>92%</b>	<b>5.12 years</b>

### Portfolio Occupancy Rate

The occupancy rate of the portfolio remained stable during 2019 at 92% with a slight decline of 2% compared with the occupancy rate as of 31 December 2018.

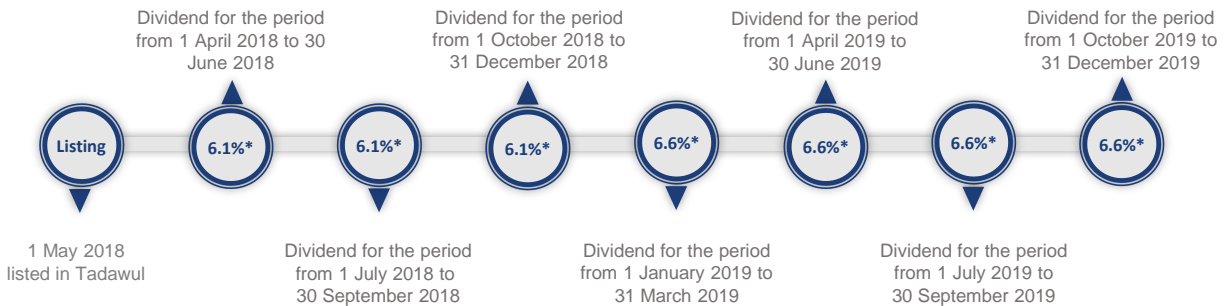


### Dividend Distributions

The Fund Manager intends to distribute semi-annual cash dividends to investors of no less than 90% of the Fund's net profit within 30 calendar days following the end of June and December of each calendar year, excluding capital gains arising from the sale of assets which may be reinvested in additional assets for the interests of unitholders.

Cash dividends increased during 2019 to reach 6.6% on an annual basis compared to 6.1% on an annual basis in 2018.

Since listing, the Fund has distributed the following CoC dividends:



### Transactions with Related Parties

The Fund Manager's transactions with related parties as summarized as follows:

- The rental of units at Al Khalidiya Business Center.
- Maintenance and operation contracts for three of the Fund's properties.

Rents with related parties represent 1% of total Fund revenues whereas maintenance contracts account for 13% of total Fund expenses. The Fund Manager confirms that all these transactions and contracts have been based on the principle of equality among all customers and without any preference.

Related parties are:

- Arabian Entertainment Co., Ltd
- Al Mahmal Facilities Services Company
- Tazweid Talent Co.

\* Annual basis

Topics Discussed and Resolutions Issued by the Fund Board

DATE	TOPICS	RESOLUTIONS
15 January 2019	<ul style="list-style-type: none"> <li>Al Khaldiyah Business Center Proposal</li> </ul>	<ul style="list-style-type: none"> <li>Approve implementing the value add measures undertaking in KBC with a total budget of SAR 16 million. That includes:               <ul style="list-style-type: none"> <li>Execute a centralized gas system.</li> <li>Appoint the contractors.</li> <li>Lease the adjacent land and utilize it as a temporary parking lot for KBC tenants.</li> </ul> </li> </ul>
20 March 2019	<ul style="list-style-type: none"> <li>Draft of Audited Financial Statements</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's Board of Directors approved the draft of the audited financial statements prepared by an external auditor for the period from 1 April 2018 to 31 December 2018.</li> </ul>
26 March 2019	<ul style="list-style-type: none"> <li>Dividend Distribution</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's Board of Directors approved a dividend distribution for the first quarter ended 31 March 2019.</li> </ul>
1 April 2019 (4 <sup>th</sup> Fund Board Meeting)	<ul style="list-style-type: none"> <li>Meeting with External Auditor</li> <li>Property Visit</li> </ul>	<ul style="list-style-type: none"> <li>A meeting to be held with the external auditor once a year to review the Fund's financial statements.</li> <li>Arrange for the Directors to visit the recently acquired property.</li> </ul>
2 April 2019	<ul style="list-style-type: none"> <li>Mortgaging the Title Deeds</li> </ul>	<ul style="list-style-type: none"> <li>Approve hiring an agent to handle mortgaging the title deeds owned by the Fund to Al Rajhi Bank.</li> </ul>
16 May 2019	<ul style="list-style-type: none"> <li>Fund Board Report</li> <li>Signing the Audited Financial Statements</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's Board of Directors approved the Fund Board report.</li> <li>Mr. Samer Abu Aker signs the end of year financials as an authorized member on behalf of the Fund Board of Directors.</li> </ul>
24 June 2019	<ul style="list-style-type: none"> <li>Dividend Distribution</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's Board of Directors approved a dividend distribution for the second quarter ended 30 June 2019.</li> </ul>
23 July 2019	<ul style="list-style-type: none"> <li>VAT Appeal</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's Board of Directors approved a budget of SAR 100,000 to cover the expenses of the VAT Advisor in appealing GAZT's decision.</li> </ul>
7 August 2019	<ul style="list-style-type: none"> <li>Draft of Interim Financial Statements</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's Board of Directors approved the draft of the interim financial statements prepared by an external auditor for the period ended 30 June 2019.</li> </ul>
4 September 2019 (5 <sup>th</sup> Fund Board Meeting)	<ul style="list-style-type: none"> <li>Replacing Current Property Manager - RBC &amp; KBC</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's Board of Directors approved hiring Star Link as a property manager for Al Rawdah Business Center and Al Khaldiyah Business Center.</li> </ul>
30 September 2019	<ul style="list-style-type: none"> <li>Dividend Distribution</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's Board of Directors approved a dividend distribution for the third quarter ended 30 September 2019.</li> </ul>
29 December 2019	<ul style="list-style-type: none"> <li>Dividend Distribution</li> </ul>	<ul style="list-style-type: none"> <li>The Fund's Board of Directors approved a dividend distribution for the fourth quarter ended 31 December 2019.</li> </ul>

**Financial Performance**

Fund Size	As of 31 Dec 2018	As of 31 Dec 2019
Net market value of the Fund's assets at the end of the financial year (Fair Value)	602,081,783	589,037,823
Net market value of the Fund's assets per unit at the end of the financial year (Fair Value)	10.0347	9.8173
Net market value of the Fund's assets at the end of the financial year (Book Value)	578,983,917	561,523,849
Net market value of the Fund's assets per unit at the end of the financial year (Book Value)	9.6497	9.3587
Highest net asset value per unit for each financial year (Fair Value)	10.0347	9.9039
Lowest net asset value per unit for each financial year (Fair Value)	9.8281	9.8173
Income distribution per unit	0.4575	1.30
Percentage of expenses borne by the Fund	3.54%	10.01%
Net income	6,433,917	22,139,932
Distribution yield (based on market traded price)	5.72%	6.63%
Number of units in issue	60,000,000	60,000,000

**Services, Fees and Commissions Charged to the Fund Throughout the Year**

Indicator	As of 31 Dec 2018	As of 31 Dec 2019
Operating expenses	6,132,619	7,640,683
Management fees	4,464,019	5,981,591
Finance fees	1,379,771	26,963,654
Professional fees	762,607	452,873
Other costs	635,567	1,828,087
Depreciation and amortization	7,948,748	16,122,408
Total expenses	21,323,331	58,989,296

**Special Commissions Received by the Fund Manager**

The Fund Manager has not received any special commission during the period.

**Fund Manager's Investments**

The Fund Manager holds 2,474,341 units, representing 4.12%.

**Performance Record**

Period	Total return
Since Inception	6.39% (on an annual basis)
One Year	6.60% (on an annual basis)
Three Years	N/A
Five Years	N/A

	2018	2019
Total Return	6.1% (on an annual basis)	6.60% (on an annual basis)

**Leverage**

- Financing amount has been reduced to SAR 490 million, representing 49%.
- For Financial Statements and IFRS reporting requirements, the financing amount equates SAR 484.6 million and the leverage ratio equates 48%.

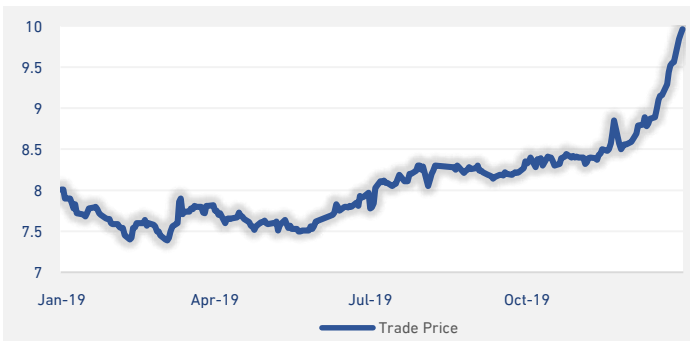


### Summary of Fund’s Performance

The fund has exceeded its target objective of distributing 6.1% on annual basis by actually distributing 6.6% on an annual basis for the period between 1 January 2019 and 31 December 2019.

### Stock

The stock witnessed different levels of volatility during the year, recording its highest price at 10.16 SAR, and lowest at 7.38 SAR, to end the last trading session on 31 December 2019 at 9.96 SAR.



### Risk Assessment

The Fund’s activities expose it to a variety of different risk factors that are exogenous such as market risk, credit risk and liquidity risk as well as operational process related risks. Furthermore, there are risks related to the asset class REITs as such. The Fund’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund’s financial performance.

Consequently, the risk assessment process focuses on the most significant risk factors, which include but are not limited to:

### Changes to the Fund’s Documents

- Updated “Valuating the Fund’s Properties” section within the Terms & Conditions.
- Three additional valutors have been added.

### Subsequent Events

- In January 2020 the Fund Manager signed a renovation agreement with “Masaken Al Ata’a” at a cost of SAR 73,500 inclusive of VAT to renovate the parking space of “Al Rawdah Business Centers”. The work projected to be finalized in Q1 2012.
- The Fund Manager announced on its website and the website of Tadawul that it has received an approval from the Fund’s Board of Directors to increase the capital of the Fund. The Fund Manager will then proceed to obtain all required regulatory approvals; Capital Market Authority, Tadawul and majority of the unitholders. As the Fund aims to acquire a real estate portfolio with a value of more than SAR 900 million, consisting of 10 income-generating properties in different sectors located between Riyadh and the Eastern Region.

Main Risks	Description	Assessment
Market Risk	Market Risk arises from external factors such as macroeconomic conditions, competition, supply & demand, political changes, FX etc.	The Manager monitors on a regular basis the fluctuation and changes in the overall economic environment, local real estate markets including cap rate, inflation rate, taxes, valuations, competition from other available premises and various other factors. Given these factors, the Manager believes that the impact of current market factors is mitigated through diversification of assets that adds stability to the portfolio while reducing vulnerability to economic fluctuations. Additionally, vacancy risks are managed through a proactive asset management approach. Market research is conducted to avoid any economic constraints as much as possible.
Risks related to the use of debt	The use of debt results in risks such as interest rate, leverage related to refinancing risks. Interest rate risk is the potential for financial loss arising from increases in interest rates and ultimately adversely impacting the financing terms of the Fund.	The Manager uses debt with the objective to enhance investor returns. Based on the expected trend of interest rates, the Manager may consider other financial instruments to manage this risk. Leveraging may also further exacerbate any losses.

Risk Assessment – Cont.

Main Risks	Description	Assessment
<b>Credit Risk</b>	Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments.	Credit risk is mitigated by geographical diversification, diversity both in its tenant mix and asset mix and by conducting tenant credit assessments. For new leases, credit evaluation is performed and on an ongoing basis, tenant credit and arrears are closely monitored by the Manager.
<b>Completion Risk</b>	Risk associated with development projects underway include: construction delays and their impact on financial performance, cost overruns which could impact the profitability and/or financial viability of a project; and, the inability to meet revenue projections upon completion. Delays may result in legal risk.	This risk is somewhat mitigated based on the fact that Fund is entitled to invest only up to 25% of the value of its assets in real estate development. The Manager also aims to mitigate this risk through management of the contractual framework of the properties.
<b>Operational Risk</b>	Risk of loss resulting from failure of internal processes, operational procedures, external events, loss of key personnel, service provider and counterparty risk as well as business continuity risk.	The Manager has in place a monitoring framework to manage the day-to-day activities and mitigate operational risks. These include periodic meetings to identify potential operational risks, reviewing and resolving operational issues. The Manager has established processes to identify, monitor and manage operational risks associated with day-to-day management and maintenance of the Fund's properties. Internal audits are also carried out periodically to review compliance with processes, and to identify and rectify any lapses in procedures. A business continuity plan is in place to mitigate the business continuity risk of interruptions or catastrophic loss to its operations. Additionally, for the perspective of key personnel risk, the Manager had no material changes in the organizational structure during the year. Service providers and counterparty performance is regularly monitored.
<b>Liquidity Risk</b>	Liquidity Risk has many dimensions such as the risk of being unable to meet any payment obligations for exiting properties according to plan.	Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses. Therefore, the Manager ensures that there are adequate funds to repay obligation in a timely and cost-effective manner. Additionally, The Fund Manager also has a cash management process in which he has the option to utilize any excess cash in short-term deposits. Any decline in liquidity in the Saudi real estate market may affect valuations. Any exit below acquisition cost (including transaction cost) can lower the returns.
<b>Regulatory Risk</b>	Fund operates within guidelines as set out in the "Real Estate Investment Traded Funds Instructions" from Capital Market Authority. There can be further regulatory risk related to real estate market or public policy.	The Manager has implemented processes to monitor regulatory requirements in all fund management functions, such as Compliance and Risk Management aim to provide another layer of assurance that proper controls are in place to avoid any non-compliance.
<b>Legal Risk</b>	Risks involved in legal arrangements, contracts, agreements and obligations.	The Manager has a dedicated Legal and Compliance departments, who are responsible to provide guidance to ensure that all regulatory and compliance matters are adhered to.

Risk Assessment – Cont.

Main Risks	Description	Assessment
<b>Risk of Crimes such as Cyber Security Risks</b>	Crimes such as cyber security incident includes any material adverse event that threatens the confidentiality, integrity and/or availability of SC's information resources and may result in financial losses.	The Manager has implemented processes, procedures and controls to help mitigate these risks. However, these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results would not be negatively impacted by the occurrence of any such event.
<b>Valuation Risk</b>	Quality of valuation does not meet regulatory standards.	Two independent appraisals are performed for asset valuations. The 3 <sup>rd</sup> party valuers are accredited by TAQEEM i.e. Saudi Authority for Accredited Valuers. The Fund Manager uses the average of the two independent valuers for reporting purpose. In case of any material contradiction between the two valuers, the Fund Manager assigns a third valuer.
<b>Capital Deployment Risk and Reinvestment Risks</b>	Risk of delay in capital deployment.	The Manager aims to mitigate this risk by proactively researching the market to source potential new investment opportunities. As of reporting date, the Fund utilized SAR 490m out of the SAR 600m available leverage available, in which the Fund is fully invested according to the Fund strategy.
<b>General Risks Related to the Asset Class REIT</b>	General risks of the asset class include among other aspects volatility of the share price, potential deviations between net asset value and the share price in the market, potential drop in share price and liquidity risks.	The market price of the units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the Manager.
<b>Environmental, Social and Governance (ESG) Risks, in Particular Climate Risk</b>	<p>Environmental, Social, and Governance (ESG) risks refer to the three factors in measuring the sustainability and societal impact of an investment.</p> <p>ESG criteria can help to better determine the future financial performance of companies (return and risk).</p> <p>Any environmental issues of properties, such as the use of hazardous materials, could adversely impact its value.</p> <p>As part of ESG risks, climate risks may result in increased exposure to loss as assets become less liquid, generate lower income or may be subject to environmental regulation. Additionally, Climate change could make insurance too expensive.</p>	<p>The Manager assesses ESG risks in the analysis of investment opportunities and in its monitoring according to its responsible investment policy. In the Manager's experience, ESG assessment can complement traditional financial analysis and due diligence.</p> <p>The Manager has implemented processes, procedures and controls to help mitigate these risks. However, these measures, as well as its increased awareness of ESG risks, do not guarantee that its financial results will not be negatively impacted by the occurrence of any such event.</p>
<b>Risks Related to Geopolitical Events, Natural Catastrophes, Terrorism and Health Pandemics</b>	Geopolitical events, instability, terrorism, natural catastrophes and events such as health pandemic may negatively impact assets from valuation as well as income perspective.	Given the fact that these events are highly uncertain and unpredictable, therefore the Fund as well as the Manager may be negatively impacted by the occurrence of any such event. The Fund has sabotage and terrorism insurance for all properties which could partially mitigate these risks.

## Real Estate Market in Riyadh

### Hospitality Industry

In November 2019, hotel occupancy rates in Riyadh clocked 59% -the highest in 12 years- and 55% YoY due to softening visa regulations and inflow of tourists and locals visiting Riyadh Season.

Meanwhile, average daily rates (ADR's) fell to SAR 608 recording a 5% decline over the same period. In turn, revenue per available room (RevPAR's) rose 3% YoY to reach SAR 361. It is expected that performance remain under pressure in the short term owing to the bulk of supply estimated to deliver in 2020.

The total number of hotel rooms in Riyadh reached 15,000 rooms by the end of Q4 2019 increasing by 7% compared to the same period last year of which the luxury and upper-upscale (typically associated with a 5-star hotel keys) accounted for 39%. The year main addition include Shaza Riyadh Hotel Residence (225 keys), the Radisson Blu Hotel (66 rooms), Marriott Hotel (80 rooms) and Cristal Amaken Hotel (268 rooms) among others.

Approximately 3,000 keys are expected to enter the market in 2020 with 20% increase compare to 2019. The estimated increase is in line with the government initiatives to expand the tourism sector. Upcoming hotels include high-end and mid-scale hotels such as Hilton Riyadh King Saud University, Nobu Hotel in the heart of downtown Riyadh, Le Meridien Riyadh on King Abdullah Road and the new Movenpick Riyadh opposite King Abdullah Financial District (KAFFD).

It is expected that Riyadh will see more entertainment and international sport activities in 2020, including the annual Riyadh Season, Dakar Rally in addition to the annual G20 Leaders' Summit, the first summit to be hosted by an Arab Country which anticipated to create vast demand for the hotel sector throughout the year.

### Retail sector

Retail rents in Riyadh remain fragmented over 2019 as average rents for superregional malls that offer entertainment options and niche F&B outlets remained unchanged on an annual basis at SAR 2,764 per sqm, rents in regional and community centers dropped by 5% over the same period at average SAR 2,046 per sqm. This decline was accompanied by 2% increase in the annual vacancy rate to reach 17%. Vacancy could see further increase if the supply scheduled for next year is completed on time. Subsequent to the announcement in July 2019 of permitting the commercial activities to operate for 24 hours a day beginning in January 2020, will likely help to create jobs in retail sector, increase consumer spending, grow the demand for goods and services

and enhance the quality of life in the city.

By end of 2019 the total retail stock reached 2.44 million sqm. Projects delivered to the market throughout the year included Riyadh Front located on Riyadh's Airport road, The Zone, Hammad Mall (LAVALLE), Shorofat Al Khair, Garden Wood and Mercato Strip Mall.

An additional 230,000 sqm of retail space is currently under construction and expected to handover next year and total stock is expected to reach 2.67 million sqm GLA by end of 2020. Notable upcoming projects include Shorofat Al Nada Park, Wadi Qurtoba, and Faisaliah Mall Extension, amongst others. The developers also seeking to diversify their offers through the sizes of their projects to serve the population and workforce growth and absorb the increase in the number of tourists.

### Residential sector

In 2019, 30,000 units of the residential segment in Riyadh were handed over, comprising mostly stand-alone villas and apartment buildings, taking the total 2019-end supply stock to 1.32 million units with annual increase of 2%. This is expected to rise by same percentage meaning another 30,000 units in 2020 owing to the development of several large scale communities, including among others Al-Dhahiah Project by Al Akaria Saudi Real Estate Company, which plans to deliver approximately 560 villas, in 2020 and Al Naifa Gated complex by Rafal which plans to deliver approximately 137 villas in 2020.

Conversely, the Saudi Ministry of Housing aims to increase the supply of affordable housing units, accompanied by subsidies, with groundwork beginning on main projects for the Ministry of Housing (MOH) in partnership with the private sector (PPP), which includes among others Ishraq Living project (2,227 villas), Saraya Narges housing Qiran (690 apartments and 1294 villas) and Murcia project (5,590 housing units). These will be delivered in the form of small to medium-sized units targeting lower-income and middle-income families.

Average rents continued to exhibit patterns of decline, with QoQ drops of 1% for villas and stability for apartments. Drops on an annual basis were larger, with a 1% and 2% decline for apartments and villas respectively.

In terms of sale prices, apartments and villas dropped 1% on QoQ basis, while the sales prices for apartments and villas reported larger declines on YoY basis at 7% and 6%, respectively.



## Real Estate Market in Jeddah

### Office Sector

In 2019, approximately 38,000 sqm of GLA was added to Jeddah office market, 38% lower than the 3-year average, due to developers delaying or putting their office projects on hold bringing the total stock of office space to 1.1 million sqm of GLA as of year-end 2019, which increased 3% compared to last year.

An additional 73,900 sqm of office space is expected to be added in 2020, with supply quality comprising mid-scale buildings or those located within mixed-use developments.

Average office rents remained under pressure, posting a decline of 6.9% YoY to SAR 881 per sqm by 2019 end. Rents in premium Grade A offices saw a decline of 7% YoY to average at SAR 1,024 per sqm per annum. Grade B office buildings dropped 9% during the same period to an average of SAR 694 per sqm per annum.

Regardless of the decrease in rental prices, the Office sector witnessed an increase in commercial activity, as landlords adjusted their rents to meet market levels and the result were improvements in vacancy rates which decreased to 18% in Q4 2019, down 3% from Q4 2018 levels.

As a large young Saudi population enters the workforce, demand is also expected to shift to smaller, collaborative, and flexible office spaces which in turn will reduce corporates' capital expenditures.

### Retail sector

GLA completed in 2019 witnessed a sharp decline of 84% from the average retail GLA completed in the past 3 years as only 9,700 sqm of retail GLA were delivered. Therefore retail stock in Jeddah stood at around 1.43 million sqm of GLA with slight increase of 1% compare to last year.

Average retail rents in regional malls decreased by 10% in Q4 2019 on annual basis, rents in super regional centers decreased by 4% over the same period.

Although landlords continued to offer yearly leasing incentives to retain tenants and maintain good occupancy rates, market wide vacancies increased in Q4 2019 marginally to reach 9% YoY. It is expected that better quality centers will maintain their rents and occupancy rates due to better entertainment options they offer.

Pressure is also likely to mount from the growth of e-commerce in Saudi Arabia. This is expected to result in mall operators rethinking their layouts to make room for entertainment outlets and offer more international F&B and fashion concepts that cater to the shifting tastes of Jeddah's young demographic.

It is expected that the majority of next year coming supply consist of Superregional centers and community centers. Therefore retail stock in Jeddah will raise by 17% to reach 1.67 million sqm of GLA.

## Real Estate Market in Dammam

### Entertainment sector

The entertainment sector is likely to improve with its growing relevance in Saudi Vision 2030, where one of the objectives is increasing household expenditure related to entertainment and leisure. This is in line with government commitment of SAR 240 billion announced in 2019 to energize the previously nascent sector. Concurrently, the industry has expanded together with demand for new and innovative experiences among the significant young Saudi population, resulting in new opportunities for private sector participants, and more specifically, real estate development and enhancement across the Kingdom's wide geography.

Saudi Entertainment Ventures (SEVEN), a subsidiary of the Public Investment Fund, (PIF) announces in April 2019 the launch of its largest entertainment projects with an initial budget of approximately SAR 10 billion including its inaugural amusement park in half moon, to be a new infrastructure for the entertainment sector in Eastern Province, which will mark as the first leisure destination in the Gulf due to its strategic geographical location, and will cover an area of 1 million sqm.

The entertainment projects announced by SEVEN include six movie theaters and three new entertainment destinations in the Eastern Province in Dammam, Khobar and Al Ahsa. The project is expected to be completed by 2020.

The "Sharqiyah Season 2019", which was held under the theme of "Eastern Culture and Energy" during the period from March 14 to 30 in this year was characterized by a variety of activities covering culture, education and sports. The Festival succeeded in satisfying the tastes of all age groups in an effort to develop the entertainment and economic sector in Eastern Province. The Festival included many international concerts held in large theaters, performed by international artists from several countries.

### Office Sector

The average rents in office spaces in Dammam dropped 10% in H2 2019 to reach SAR 893. However, Grade A spaces with high-quality finishing continue to perform better than Grade B spaces which recorded larger declines in average rents. Meanwhile, there was no real improvement in the rate of office take-up during the second half of 2019 and as such, vacancy rates increased to reach 32%; the highest among the four major markets (residential, retail, office, hospitality) across the Kingdom.

2019 witnessed an additional 23,000 sqm GLA of office space entering the market, bringing the total office inventory in Dammam to approximately 894,000 sqm GLA.

Among the deliveries were Al Juaib Administrative building on Dhahran-Jubail Highway, Al Khafra Tower located in the central area on King Fahd Highway in Dammam and Al Khalidi Tower on the Custodian of The Two Holy Mosques Road.

With the delivery of over 66,000 sqm of office GLA over the next year, it is expected that rents to remain under pressure. This is particularly true as the Dammam continues to rely on the hydrocarbon sector. However on the long run, and on the back of initiatives and announcements aimed at diversifying the eastern province economy, such as the King Salman Energy Park (SPARK), we expect corporate demand to pick up, reflecting positively on office rents.

### Retail sector

Dammam retail sector experienced further rental declines across the regional and community centers. While rents in community centers and regional malls declined 3% and 5% respectively YoY, rents in super regional malls where owners were able to offer differentiated retail concepts and experiences to attract and retain tenants saw an increase of 6% in 2019 versus 2018. Therefore overall vacancy rates in H2 2019 increased slightly by 1%.

Total stock delivered in H2 2019 stood at 83,000 sqm of GLA, with 37% YoY. With the completion of projects such as Patio Project, Pavilion Al Khobar, Ajdan Walk on Prince Turki Road and Al Nakheel Mall, a regional mall located on King Fahad Road, the total retail stock for the year reached 1.18 million sqm of GLA.

The handover of an additional 63,000 sqm of retail GLA is expected in 2020 with the expected completions of projects such as Lyzawan Walk Project, Corniche Park, Atyaf Avenue, Al Abdulwahab Avenue and Al Khobar City Walk on Prince Faisal Ibn Fahad Road. These are majorly considered as new outdoor lifestyle concept malls equipped with advanced entertainment facilities and a vast range of F&B offerings.

## SEDCO Capital Perspective For Macro Economy\*

The Saudi economy began to recover in FY2018. The performance of the non-oil sector has significantly improved in FY2019 with a growth of 2.5%, even with a slight decline of -1% in growth in the oil sector due to the OPEC+ agreement\*\*. Despite the challenging global economic and international market conditions, the GDP growth according to SAMA indicate a growth of 0.33% in FY2019, supported by non-oil GDP growth. The preliminary estimates for real annual GDP growth in 2020 stood at 2.3%.

2019 witnessed the largest level of budget underspend since at least 2003. Due to several structural public financial management reforms implementation to raise spending efficiency, the total expenditure is budgeted at SAR1.02 trillion in 2020, down -3% from 2019 estimated expenditure with the largest portion of 19% of total budgeted expenditure to be allocated to Educational sector. Based on 2020 revenue estimate of SAR833 billion, the government is budgeting a higher YoY deficit at 6.4% of GDP (SAR187 billion) compared to 4.7% of GDP in 2019 (SAR131 billion).

With economic diversification considered key to cushioning the negative impact of lower oil price on the Saudi economy, the government is currently investing in a series of megaprojects and privatization programs to implement its diversification efforts. In addition, the state has identified sectors with growth potential, such as manufacturing and mining, financial services, IT, tourism, entertainment and sports. Saudi Arabia ranked by the World's Bank as one of the top reformer and improver in its Doing Business 2020 report. The Kingdom rose 30 places, from 92<sup>nd</sup> to 62<sup>nd</sup>, and improved in 9 out of 10 areas measured in the report.

Foreign Direct Investment (FDI) reached SAR 13 Billion in 3Q 2019 grown by 10% compared to the same period of 2018.

The unemployment rate in Saudi Arabia has declined since beginning of 2019 to reach 12% in 3Q 2019 compare to 12.8% in 3Q 2018. The government has been considering several plans and strategies in order to increase the numbers of Saudis in the workforce such as Nitaqat Saudization program. It is worth mentioning that the vision 2030 is aiming to reduce unemployment rate to 7%.

SAMA reported inflation rate at 0.2% as of December 2019 compare to estimate of -1% as stated in Budget 2020 statement. The preliminary projected inflation rate in 2020 is 2%.

Saudi Arabia made history on December 5 with the world's largest initial public offering (IPO) Saudi Aramco, the world's most profitable company, sold 1.5% of its capital, or SAR 96 billion of shares. Saudi Arabia's bourse has the highest market capitalization in the MENA region and seventh largest in the world.

Finally, the rapid outbreak of the emerging Corona virus (COVID-19) epidemic has significantly slowed global economy, bringing down growth to levels last seen in 2009. According to the Organization for Economic Cooperation and Development "OECD", in the event of a more extensive spread, global GDP growth for 2020 will slowdown to reach 1.5% after reaching 2.9% last year break. Consequently, could lead to a possible economic recession.

In tandem with unusual circumstances the world is witnessing, we expect additional low levels of interest rates, greater challenges towards stimulating monetary policy and shore up consumer spending. The disruptions generated by spread of coronavirus (COVID-19) may not necessarily trigger a V-shaped recovery. SEDCO Capital expects a slump in financial markets and some major sectors mostly to affect energy sector, tourism sector, travel sector, Hajj and Umrah, basic materials and petrochemical sectors due to the decline in demand growth. However, a stabilization is expected through Q3/Q4 2020, giving way to a gradual rebound to harvest the profits of entering the market at its lowest levels.

\*Source: Saudi Arabia Budget 2020 – Ministry of Finance; Investment highlights winter 2020 – Invest Saudi; REITs Insights On Saudi Arabia Q4 2019 – Knight Frank; Saudi Arabia Real Estate Market Review – Knight Frank; Sakani Report 15 January 2020 – SAKANI; The KSA Real Estate Market A Year in Review 2019 – JLL; Monthly bulletin Report January 2020 – SAMA; Labor Force Survey – General Authority of Statistics; Saudi Arabia Entertainment 2020 -The Game Changer – CBRE. | \*\*OPEC+ is an alliance formed between OPEC (Organization of the Petroleum Exporting Countries) and non-OPEC producers in 2016 in a bid to control supply in the oil markets, thereby supporting oil prices. The non-OPEC producers in OPEC+ are Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Russia, South Sudan and Sudan. | \*\*\* The outbreak of the (COVID-19) declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. As a result Macro and Real Estate perspective and expectation might change significantly than what is stated and implied in the report.

## SEDCO Capital Perspective For Real Estate Segment\*

2019 was a banner year for investment in Saudi Arabia for foreign investors with 1,131 new foreign licenses awarded, 54% increase compare to 2018. The highest percentage of 17% allocated to Construction sector with 193 licenses. India secured 12% of total licenses awarded followed by UK with 9%. In addition, 57% of the NCC's 400+ planned pro-business reforms were implemented.

In 2019, retail Point of Sales (POS) transactions rose by 56.5% YoY, while sales increased 22.8% YoY. Thus, the amount per transaction reduced to around SAR 177 from SAR 225 in 2018, suggesting that consumer preference still leans towards value for money as the value of transactions remained far below the number of transactions.

Further, we remain positive on the long-term commercial real estate sector with focus of entertainment sector subsequent to the announcement made by The Ministry of Municipal and Rural Affairs (MOMRA) and Ministry of Interior in July 2019 of permitting the commercial activities to stay open round-the-clock starting January 2020, which is anticipated to create more jobs in retail sector, increase consumer spending, and increase the business of F&B by about SAR 64 billion.

Another landmark that reform positioning Saudi Arabia as a dynamic global hub for investors is the approval of the Premium Residency System for skilled foreign workers by Council of Ministers which comprises several benefits, including the ability to own real estate for residential, commercial, and industrial purposes, usufruct rights on property located in the cities of Makkah and Medina and many other benefits in exchange for special fees determined by the executive regulations.

In a historic moment, and as the most prominent plans to diversify the economy to achieve 2030 vision, Saudi Arabia launched its first tourist visa scheme for 49 nationalities around the world, opening up a wealth of business opportunities in the Kingdom's untapped tourism sector. Saudi Commission for Tourism and National Heritage SCTH launched 11 seasonal events in a number of regions and cities around the Kingdom, which include entertainment recreational, cultural, touristic and historical activities. These events held with intentions to enhance the citizens' quality of life and to build a vibrant community. Riyadh season alone generated more than billion riyals and the number of visitors exceeded 10 million with more than 200k visa issued for this season.

As the country continues to change, several projects have been designed with a focus on the country's rich and relatively unexplored cultural heritage and conservation. In November 2019, the kingdom launched an entertainment complex, Diriyah Gate, including luxury hotels, restaurants, museums, a racetrack and a golf course. Furthermore, the kingdom revealed Al-Ula to enable the visitors to explore 200,000 years of history and immerse in ancient civilizations. The historical district of Jeddah is also undergoing many reforms and renovation, which are transforming old houses into boutique hotels. It is worth noting that Diriyah, Al-Ula and Jeddah's historical district are classified as a UNESCO World Heritage sites.

In order to achieve a comprehensive improvement of the business environment in the Kingdom and raise its competitiveness globally, the National Competitiveness Center (NCC), in cooperation with relevant government agencies, launched and implemented more than 300 initiatives and reforms to address the challenges facing the private sector.

The implemented reforms include developing "Baladi" platform to apply for licenses online, softening the procedure of issuing construction permits and digitalizing all documents and establishing an integrated digital database for title deeds.

With a focus on increasing home ownership to 70% by 2030, the data of Ministry of Housing indicated that the number of beneficiaries of subsidized housing contracts during 2019 amounted to 300k beneficiaries, an increase of 91% compare to the previous year. The residential mortgages for individuals provided by banks jumped about 236% in 2019, according to a report by SAMA. The number of residential mortgage contracts reached 170,275 with a total value of approximately SAR 74 billion.

Overall 17 REITs have been listed on Tadawul to date, with total market capitalization of SAR 15 billion as of December 2019, increased 74% from SAR 8.6 billion in 1Q18. The Index of Saudi REITs closed at 4,198 as of December 2019 increasing by 16% compared to 3,623 in 2018. The total value traded increased 19% YoY with a 33% and 25% increase in the number of shares traded and transactions respectively. The healthy performance indicate that the market performance of Saudi REITs is likely turning the corner following a correction phase that has offset initial buoyancy. The growing depth of the market is offering a more favourable platform for investors willing to adopt a long-term investment approach while taking advantage of the portfolio geographical and segmental diversification benefits offered by REITs. Lastly, The performance of the 17 bourse-listed REITs was mixed in 2019, providing annualized dividend yields of 4.0-9.6% and an average yield of 6.6% as of December 2019.

In 2019, the REIT index has recorded an impressive 15.85% YoY increase compared to a 2.7% YoY decline in the Kingdom's real estate price index as property and rental prices continue to fall. The residential sector declined 3.4% and the commercial and agricultural sectors decreased by 1.5% and 0.3%, respectively.

The inclusion of Saudi REITs in the FTSE EPRA Nareit Global Real Estate Index was in alignment with the foreigner investors appetite to invest in Saudi real estate. SEDCO Capital REIT successfully achieved all eligibility criteria to be one of the index constituents. The inclusion will expand the investors base by enhancing accessibility to foreign investors, further improve transparency and corporate governance, and increase liquidity flowing from the emerging and developed markets.

\*Source: Saudi Arabia Budget 2020 – Ministry of Finance; Investment highlights winter 2020 – Invest Saudi; REITs Insights On Saudi Arabia Q4 2019 – Knight Frank; Saudi Arabia Real Estate Market Review – Knight Frank; Sakani Report 15 January 2020 – SAKANI; The KSA Real Estate Market A Year in Review 2019 – JLL; Monthly bulletin Report January 2020 – SAMA; Labor Force Survey - General Authority of Statistics; Saudi Arabia Entertainment 2020 -The Game Changer – CBRE.



## Fund Manager

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Saudi Economic and Development Securities Company (SED CO Capital) is a Saudi closed joint stock company registered under Commercial Registration No. 4030194994 and licensed as an "Authorized Person" under CMA License No. 11157-37 dated 19/04/2009 to manage, advise, arrange, deal and provide custody services with respect to the financial securities business. SED CO Capital provides its regional and international clients, as well as high net worth individuals, with a range of financial services and solutions including advisory, arrangement, custody, dealing, and asset management.

## Custodian

AL INMA INVESTMENT COMPANY  
Burj Al Anoud 2, Level 20  
King Fahad Road, Olaya  
P.O Box: 66333 ,Riyadh 11576  
Kingdom of Saudi Arabia



The Fund has appointed the Custodian to act as the custodian of the assets of the Fund. The assets will be registered in the name of a SPV established by the Custodian to separate the assets owned by the Fund and those owned by the Custodian.

### Responsibilities of Custodian:

- Take into its custody assets managed by the Fund Manager
- Open a separate account with a local bank in the name of the Fund and deposit all cash in the account
- Separate the assets of each investment fund from its assets and the assets of its other clients and register the real estate assets in the name of a subsidiary of the Custodian.

## Auditor

KPMG Al Fozan & Partners  
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P.O Box 92876 Riyadh 11663  
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**Statement of Auditor's Opinion:** "We have audited the financial statements of SED CO Capital REIT FUND (the "Fund"), managed by SED CO Capital Company (the "Fund Manager"), which comprise the statement of financial position as at December 31, 2019, and the related statements of comprehensive income, changes in equity 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, 2019, 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)."*

## **Financial Statements**

for the period from 1 January 2019 to 31 December 2019

**SEDCO CAPITAL REIT FUND**  
(Managed by Sedco Capital Company)

**FINANCIAL STATEMENTS**  
For the year ended December 31, 2019  
with  
**INDEPENDENT AUDITOR'S**  
**REPORT TO THE UNITHOLDERS**



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License No. 48/11/323 Issued 11/3/1992

## 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 SEDCO Capital Company (the "Fund Manager"), which comprise the statement of financial position as at December 31, 2019, and the related statements of comprehensive income, changes in equity 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, 2019, 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 Auditors' 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.

The key audit matter	How the matter was addressed in our audit
<p><b>Revenue:</b></p> <p>Revenue from properties amounted to SR 76.8 million for the year ended December 31, 2019.</p> <p>Generally revenue from properties is recognized on a straight line basis over a lease term.</p> <p>These include spreading of tenant incentives and guaranteed increases. These balances require adjustments made to lease rental income to ensure that is recorded on a straight line basis over the lease term in accordance with IFRS 16: "Leases".</p>	<p><b>Revenue:</b></p> <p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>▪ evaluating the appropriateness of the lease rental income recognition policy to assess whether it is in accordance with IFRS 16: "Leases".</li> <li>▪ assessing the design and implementation of management's key internal controls over the completeness, existence and accuracy of lease rental income with specific focus on whether lease rental income is appropriately recorded over the lease term as per the terms of the lease contract.</li> </ul>





# Independent auditors' report

To the unitholders of Sedco Capital REIT Fund (continued)

Key Audit Matters (continued)	
The Key audit matter	How the matter was addressed in our audit
<p><b>Revenue: (continued)</b></p> <p>Revenue recognition is considered a key audit matter in view of the risk that management may override controls to intentionally misstate revenue transactions in order to achieve financial targets, either through adjusting estimates at the period end or recording fictitious transactions in the business.</p> <p><b>Investment properties:</b></p> <p>As at December 31, 2019, the carrying value of investment properties held by the Fund was SR 1,019.94 million.</p> <p>The investment properties are stated measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses, if any. However, the fair value of the investment property is disclosed along with its impact on equity per unit.</p> <p>In accordance with the requirements of relevant accounting standards, the Fund is required to assess indicators of impairment on its properties at each reporting date. In case such indicators are identified, the recoverable amount of such property is required to be determined.</p> <p>As part of its assessment of impairment indicators, the Fund reviews both the internal and external indicators of impairment including but not limited to net cash outflows or operating losses, physical wear and tear of assets and adverse market changes or conditions. Moreover, the assessment of recoverable amounts entails the use of complex valuation techniques and significant management judgement on key assumptions. Accordingly, this has been identified as a key audit matter.</p>	<p><b>Revenue: (continued)</b></p> <ul style="list-style-type: none"> <li>▪ performing detailed testing on a sample basis of lease rental income transactions to review the lease contracts entered into with customers to assess whether lease rental income recorded is as per the contract terms and to identify any non-standard lease clauses and to assess the appropriateness of the rental income accounting.</li> <li>▪ performing detailed substantive analytical procedures of lease rental income and the timing of its recognition.</li> <li>▪ assessing the appropriateness and completeness of the disclosures required for the revenue from investment properties.</li> </ul> <p><b>Investment properties:</b></p> <p>Our audit procedures in response to the assessed risk of material misstatement in valuation of investment properties comprised of:</p> <ul style="list-style-type: none"> <li>▪ obtaining an understanding of the management processes for identification and mitigation of valuation risk;</li> <li>▪ perform test of details on the costs capitalized and ensure that all costs are appropriately capitalized;</li> <li>▪ assess the appropriateness and completeness of factors considered by the Fund Manager in impairment indicator assessments; and</li> <li>▪ for investment properties where there are impairment indicators, we perform the following procedures:               <ul style="list-style-type: none"> <li>- obtain the valuation reports prepared by independent valuers and evaluate the appropriateness of the critical assumptions including discount rate, exit yield rate, annual rental income, operating expenditure, occupancy, escalations and inflation rates. Further, perform sensitivity analysis, including assessment of the effect of reasonably possible reductions in occupancy and increases in operating expenditures on the forecasted cash flows to evaluate the impact; and</li> <li>- evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements.</li> </ul> </li> </ul>





## Independent auditors' report

To the unitholders of Sedco Capital REIT Fund (continued)

### 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, 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 are responsible for overseeing the Fund's financial reporting process.

### Auditors' 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 auditors' 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 auditors' 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 auditors' 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").





**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**STATEMENT OF FINANCIAL POSITION**

As at December 31, 2019

Expressed in Saudi Arabian Riyals

	Notes	December 31, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		34,534,020	111,955,644
Rent receivable	8	7,634,432	15,219,300
Prepayments and other receivables		6,264,308	22,557,940
<b>Total current assets</b>		<b>48,432,760</b>	<b>149,732,884</b>
<b>Non-current assets</b>			
Investment properties	9	1,019,938,026	1,028,748,945
<b>Total assets</b>		<b>1,068,370,786</b>	<b>1,178,481,829</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payable for the acquisition of investment property	9.6	--	69,000,000
Dividends payable	10	9,900,000	9,150,000
Due to related parties	11	5,053,513	17,016,343
Accrued expenses and other payables	12	2,300,598	3,326,670
Deferred revenue	13	5,033,571	2,664,013
Financing facility from a bank	14	25,326,863	22,178,566
<b>Total current liabilities</b>		<b>47,614,545</b>	<b>123,335,592</b>
<b>Non-current liabilities</b>			
Financing facility from a bank	14	459,232,392	476,162,320
<b>Total liabilities</b>		<b>506,846,937</b>	<b>599,497,912</b>
<b>Net asset (equity) attributable to unitholders</b>		<b>561,523,849</b>	<b>578,983,917</b>
<b>Units in issue (number)</b>	15	<b>60,000,000</b>	<b>60,000,000</b>
<b>Net asset (equity) per unit (SAR)</b>	9.4	<b>9.3587</b>	<b>9.6497</b>

The accompanying notes 1 to 20 form integral part  
of these financial statements

S. Alhadi

U.A.R.

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended December 31, 2019  
Expressed in Saudi Arabian Riyals

<b>INCOME</b>	<u>Notes</u>	<b>For the year ended December 31, 2019</b>	<b>For the period from April 1, 2018 to December 31, 2018</b>
Rental income		76,802,347	37,555,977
Murabaha income		1,251,053	--
		<u>78,053,400</u>	<u>37,555,977</u>
<b>EXPENSES</b>			
Depreciation	9	16,122,408	6,985,739
Management, administrative and shariah fees	7&11	6,310,671	4,709,722
Operating and other expenses	16	9,592,563	7,285,090
(Reversal) / impairment on investment properties	9	(3,075,828)	9,798,729
Financing fees and charges	14	26,963,654	2,342,780
<b>Total expenses</b>		<u>55,913,468</u>	<u>31,122,060</u>
<b>Net profit for the year / period</b>		<u>22,139,932</u>	<u>6,433,917</u>
<b>Total comprehensive income for the year / period</b>		<u>22,139,932</u>	<u>6,433,917</u>

The accompanying notes 1 to 20 form integral part  
of these financial statements

S. Al-Aw

(Signature)



**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS**  
For the year ended December 31, 2019  
Expressed in Saudi Arabian Riyals

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	For the period / year ended December 31,
Net assets (equity) attributable to Unitholders at the beginning of the period	--
Proceeds from initial subscription of units (See note 15)	600,000,000
Comprehensive income for the period ended December 31, 2018	6,433,917
Dividends	<u>(27,450,000)</u>
Net asset (equity) attributable to unitholders as at December 31, 2018	578,983,917
Total comprehensive income for the year ended December 31, 2019	22,139,932
Dividends	(39,600,000)
Net asset (equity) attributable to unitholders as at December 31, 2019	<u><u>561,523,849</u></u>

The accompanying notes 1 to 20 form 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, 2019  
Expressed in Saudi Arabian Riyals

	<u>Notes</u>	<b>For the year ended December 31, 2019</b>	<b>For the period from April 1, 2018 to December 31, 2018</b>
Net profit for the year / period		22,139,932	6,433,917
<b>Cash flow from operating activities:</b>			
<i>Adjustment for:</i>			
Depreciation	9	16,122,408	6,985,739
(Reversal) / Impairment	9	<u>(3,075,828)</u>	<u>9,798,729</u>
		35,186,512	23,218,385
Net changes in operating assets and liabilities:			
Rent receivable		7,584,868	(15,219,300)
Prepayments and other receivables		16,293,632	(22,557,940)
Payments made for the acquisition of investment properties		(73,235,661)	(976,533,413)
Due to related parties		(11,962,830)	17,016,343
Accrued expenses and other payables		(1,026,072)	3,326,670
Deferred income		2,369,558	2,664,013
Financing facility from a bank		<u>(13,781,631)</u>	<u>498,340,886</u>
<b>Net cash used in operating activities</b>		<u>(38,571,624)</u>	<u>(469,744,356)</u>
<b>Cash flow from financing activities:</b>			
Proceeds from initial subscription of units	15	--	600,000,000
Dividend paid during the year / period	10	<u>(38,850,000)</u>	<u>(18,300,000)</u>
<b>Net cash (used in) / generated from financing activities</b>		<u>(38,850,000)</u>	<u>581,700,000</u>
<b>Net change in cash and cash equivalents:</b>		(77,421,624)	111,955,644
Cash and cash equivalents at beginning of the year		111,955,644	--
<b>Cash and cash equivalents at end of the year / period</b>		<u>34,534,020</u>	<u>111,955,644</u>

The accompanying notes 1 to 20 form 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, 2019

Expressed in Saudi Arabian Riyals

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**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 23/04/1430 H corresponding to 19/4/2009, manages the Fund. The Fund Manager conducts following securities activities:

- a) Dealing;
- b) Arranging;
- c) Managing;
- d) Advising;
- 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 Arabian Monetary Agency 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 December 4, 2017). The offering period 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 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.



**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2019

Expressed in Saudi Arabian Riyals

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**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.

**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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

Expressed in Saudi Arabian Riyals

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5 **CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)**

*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.

*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.

The Fund has initially adopted IFRS 16 Leases from 1 January 2019, the impact of which is not material to the financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees and not for lessor. Since the Fund is a lessor, there is no significant impact on these 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.



**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2019

Expressed in Saudi Arabian Riyals

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**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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.

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2019

Expressed in Saudi Arabian Riyals

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**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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.



**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2019

Expressed in Saudi Arabian Riyals

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**6. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 asset (equity) per unit***

The equity per unit is calculated by dividing the Equity 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 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.

***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.

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2019

Expressed in Saudi Arabian Riyals

**7. ADMINISTRATION AND OTHER FEES (continued)**

*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:

	<b>December 31, <u>2019</u></b>	<b>December 31, <u>2018</u></b>
Related party (See note 11)	--	355,761
Other tenants	<u>8,668,653</u>	<u>15,328,302</u>
	8,668,653	15,684,063
Expected credit losses	<u>(1,034,221)</u>	<u>(464,763)</u>
	<u><u>7,634,432</u></u>	<u><u>15,219,300</u></u>

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2019

Expressed in Saudi Arabian Riyals

**9. INVESTMENT PROPERTIES**

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

	Type	Location	Opening cost	Addition during the year	Closing cost	Opening depreciated on	Opening impairment	Depreciation during the year	Impairment reversal during the year	Closing depreciation	Closing Impairment	Net book value	Fair value
Khalidiyah Business Center (See 9.3)	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 (See 9.3)	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	Commercial	Riyadh	78,765,000	--	78,765,000	424,140	--	562,950	--	987,090	--	77,777,910	81,600,000
Public prosecution building Al Rawda	Commercial	Jeddah	63,269,676	--	63,269,676	978,013	--	1,298,090	--	2,276,103	--	60,993,573	67,000,000
Business Center (See 9.3)	Commercial	Jeddah	126,495,000	--	126,495,000	2,135,846	(9,798,729)	2,615,253	3,075,828	4,751,099	(6,722,901)	115,021,000	115,021,000
Burj AlHayat	Commercial	Riyadh	41,260,000	--	41,260,000	593,548	--	787,800	--	1,381,348	--	39,878,652	40,350,000
Saudi Fransi Building	Commercial	Dammam	28,519,294	--	28,519,294	196,323	--	447,862	--	644,185	--	27,875,109	28,100,000
Panda Al rayan	Commercial	Dammam	62,545,580	--	62,545,580	295,047	--	747,863	--	1,042,910	--	61,502,670	63,500,000
Alhokair Time (See 9.3)	Commercial	Dammam	34,206,942	--	34,206,942	176,691	--	447,863	--	624,554	--	33,582,388	33,900,000
Ajdan Walk	Commercial	Al Khobar	354,722,215	1,552,500	356,274,715	--	--	6,310,774	--	6,310,774	--	349,963,941	357,000,000
Work in progress			--	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>(9,798,729)</u>	<u>16,122,408</u>	<u>3,075,828</u>	<u>23,108,147</u>	<u>(6,722,901)</u>	<u>1,019,938,026</u>	<u>1,047,452,000</u>



**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2019

Expressed in Saudi Arabian Riyals

**9. INVESTMENT PROPERTIES (continued)**

The details of the properties as at December 31, 2018 is as follows:

	<u>Type</u>	<u>Location</u>	<u>Cost of acquisition</u>	<u>Addition</u>	<u>Depreciation</u>	<u>Impairment</u>	<u>Net book value</u>	<u>Fair value</u>
Khalidiyah Business Center (See 9.3)	Commercial	Jeddah	148,645,000	339,706	1,581,168	--	147,403,538	154,177,368
Al Ajazzera Compound (See 9.3)	Residential	Riyadh	67,465,000	--	394,757	--	67,070,243	67,658,524
Panda Jeddah	Commercial	Jeddah	39,300,000	--	210,206	--	39,089,794	39,800,000
Panda Riyadh	Commercial	Riyadh	78,765,000	--	424,140	--	78,340,860	81,600,000
Al Harmeen	Commercial	Jeddah	63,015,000	254,676	978,013	--	62,291,663	65,500,000
Al Rawda Business Center (See 9.3)	Commercial	Jeddah	126,495,000	--	2,135,846	(9,798,729)	114,560,425	116,678,704
Burj AlHayat	Commercial	Riyadh	41,260,000	--	593,548	--	40,666,452	41,035,000
Saudi Fransi Building	Commercial	Dammam	28,519,294	--	196,323	--	28,322,971	28,350,000
Panda Al rayan	Commercial	Dammam	62,545,580	--	295,047	--	62,250,533	68,000,000
Alhokair Time	Commercial	Dammam	34,206,942	--	176,691	--	34,030,251	34,325,000
Ajdan Walk	Commercial	Al Khobar	354,722,215	--	--	--	354,722,215	354,722,215
			<u>1,044,939,031</u>	<u>594,382</u>	<u>6,985,739</u>	<u>(9,798,729)</u>	<u>1,028,748,945</u>	<u>1,051,846,811</u>

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2019

Expressed in Saudi Arabian Riyals

**9. INVESTMENT PROPERTIES (continued)**

- 9.3 For the period ended December 31, 2019, the Fund recorded a reversal in impairment loss amounting to SR 3 million (December 31, 2018: an impairment loss amounting to SR 9.8 million).

The impairment on this investment property is determined based on the valuation by two independent valuers (refer 9.5). 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, 2018. Accordingly, no impairment charge has been taken during the year ended December 31, 2019.

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

	<b>December 31, 2019</b>	December 31, <u>2018</u>
Equity as reported	<b>561,523,849</b>	578,983,917
Net appreciation in value based on valuation as at	<b>27,513,974</b>	<u>23,097,866</u>
<b>Equity at fair value of investment properties</b>	<b>589,037,823</b>	<u>602,081,783</u>
Equity per unit, at cost	<b>9.3587</b>	9.6497
Impact on equity per unit for the appreciation in value	<b>0.4586</b>	0.3850
<b>Equity per unit at fair value</b>	<b>9.8173</b>	<u>10.0347</u>

- 9.5 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, 2019 were carried out by Value Strat and White Cubes, which are accredited valuers by Saudi Authority for Accredited Valuers (TAQEEM).
- 9.6 At December 31, 2018, SR 69 million was payable for acquisition of Ajdan Walk property. It was fully settled during 2019.

**10 DIVIDEND PAYABLE**

During the year ended December 31, 2019, Fund declared cash dividends amounting SR 39.6 million (2018: SR 27.45 million). During the year ended, the Fund paid an amount of SR 38.85 million (2018: SR 18.3 million) to Unitholders and SR 9.9 million was also distributed subsequently to year end.

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2019

Expressed in Saudi Arabian Riyals

**11 RELATED PARTY 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 party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Amount of transaction 2019</u>	<u>Amount of transaction, 2018</u>	<u>Balance at 2019</u>	<u>Balance at 2018</u>
<b><u>Due to related party</u></b>						
Saudi Economic and Development Securities Company ("Fund Manager")	Fund Manager	Management fees	5,981,591	4,464,019		
		Admin fees	299,080	223,201		
		Shariah advisory Financing arrangement fee	30,000	22,500		
		Brokerage and acquisition fee	--	7,500,992		
		Reimbursement of fees paid on behalf of the fund	1,552,500	--		
			19,826,001	204,295	5,053,513	17,016,343
<b><u>Rent Receivable</u></b> (See note 8)						
Al Mahmal Trading Company	Affiliate	Rent income	886,000	658,227	--	355,761
<b><u>Accrued expenses and other payable</u></b>						
Al Mahmal Trading Company	(See note 12) Affiliate	Property Management and rent collection fees	4,336,971	4,645,765	1,050,873	1,709,311
Fund Board's remuneration	Fund Board	Remuneration	60,000	45,000	--	--



**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2019

Expressed in Saudi Arabian Riyals

**12 ACCRUED EXPENSES AND OTHER PAYABLES**

Accrued expenses and other payables at comprise of the following:

	December 31, 2019	December 31, 2018
Maintenance fee payable (note 11)	1,050,873	1,709,311
Security deposits	876,654	1,033,904
Custody fee payable	120,475	207,938
Tadawul fees payable	95,000	95,000
Valuation fee payable	62,785	61,500
Audit fee payable	36,250	40,000
Other payable	58,561	179,017
	<u>2,300,598</u>	<u>3,326,670</u>

**13 DEFERRED REVENUE**

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

	December 31, 2019	December 31, 2018
Balance at the beginning as at	2,664,013	--
Rent received during the year / period	23,310,250	12,091,465
Adjusted against revenue earned	<u>(20,940,692)</u>	<u>(9,427,452)</u>
Balance at the end as at	<u>5,033,571</u>	<u>2,664,013</u>

**14 FINANCING FACILITY FROM A BANK**

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 Sibor + 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 process. As at December 31, 2019, the Fund has an undrawn amount of SR 110 million.

Fund has booked financing charges based on effective interest method amounting to SR 26.96 million ( 2018: SR 2.3 million).

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

	December 31, 2019	December 31, 2018
Non-current liabilities	459,232,392	476,162,320
Current liabilities	<u>25,326,863</u>	<u>22,178,566</u>
	<u>484,559,255</u>	<u>498,340,886</u>

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2019

Expressed in Saudi Arabian Riyals

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**15 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.

**16 OPERATING EXPENSES AND OTHER EXPENSES**

Operating expenses and other expenses comprise of the following:

	<b>For the year ended December 31, <u>2019</u></b>	<b>For the period from April 1, 2018 to December 31, <u>2018</u></b>
Operating expenses	7,131,517	4,747,322
Professional fees	362,873	695,108
Tadawul and edaa fees (note 7)	540,460	489,395
ECL impairment	569,458	464,763
Custody fees (note 7)	211,871	207,938
Board fees	60,000	45,000
Other expenses	716,384	635,564
	<u>9,592,563</u>	<u>7,285,090</u>

**17 FINANCIAL RISK MANAGEMENT**

**17.1 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.



**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2019  
Expressed in Saudi Arabian Riyals

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**17 FINANCIAL RISK MANAGEMENT (continued)**

**17.1 Financial risk factors (continued)**

**(a) Market risk**

*(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, 2019, 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 equity by approximately SR 5.6 million ( 2018: SR 5.8 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.

**(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:

	<b>December 31, <u>2019</u></b>	<b>December 31, <u>2018</u></b>
<u>Assets</u>		
Cash and cash equivalents	34,534,020	111,955,644
Rent receivable (See note 8 )	<u>7,634,432</u>	<u>15,219,300</u>
	<u><b>42,168,452</b></u>	<u><b>127,174,944</b></u>

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2019  
Expressed in Saudi Arabian Riyals

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**17 FINANCIAL RISK MANAGEMENT (continued)**

**17.1 Financial risk factors (continued)**

**(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, 2019, the Fund has an unutilized credit facility from bank a amounting to SR 110 million (December 31, 2018: SR 95 million).

**SEDCO CAPITAL REIT FUND**

(Managed by SEDCO Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2019

Expressed in Saudi Arabian Riyals

**17 FINANCIAL RISK MANAGEMENT (continued)****17.1 Financial risk factors (continued)**

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

Financial liabilities	As at December 31, 2019						As at December 31, 2018					
	On demand	Less than 3 months	Less than 1 year	More than 1 year	Contractual liability	Carrying amount	On demand	Less than 3 months	Less than 1 year	More than 1 year	Contractual liability	Carrying amount
Payable for the acquisition of investment property	--	--	--	--	--	--	--	69,000,000	--	--	69,000,000	69,000,000
Dividends payable	--	--	--	--	9,900,000	9,900,000	--	9,150,000	--	--	9,150,000	9,150,000
Due to related parties	--	5,053,513	--	--	5,053,513	5,053,513	--	17,016,343	--	--	17,016,343	17,016,343
Accrued expenses and other payable	--	2,300,598	--	--	2,300,598	2,300,598	--	3,326,670	--	--	3,326,670	3,326,670
Deferred revenue	--	5,033,571	--	--	5,033,571	5,033,571	--	2,664,013	--	--	2,664,013	2,664,013
Financing facility from a Bank	--	--	25,326,863	459,232,392	484,559,255	484,559,255	--	--	22,178,566	476,162,320	498,340,886	498,340,886
Total undiscounted financial liabilities	--	12,387,682	25,326,863	459,232,392	506,846,937	506,846,937	--	101,157,026	22,178,556	476,162,320	599,497,912	599,497,912



**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2019

Expressed in Saudi Arabian Riyals

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**17 FINANCIAL RISK MANAGEMENT (continued)**

**17.1 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.

**17.2 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.

**SEDCO CAPITAL REIT FUND**  
(Managed by SEDCO Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2019

Expressed in Saudi Arabian Riyals

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**18 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the financial statements are disclosed below. The Fund intends to adopt these standards, where applicable, when they become effective.

<b>Standard / Interpretation</b>	<b>Description</b>	<b>Effective from periods beginning on or after the following date</b>
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS Standards	January 1, 2020
IFRS 3	Definition of a Business (amendments to IFRS 3)	January 1, 2020
IAS 1 and IAS 8	Definition of Material (amendments to IAS 1 and IAS 8)	January 1, 2020
IFRS 17	Insurance contracts	January 1, 2021
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

The Fund is currently assessing the implications of adopting the above-mentioned standards, amendments or interpretations on the Fund's financial statements upon adoption.

**19 LAST VALUATION DAY**

The last valuation day of the year was December 31, 2019 (2018: December 31, 2018).

**20 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements have been approved by the Fund Board on 24 Rajab 1441H, corresponding to March 19, 2020.

## The Fund's report is available at request free of charge

### Important Notice

- There are no material changes to the Fund's Terms and Conditions except for what is mentioned in this report
- The Fund doesn't invest substantially in other investment funds
- There's no other information that would enable the unitholders of making an informed judgement about the fund's activities during the period
- There are no other data or information required by the Investment Funds Regulations
- There were no material changes that occurred during the period and affected the performance of the fund
- The Fund Manager has not waived or rebated any fees

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This document does not represent an offer to sell or participate in the Fund in any way, and all (or any part thereof) should not constitute the basis for conclusion of any contract whatsoever, or to rely in this connection, or be an incentive for the same. This document is confidential in nature and is only directed to applicant investors selected. If you have received this document by mistake, You are hereby required to disregard its content and return it to SEDCO Capital or to destroy it. The previous performance is not a guarantee of future results. Units, dividends, fund prices and currencies may depreciate and may also rise, and investors may get less than they originally invested. Changes in currency rates may adversely affect the value, price or income of securities. For illiquid securities, it may be difficult for the investor to sell or make a profit from the securities and obtain reliable information about their value or risk, and additional fees / charges may apply. Dividend income may fluctuate and a portion of the invested capital may be used to pay dividend income.

To ensure that you well understand the Fund and how well it suits you according to your risk level, we recommend consulting an experienced investment advisor. More information about the Fund is available in the existing IPO document, which should be carefully read before investing.

20C29

### For more information



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