

جدوى ريت السعودية  
Jadwa REIT Saudi



**Annual Report**

**2023**

جدوى للاستثمار  
Jadwa Investment



# بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



**His Majesty**

King Salman Bin Abdulaziz Al Saud  
Custodian Of The Two Holy Mosques



**His Royal Highness Prince**

Mohammed Bin Salman Bin Abdulaziz Al Saud  
Crown Prince, First Deputy Prime Minister

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# Fund Manager's Message To Unit Holders



## Dear Unit Holders

We are pleased to present to you the annual report of Jadwa REIT Saudi Fund for year 2023 and would like to thank our unit holders for their continuous support and trust in the Fund during the past year. In 2023, the Saudi economy contracted for the first time in three years, primarily due to cuts in oil production on the back of OPEC+ coordinated policy decisions. While the oil-sector component of GDP declined, it more than offset the impact of a solid gain from the non-oil sector. We would like to note the underlying strength of non-oil Saudi GDP growth, which now accounts for a majority of GDP and has averaged healthy growth over the past three years. The Saudi Arabian economy, long reliant on oil revenues, has undergone significant transformation in recent years, driven by the visionary leadership of the Kingdom and its ambitious Vision 2030 initiative. This comprehensive and multifaceted plan has been instrumental in successfully diversifying the economy away from its historical dependence on oil, fostering growth across diverse sectors such as tourism, manufacturing, and real estate. In particular, the real estate sector, has emerged as a focal point for investment and development, propelled by both domestic and foreign interest as well as economic reforms. As we navigate these dynamic economic shifts, we remain committed to capitalizing on emerging opportunities and delivering sustained value to our unitholders.

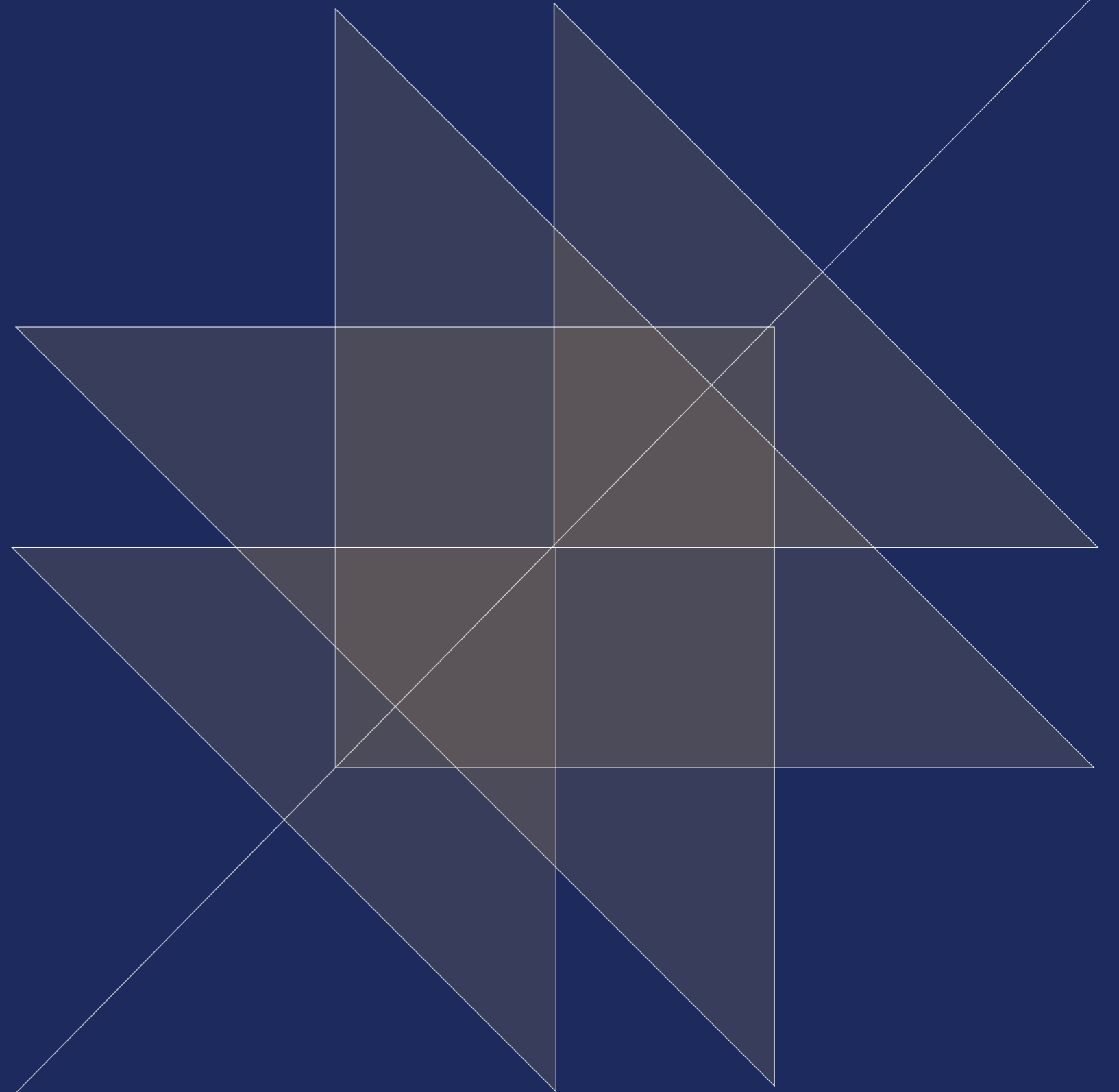
Saudi Arabia is investing USD220 billion to transform Riyadh into a global city by 2030. Consequently, with Riyadh's population expected to double in the next 5-7 years, the capital city's new major development strategy provides opportunities for REITs across multiple sectors, like education, healthcare, retail and entertainment in addition to the baseline requirements for residential assets. Furthermore, with Riyadh being a host for Expo 2030, REITs targeting sectors benefiting from such events, such as entertainment, leisure and hospitality, are likely to see continued growth opportunities.

Last year, however, was a challenging year for REITs as the elevated interest rate environment kept the sector under pressure, with highly leveraged REITs being mainly affected. The Saudi REITs sector was down 7.7% in 2023 while TASI increased by 14.2%. Having said that, we are happy to report that Jadwa REIT Saudi Fund continued its outstanding performance and generated a return of 12.38% through optimization of its assets and investment portfolio and maintained its stable quarterly dividend distributions. Since inception, the Fund has distributed 24 quarterly cash dividends with a total amount of SAR 4.49 per unit (SAR760.7 million). During the year, Jadwa REIT Saudi Fund made one acquisition of Lafif Complex in Riyadh for SAR120 million and a net acquisition yield of 10%. Furthermore, the Fund signed a new master-lease agreement for its largest asset (Marvella Residential Compound) to lease the asset for SAR50million per annum for five years.

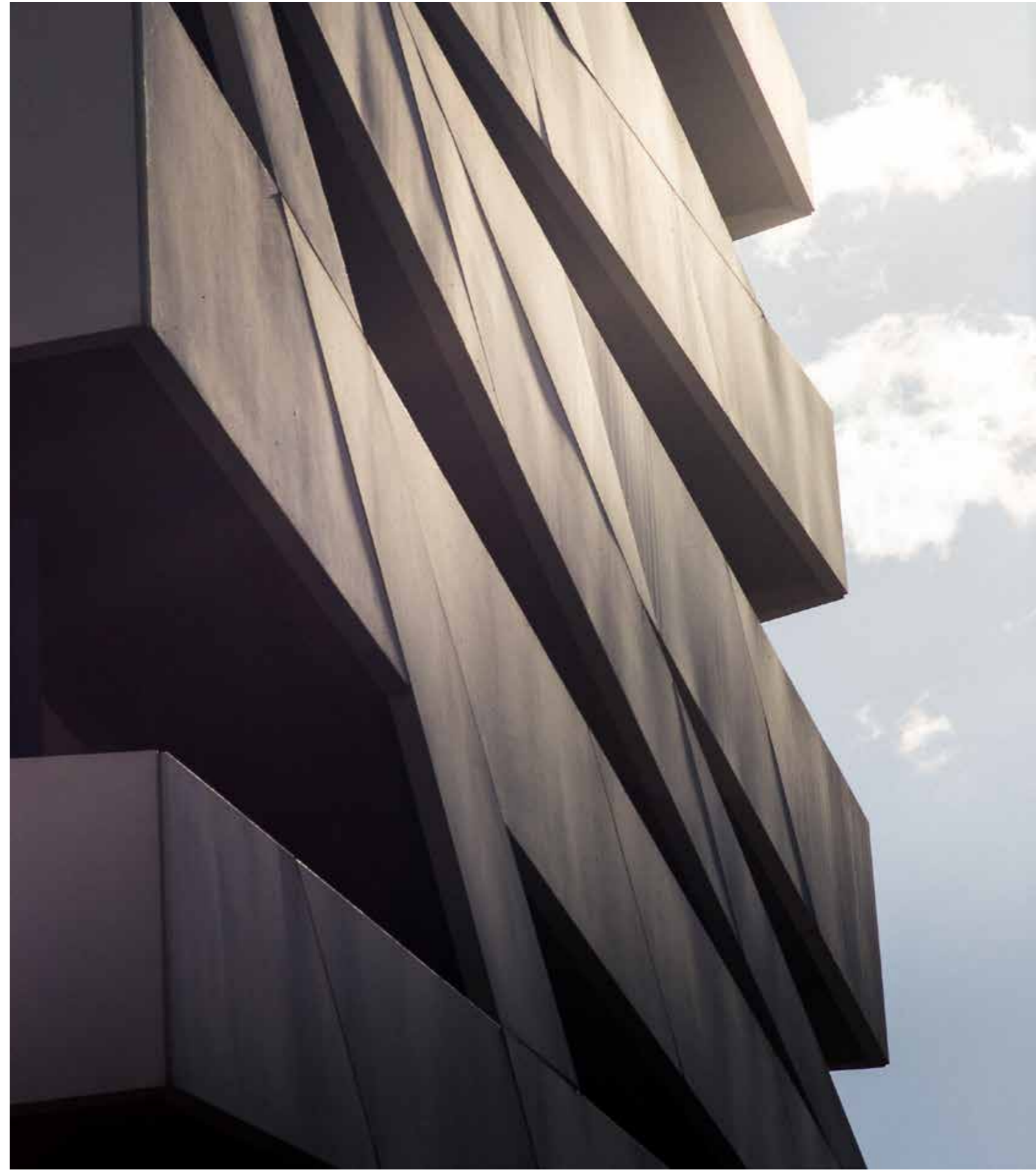
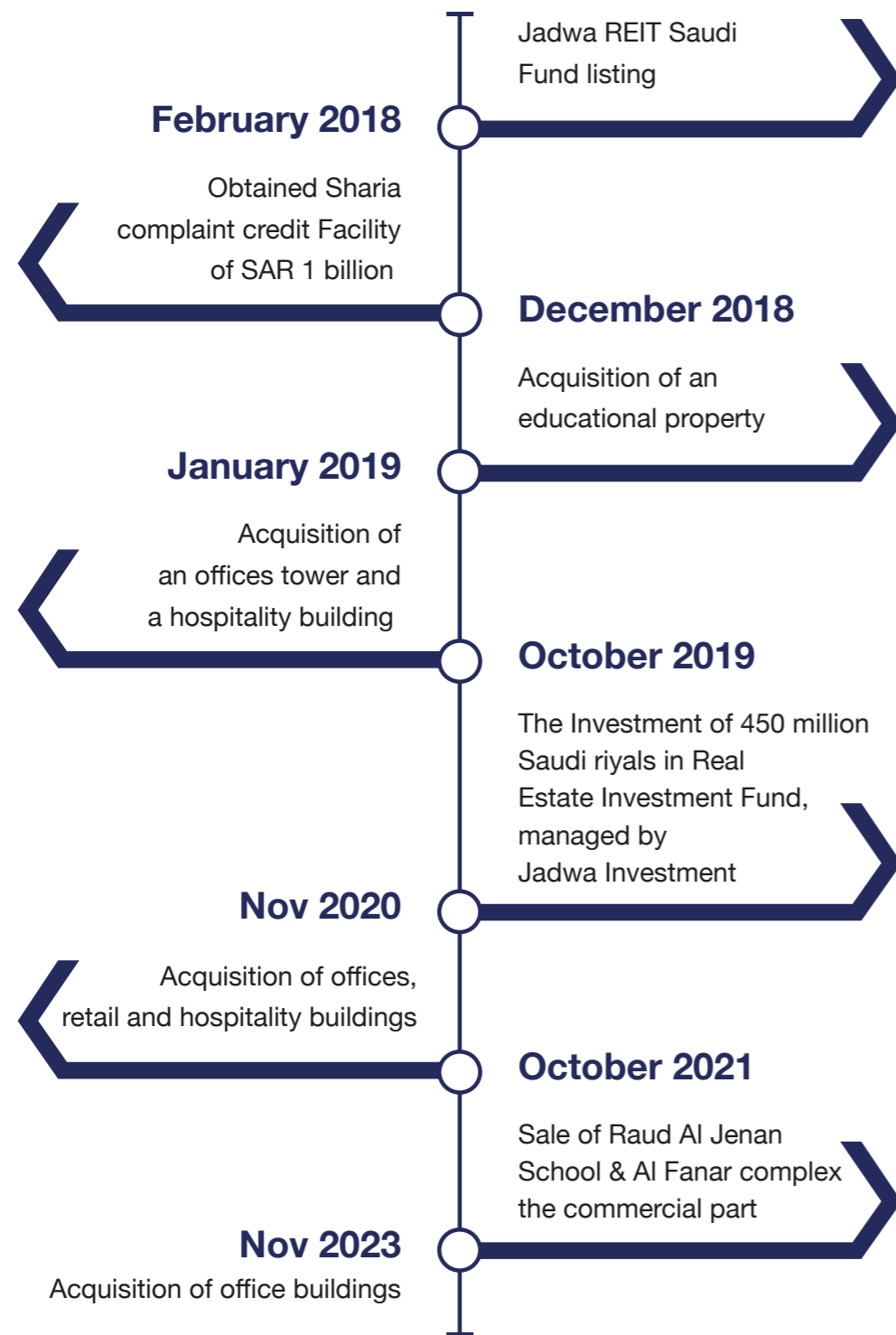
As Jadwa REIT Saudi Fund enters 2024, its fund management team does so with robust confidence and an optimistic perspective on the Saudi economy and the real estate market, anticipating a gradual and steady recovery of the economy from the effects of higher interest rates and consequently benefiting its underlying real estate assets across promising sectors. While the upcoming twelve months are expected to bring forth fresh challenges alongside promising opportunities, Fund is well-positioned to capitalize on such opportunities. We remain steadfast in our commitment to identifying and capitalizing on emerging opportunities in Saudi Arabia's dynamic economy to deliver sustained value to our unitholders. Furthermore, with its readily available credit line facility and low leverage, the Fund is positioned to effectively deploy additional capital, thereby expanding its portfolio through strategic acquisitions of high-quality assets that are accretive to its growth objectives. We look forward to continued collaboration and success in the evolving economic landscape.

Section 1

# REIT AT A GLANCE ►



# REIT At A Glance



# Financial Performance

## Portfolio Characteristics

	2021	2022	2023
Number of properties	9	8	9
Sectors	Residential, logistics, Commercial, Retail, Educational, Hospitality	Residential, logistics, Commercial, Retail, Educational, Hospitality	Residential, logistics, Commercial, Retail, Educational, Hospitality
Total Land area (sq. meter)	406,296	348,346	354,346
Total BUA	488,006	447,655	456,617
Portfolio Occupancy	99.6%	98.5%	99.0%
Number of Tenants	50	47	64
WAULT	4.27	4.41	5.81
Fair Market Value	2,391,563,638	1,873,163,640	2,017,814,226

## Fund's Performance

	2021	2022	2023
Net Asset Value (Cost)	1,851,058,639	1,779,492,303	1,830,558,792
Net Asset Value (Fair Value)	2,093,099,769	2,018,540,178	2,118,982,564
Fair Value NAV per unit	11.22	10.82	11.36
Highest Fair Value NAV per unit	11.69	11.18	11.36
Lowest Fair Value NAV per unit	11.13	10.82	10.79
Number of issued units	186,509,785	186,509,785	186,509,785
Distributed Dividends Per Unit	0.78	0.80	0.80
percentage of fund expenses to the fund's total assets value	0.79%	1.10%	1.37%
Annual return	2.48%	3.57%	12.38%
Unearned revenue to revenue	1.3%	1.1%	2.85%
Non cash expenses to net income	148.7%	82.4%	20.17%
LTV	24.5%	17.82%	8.57%
Loan Maturity Date	20/08/2028		

## Fund's Returns Profile

2018	2019	2020	2021	2022	2023
16.70%	7.89%	11.37%	2.48%	3.57%	12.38%
1-Year return		3-Years return		Since inception returns	
12.38%		17.34%		58.50%	

## Annual Fund Expenses

	2023
Management Fee	16,012,463
Registrar Fee	400,000
Listing Fee	300,000
Custodian Fee	320,000
Administrator Fee	373,655
Auditor Fee	70,000
Board Oversight Fee	20,000
Other Fund Fees	10,927,012
Grand Total	28,423,130
percentage of fund expenses to the fund's total assets value	1.37%

## Percentage of each property rent to the total Fund's rent

Property	2021	2022	2023
Al Marefa University	12.2%	11.5%	10%
Marvella Complex	37.1%	34.9%	31%
Al Sulay Industrial Facility	14.8%	14.0%	12%
Al Youm Tower	15.9%	11.3%	10%
Al Fanar Residential Compound	5.6%	5.2%	5%
Labour Court	4.5%	4.0%	4%
Aber Al yasmin hotel	1.6%	2.1%	2%
Riyadh Boulevard	6.4%	16.9%	17%
Lafif Complex	-	-	8%

## Annual Fund Performance Comparison\*

Tadawul All Share Index: a stock market index which tracks the performance of all companies listed on the Saudi Stock Exchange.  
Tadawul REITs Index: a stock market index which tracks the performance of all REITs listed on the Saudi Stock Exchange.

Jadwa REIT Saudi Fund	Tadawul All Share Index	Tadawul REITs Index
10.48%	18.10%	-3.98%

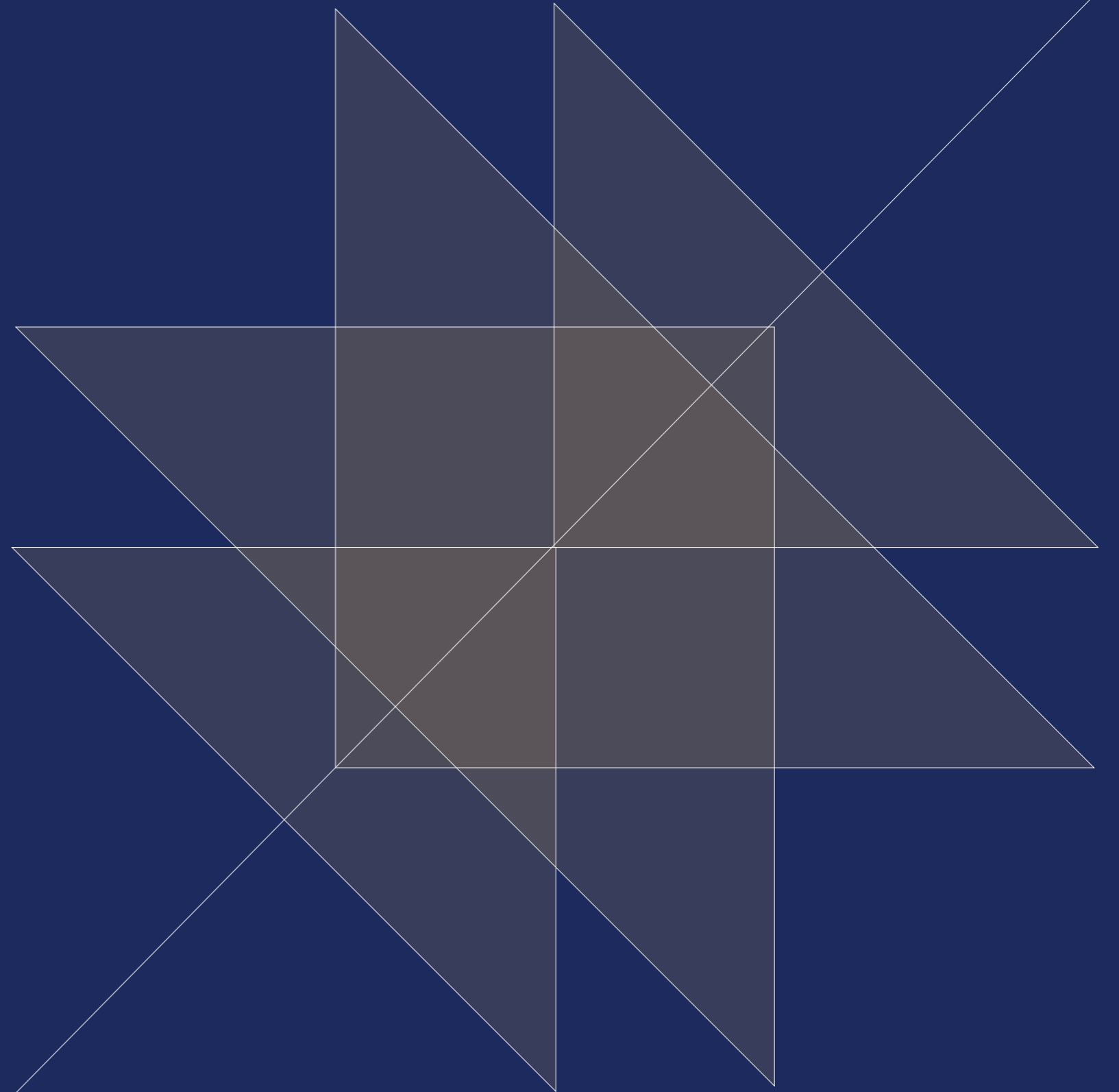
\* The annual return for the Fund is calculated based on the capital gain from the changes in the unit trading price plus dividends yield  
Source : Bloomberg

## Special commission

No special commission has been received by the Fund manager during 2023

Section 2

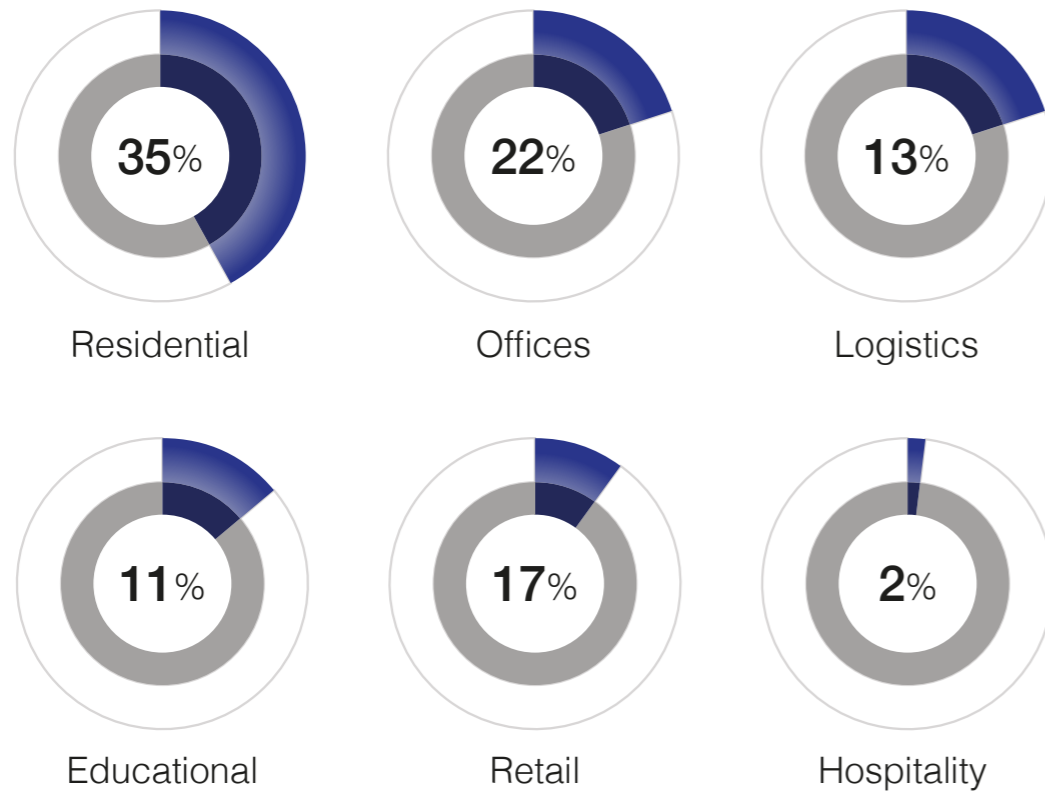
# PORTFOLIO DESCRIPTION ►





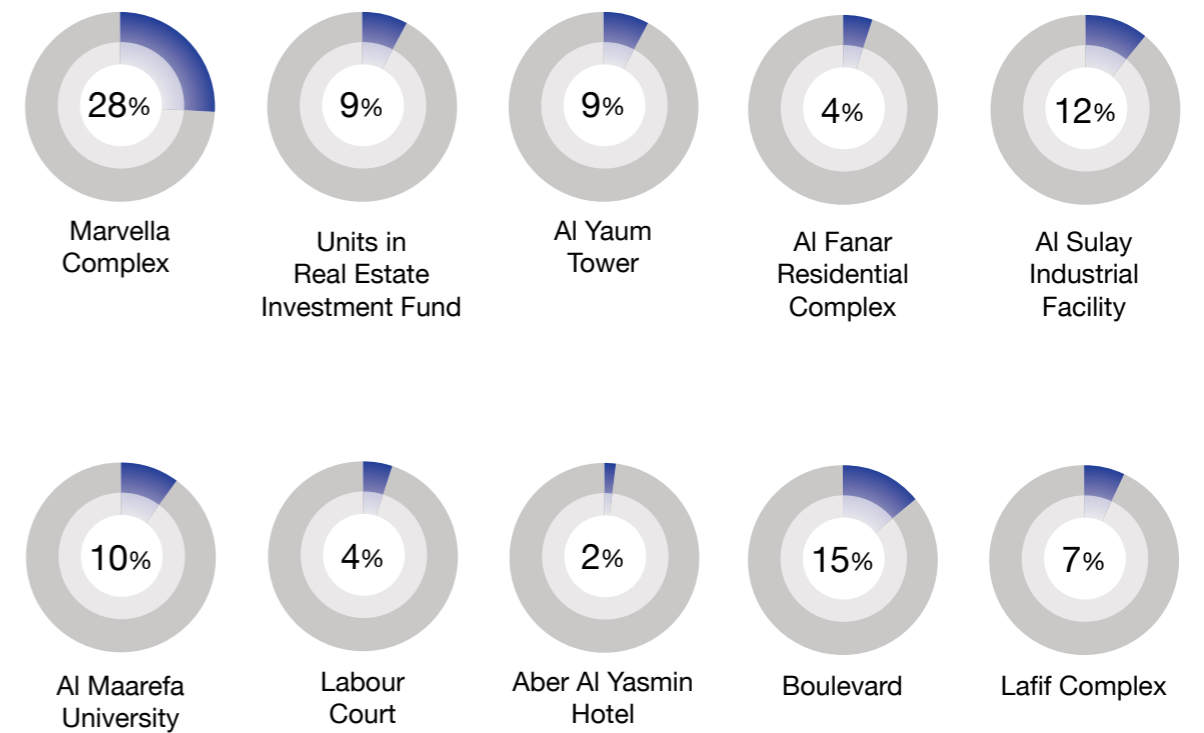
# Portfolio Description

## Portfolio Allocation by Sector



\*The portfolio allocation by sector only includes the direct investment in real estate income generating assets

## Portfolio Allocation by Asset



## Targeted Assets by the Fund Manager

Currently there are no active transactions, however the fund manager is constantly screening for new investments.

## Portfolio Occupancy as of 31 December 2023\*

**99%** | Percentage of leased assets to the total portfolio of income generating assets

**1%** | Percentage of unleased assets to the total portfolio of income generating assets

\* The portfolio occupancy only includes the direct investment in real estate income generating assets

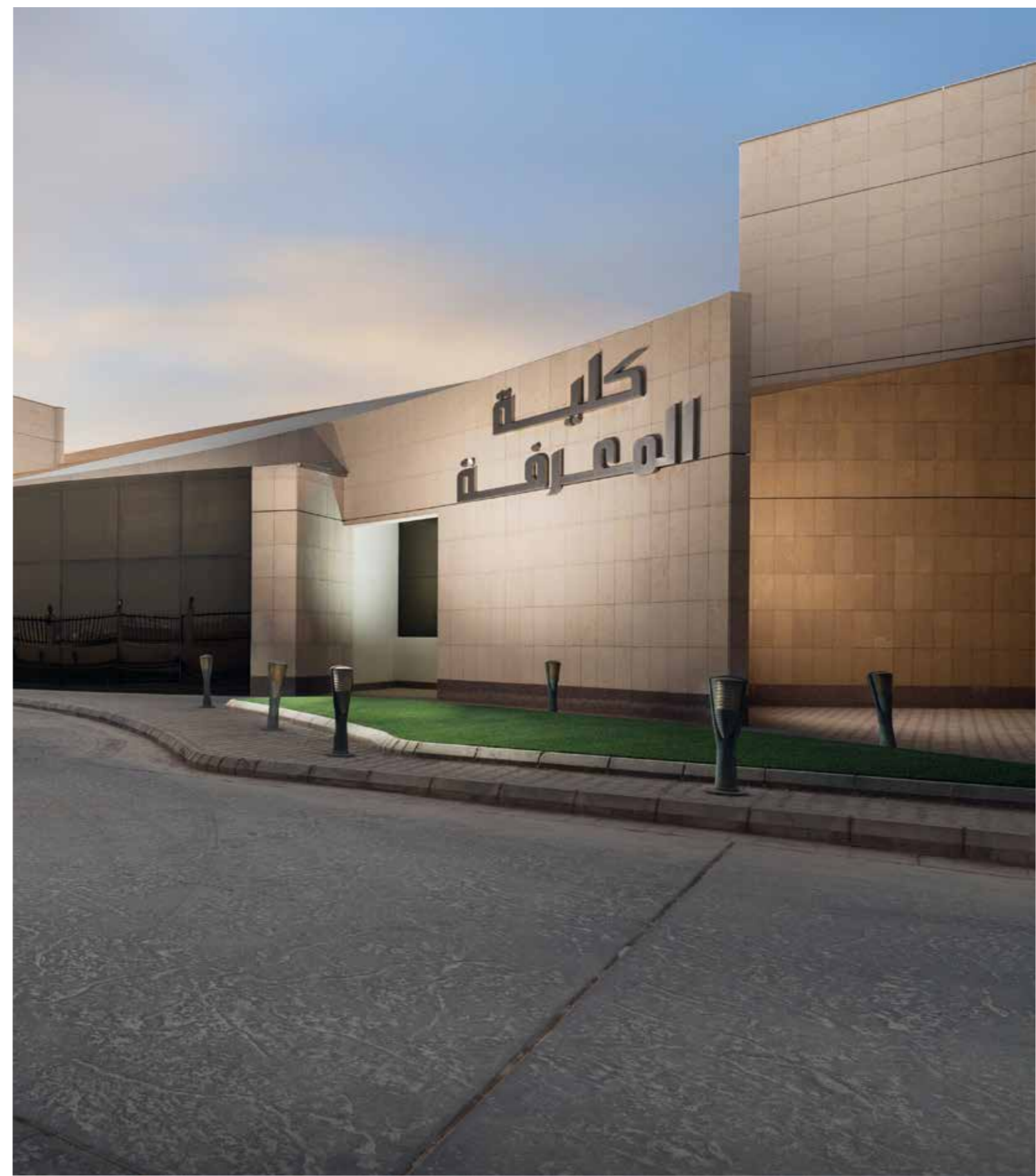


# Al Maarefa University

- Al Maarefa University is a four-story school building with a two-level basement, mezzanine and roof floor built mainly of concrete, with a BUA of approximately 41,830 sq.m.

Location	<b>Al Dereyah, Riyadh</b>
Acquisition Price	<b>200,000,000</b>
Net Acquisition Yield	<b>8.0%</b>
Number of tenants	<b>1</b>
Fair Value Estimation*	<b>224,037,000</b>
Occupancy Rate	<b>100%</b>
Remaining Lease Term	<b>14 years</b>
% of Total Fund Portfolio	<b>10%</b>

\*as of 31st Dec 2023



# Marvella Complex

- Marvella complex is a mixed-use development compound comprising of 594 residential apartments and 21 retail shops. It consists of several five-story buildings, each with basement parking and built mainly of concrete.
- The compound consists of three types of residential buildings (A, B and C), a commercial building and a mosque, with a total built-up area of 154,282.52 sq.m.

Location	<b>Al Hamra District, Riyadh</b>
Acquisition Price	<b>606,000,000</b>
Net Acquisition Yield	<b>8.3%</b>
Number of tenants	<b>1</b>
Fair Value Estimation*	<b>625,000,000</b>
Occupancy Rate	<b>100%</b>
Remaining Lease Term	<b>4 years</b>
% of Total Fund Portfolio	<b>28%</b>

\*as of 31st Dec 2023



## Al Sulay Industrial Facility

- This property is an industrial complex with 42 warehouses, office & accommodation buildings, guardhouses, a concrete perimeter wall and an asphalted open area. The total built-up area is 143,400 sq.m.
- The Office & Accommodation Building is a two-story. The ground floor is used for offices, while the first floor is for labor accommodation. The industrial compound is equipped with a firefighting system.

Location	<b>Al Sulay District, Riyadh</b>
Acquisition Price	<b>221,680,000</b>
Net Acquisition Yield	<b>9.0%</b>
Number of tenants	<b>10</b>
Fair Value Estimation*	<b>264,996,292</b>
Occupancy Rate	<b>100%</b>
Remaining Lease Term	<b>5 years</b>
% of Total Fund Portfolio	<b>12%</b>

\*as of 31st Dec 2023



# Al Yaum Tower

- Al Yaum Tower is a 16-story office building with a three-level basement built mainly of concrete.
- It is newly constructed with the net-leasable area covering 19,861 sq.m.

Location	<b>Al Dammam</b>
Acquisition Price	<b>275,000,000</b>
Net Acquisition Yield	<b>8.7%</b>
Number of tenants	<b>1</b>
Fair Value Estimation*	<b>201,837,500</b>
Occupancy Rate	<b>100%</b>
Remaining Lease Term	<b>3 years</b>
% of Total Fund Portfolio	<b>9%</b>

\*as of 31st Dec 2023



# Al Fanar Residential Compound

- Al Fanar Residential compound is a residential apartment complex comprised of six identical six-story buildings.

Location	<b>Al Khobar</b>
Acquisition Price	<b>112,791,836</b>
Net Acquisition Yield	<b>8.3%</b>
Number of tenants	<b>1</b>
Fair Value Estimation*	<b>89,298,147</b>
Occupancy Rate	<b>100%</b>
Remaining Lease Term	<b>1 years</b>
% of Total Fund Portfolio	<b>4%</b>

\*as of 31st Dec 2023



## Labour Court

- Labor Court Olaya building is an eight-story with two level basement parking, mainly built of reinforced concrete structure with glass and aluminum cladding façade exterior wall.
- The office building was built on a land with an area of 3,300 square meters. It was reportedly constructed circa 1438 hijri with a total built-up area of 8,312 square meters.

Location	<b>Riyadh</b>
Acquisition Price	<b>59,000,000</b>
Net Acquisition Yield	<b>10.2%</b>
Number of tenants	<b>1</b>
Fair Value Estimation*	<b>77,574,500</b>
Occupancy Rate	<b>100%</b>
Remaining Lease Term	<b>3 months</b>
% of Total Fund Portfolio	<b>4%</b>

\*as of 31st Dec 2023



# Aber Al Yasmin Hotel

- Aber Al Yasmin Hotel is a two-story with mezzanine and basement parking, mainly built of reinforced concrete structure with glass panel and concrete exterior wall.
- The building was built on a land with an area of 3,640 square meters. It was reportedly constructed circa 1438H hijri with a total built-up area including the basement of 6,405 square meters. The hotel occupied 4,172 square meters of the GLA and the retail GLA vacancy is 2,007 square meters that includes mezzanine.

Location	<b>Riyadh</b>
Acquisition Price	<b>34,000,000</b>
Net Acquisition Yield	<b>9.1%</b>
Number of tenants	<b>1</b>
Fair Value Estimation*	<b>46,702,071</b>
Occupancy Rate	<b>100%</b>
Remaining Lease Term	<b>7 years</b>
% of Total Fund Portfolio	<b>2%</b>

\*as of 31st Dec 2023





# Units in Real Estate Investment Fund

- Real Estate Investment Fund, a closed-ended Shariah-compliant real estate investment fund. The objective of Real Estate Investment Fund is to provide investors with a stable stream of income and capital appreciation in the medium and long term through the acquisition of income-generating real estate assets in the Kingdom of Saudi Arabia.
- Real Estate Investment Fund has a term of 10 years, which can be extended for two additional periods of five years each.
- Real Estate Investment Fund acquisitions were funded by accepting in-kind and cash subscriptions in the amount of 1.5 billion Saudi riyals, and the remainder was funded by obtaining bank loans amounting to 1.3 billion Saudi Riyals from Saudi banks for a period of five years, provided that the full amount of the financing is to be paid at the end of the fifth year.
- The initial portfolio of assets for Real Estate Investment Fund comprises of 3 income-generating properties which are: Al Nakhla Residential Compound, REIF Flats, Seven commercial, office and service towers in the "Laysen Valley" project.
- Real Estate Investment Fund targets a fund size of 10 billion Saudi Riyals, while the initial closing successfully raised the amount of 2.8 billion Saudi riyals.

Value of Investment	<b>195,827,122</b>
Expected Five Years Average Annual Return	<b>10%</b>
Number of Underlying Properties	<b>2</b>
% of Total Fund Portfolio	<b>9%</b>



# Riyadh Boulevard

- A mixed-use retail project between retail, restaurants, offices and a hotel located in the Hittin district, Riyadh, with a total built-up area of 35,992 square meters. It overlooks directly on the main road (Prince Turki Ibn Abdulaziz I Road)

Location	<b>Riyadh</b>
Acquisition price	<b>320,000,000</b>
Net Acquisition Yield	<b>7.7%</b>
Number of Tenants	<b>31</b>
Fair Valuation Estimation*	<b>340,314,885</b>
Occupancy Rate	<b>94%</b>
Remaining lease term	<b>6 years</b>
% of total Fund portfolio	<b>15%</b>

\*as of 31st Dec 2023



# Lafif Complex

- An office complex project comprises 16 villa offices with a total built-up area of 8,600 square meters.

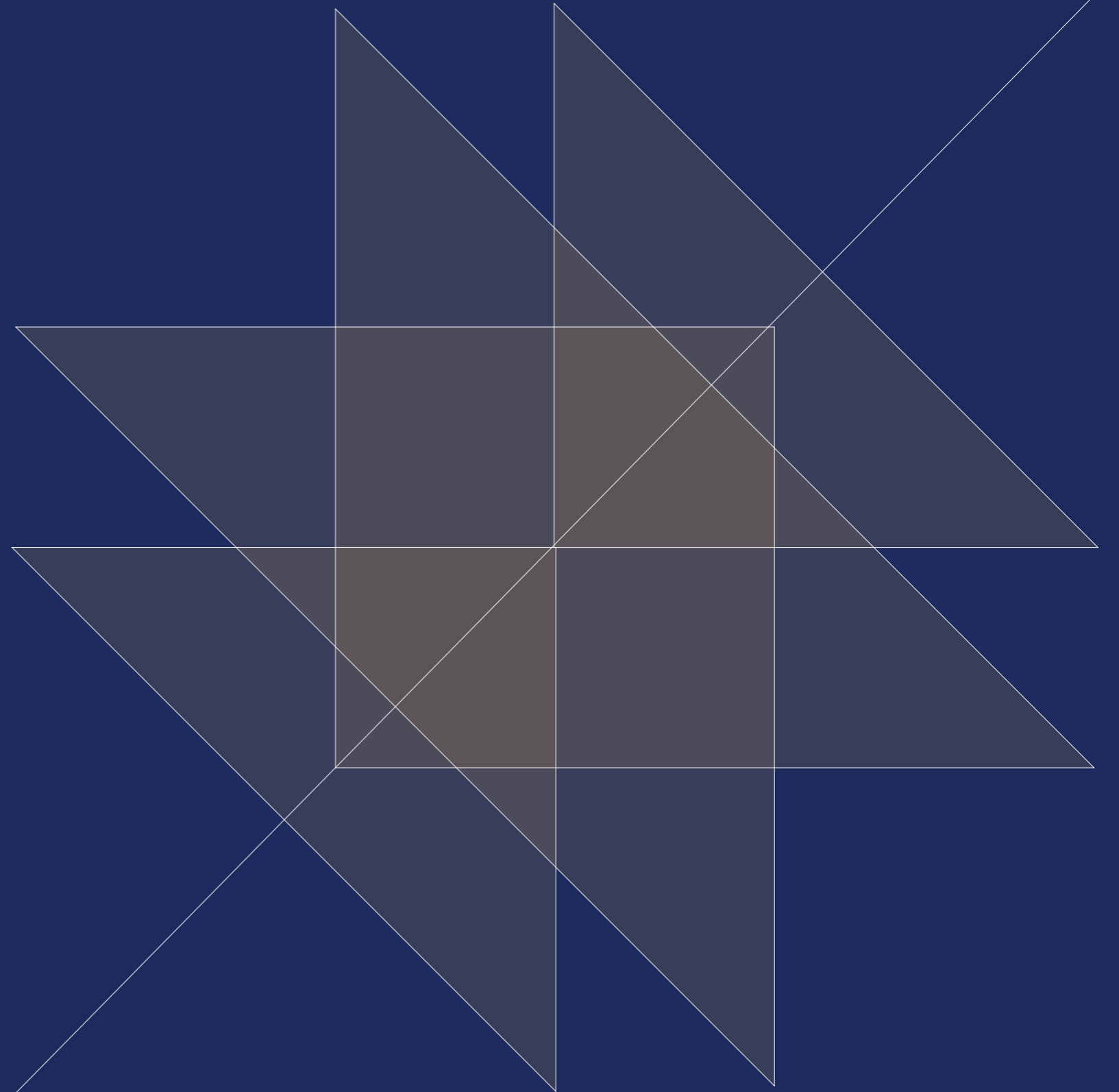
Location	<b>Riyadh</b>
Acquisition price	<b>120,000,000</b>
Net Acquisition Yield	<b>10%</b>
Number of Tenants	<b>7</b>
Fair Valuation Estimation*	<b>148,053,831</b>
Occupancy Rate	<b>100%</b>
Remaining lease term	<b>4 years</b>
% of total Fund portfolio	<b>7%</b>

*\*as of 31st Dec 2023*



Section 3

# RISK REPORT ▶



# Jadwa REIT Saudi Fund Risk Report

## Fund Details

Fund Name	Jadwa REIT Saudi Fund
Fund Manager	Jadwa Investment Company
Listing Exchange	Tadawul (Saudi) Stock Exchange in February 2018
Type of Fund	Closed-ended Shariah Compliant
Authorized Capital	SAR 1,850,000,000 (186,509,785 units)
Fair Value NAV per unit	11.36 (as of 31 Dec 2023)
No. of Properties	9
Fund Term	99 Years, extendable for additional periods
Risk Level	Below Average / Low

## Key Risks

Risk Type	Risk Description	Risk Mitigation
Economic Risk	Changes in economic conditions, including, for example, inflation, new government regulations, political events and trends can affect the Fund's prospects.	Regular monitoring of macroeconomic conditions and regulatory trends in laws is being carried out by the Fund Manager. Proactive steps are taken to mitigate or minimize the impact as much as possible.
Legal and Regulatory Risk	Failure to adhere to laws, rules and regulations as stipulated by CMA can result in suspension of trading or cancelation of the Fund's listing.	The Fund Manager has recruited qualified personnel to manage the Fund and monitor all regulatory requirements such as compliance and risk management. These qualified personnel take all necessary steps for establishing and confirming to avoid any non-compliant practices under the supervision of the Fund Manager.
Occupancy Risk	Risk when expected occupancy rates are not achieved, which affects the profitability of the Fund.	All properties acquired by the Fund have strong economic fundamentals and cash-generation characteristics, thus providing significant margins of safety on occupancy rates. The Fund normally engages in long term leases ranging between 3 and 20 years with notice period of 12 months, which also mitigates the risk of not achieving the expected occupancy rates.
Development Risk	Development risks associated with real estate projects under development include delay in construction, costs exceeding planned allocations that may affect the profitability and / or financial feasibility of the Project.	Currently, all the properties owned by the Fund are fully developed. Thereby there is no development risk exposure towards the Fund.
Credit Risk	Risks relating to the inability of tenants to meet their payment obligations towards the Fund.	Credit analysis/ assessment is conducted by the Fund Manager before on boarding any new tenants. For the existing tenants, regular monitoring of outstanding dues towards the Fund and follow up for payments is done by the Fund Manager.
Financing Risk	Financing risk occurs when the Fund is unable to raise financing from market to continue/expand its operation.	The Fund has a committed SAR 1 billion credit line facility from Banque Saudi Fransi out of which SAR 202 million is utilised, which assures that the financing risk is at a minimal.
Lease Renewal Risk	Lease renewal risk is the risk of nonrenewal of existing leases or renewal at lower than current lease rate that might impact the rental income of the Fund.	The Fund enters into long-term operating lease contracts with tenants for space in its investment properties with lease terms ranging between 3 and 20 years. These operating leases provide tenant to pay the base rent with provisions for contractual increase in the rent.
Risk of neglecting the property	Any adverse event leading to structural damage to properties owned by the Fund thereby risking the income generating potential from such properties.	All the properties are insured by the Fund which covers for all property damages. The Fund Manager ensures that the insurance coverage is adequate under public liability and property all risks insurance.

# Jadwa REIT Saudi Fund Risk Report

## Key Risks

Risk Type	Risk Description	Risk Mitigation
Property Manager Risk	Risk of early termination of the property manager contract thereby impacting the operations of the properties that it manages.	Provision of advance notice of 3 months by either party before terminating the services. During this period alternative arrangement can be made by the Fund Manager.
Counterparty Concentration Risk	This risk arises when a single counterparty has the most concentration of leased assets, this might lead to an adverse condition if the counterparty has troubles in future.	Currently 6 properties are single tenant properties with different lessees and rest 3 properties are multiple tenant properties. During 2023, The Fund has received a dividend payment from the investment in the real estate investment Fund which represents 19.06% of the Fund's total revenue showing diversification of income sources. The counterparty concentration risk is low and is further mitigated by growing the portfolio over a range of tenants and diversification of the Fund by investing in other funds.
Sector Concentration Risk	This risk arises when all assets belong to the same sector, this might lead to an adverse condition if that location has trouble in future.	The Fund has diversified the real estate assets across office, residential and commercial properties used for hospitality, education, logistics and retail. The Fund had invested SAR 450 million in closed ended Shariah compliant private real estate investment fund for diversification in 2022. The Fund redeemed 32,286,795 units of Real Estate Investment Fund for SAR 421,132,110. The carrying value of this investment at the time of redemption was SAR 380,338,445 resulting in realised gain of SAR 40,793,665. The Fund Manager continuously explores various options for diversification.
Interest Rate Risk	The risk that the value of Fund's assets and financial instruments will fluctuate due to adverse changes in profit/ interest rates.	The Fund Manager analyses its interest rate exposure on a regular basis by monitoring interest rate trends and believes that the impact of such changes is not significant to the Fund. The Fund is leveraged using a floating rate facility (priced at a SAIBOR + 150bps) and any adverse change in SAIBOR would result in higher profit/ interest expenses and consequently lower total returns to the Unitholders. The Fund Manager is mitigating the impact of increasing profit/interest rate by selling the least performing assets and using the proceeds to buy a better yielding asset and repay the debt.

Risk Type	Risk Description	Risk Mitigation
Liquidity Risk	The risk of the Fund not being able to meet short term financial demands (e.g., debt servicing, dividend distribution, operating expenses) or unable to meet any payment obligations for exiting property.	Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund's general and administrative expenses. The Fund Manager ensures that there are adequate funds to repay obligation in a timely and cost-effective manner. The Fund has unutilised credit line of SAR 798 million with bank which partly mitigate the liquidity risk.
Leverage Risk	The risk that the Fund may not be able to generate necessary income to service its debt which triggers an event of default.	The Fund Manager closely monitors the detailed cash flows statements by property and the overall fund to ensure that sufficient funds are available to meet any debt repayment commitments as they arise. Moreover, the Fund Manager closely monitors the debt covenants to make sure that all covenants are met (all covenants are met as of 31/12/2023).
Exit Risk	The risk of inability to liquidate the underlying real estate assets in a timely manner and according to the Fund's strategy. This risk is more relevant as the Fund gets closer to maturity.	The Fund has a long term to maturity (99 years, extendable) and the Fund's units continue to be tradable on the stock exchange, giving unitholders the ability to exit at the time of their choice based on prevailing market prices. The Fund has invested in Real Estate assets which have suitable appetite and strong investors demand and are easier to liquidate than other Real Estate assets.
Asset Valuation Risk	Incorrect valuation of the properties resulting in notional and reputational losses.	The Fund Manager ensures clear communication of most up to date required information to the external professional valuers for valuation of the properties to reduce the risk of inaccurate valuation. Moreover, valuations are carried out by two independent valuers accredited by the Saudi Authority for Accredited Valuers (TAQEEM). The Fund Manager uses the average of two valuations for reporting and decision making.
Dividend fluctuations risks	According to the Fund's policy, it shall distribute 90% of its net profits to unitholder, although there is no guarantee about the actual amounts that are distributed by the Fund. The Fund may see any unforeseen events which will lead to decrease in Fund's net income resulting in affecting the dividend amount for unitholders.	The Fund has distributed amount of SAR 149 million in dividends to its unitholders in the year 2023. The Fund Manager always seek to raise the Fund's net income to ensure the highest possible dividends, while studying future dividends and their timing to reduce the risk related to dividend fluctuations.
Environmental, Social & Governance (ESG) Risk	Environmental, Social, and Governance (ESG) risks refer to the three factors in measuring the sustainability and societal impact of an investment.	As part of the traditional financial analysis and due diligence, the risks arising due to environmental issues of properties and environmental regulation are accounted in the valuation processes by the independent valuers. The increased awareness of Fund Manager about ESG risks, do not guarantee that its financial results will not be negatively impacted by the occurrence of any such event.



# Jadwa REIT Saudi Fund Risk Report

## Conclusion

The Jadwa REIT Saudi Fund is exposed to various risks as identified above which may impact the performance of the Fund. These risks have been mitigated by the actions taken by the Fund Manager to some extent. The Fund Manager is continuously exploring new investments and diversification opportunities to provide a stable stream of income to the investors.

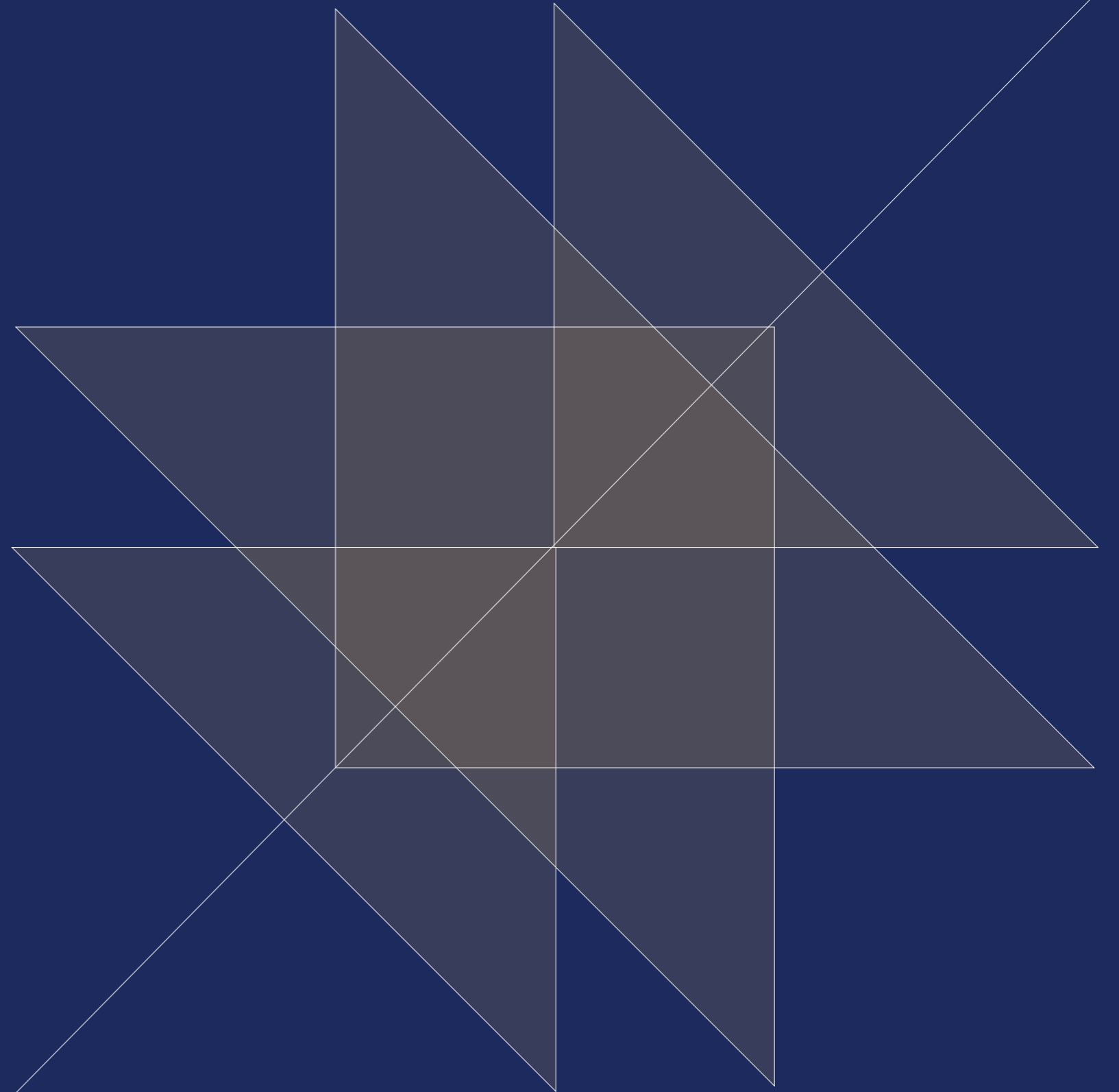
Over the years, The Fund has diversified the tenants to lower the concentration of income from single tenant. In addition to this, The Fund has diversified between commercial, industrial, and residential properties, which lowers the sector concentration risk of the Fund. The Fund Manager continuously explores various options for diversification

by purchase and sale of different assets. Unutilized credit facility of SAR 798 million helps the Fund maintain a flexible balance sheet for acquiring new assets swiftly and efficiently. The Fund had invested SAR 450 million in closed ended Shariah compliant private real estate investment fund for diversification in 2022. The Fund redeemed 32,286,795 units of Real Estate Investment Fund for SAR 421,132,110. The carrying value of this investment at the time of redemption was SAR 380,338,445 resulting in realised gain of SAR 40,793,665.

The Fund's performance in 2023 continuous to remain similar to the performance in 2022. Overall risk of the Fund has remained as **"Below Average / Low"**.

Section 4

# FUND GOVERNANCE ►





# Jadwa REIT Saudi Fund Governance

## About the REIT

The Jadwa REIT Saudi Fund is a closed-ended Shariah-compliant real estate investment-traded Fund that is managed by Jadwa Investment Company. The Fund operates in accordance with the Real Estate Investment Fund Regulations and the REIT Instructions issued.

<b>Name</b>	Jadwa Investment Company
<b>Address</b>	Sky Towers, Fourth Floor, King Fahad Road, P.O. Box 60677, Riyadh, 11555, Kingdom of Saudi Arabia
<b>Website</b>	<a href="http://www.jadwa.com">www.jadwa.com</a>

## About Jadwa Investment Company

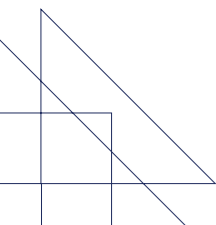
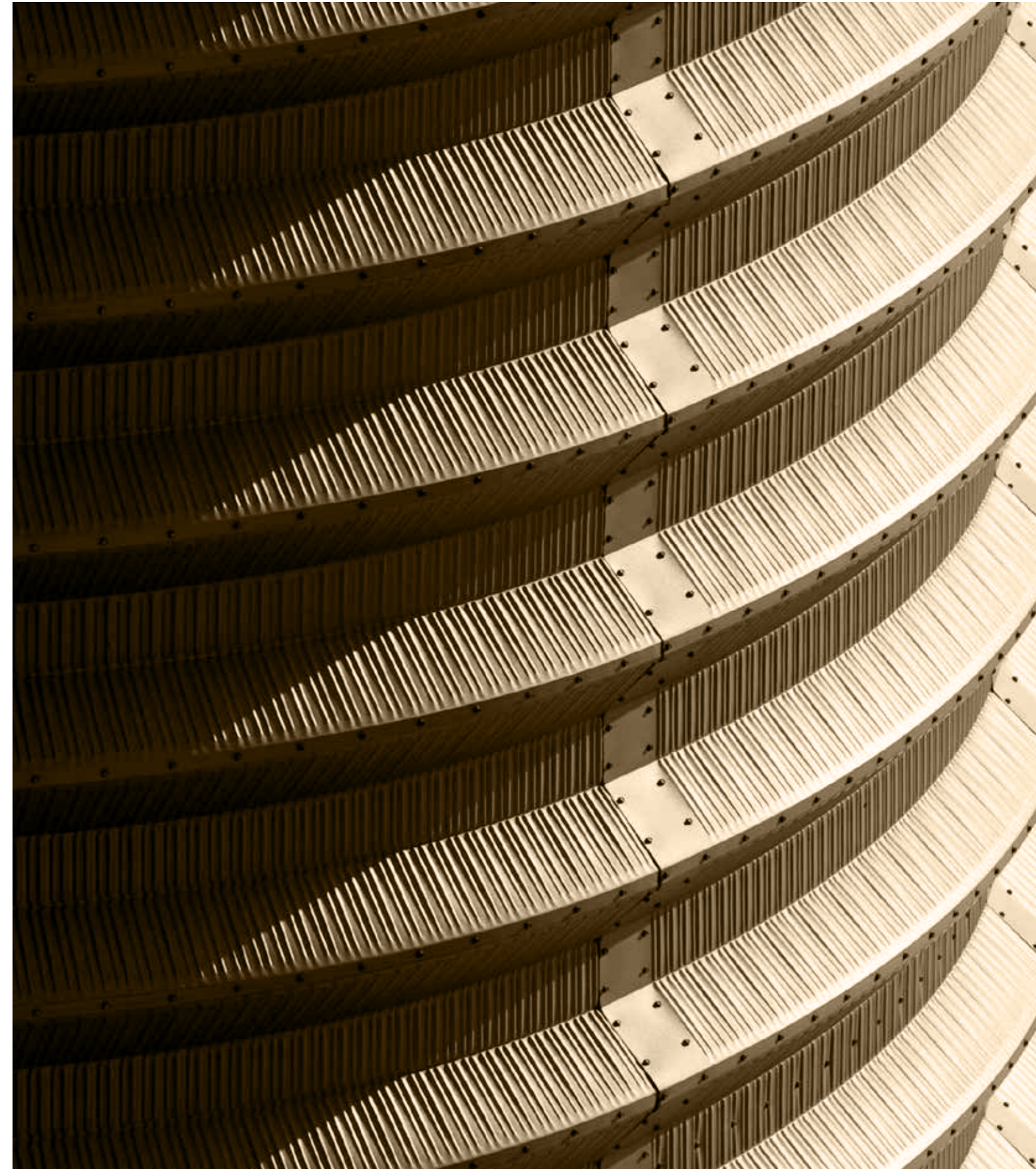
Jadwa Investment is the premier investment management and advisory firm in Saudi Arabia and the wider region. Headquartered in Riyadh with three regional offices, the firm has over SAR 52.1 billion in client assets under management and advisement.

Its clients include government entities, local and international institutional investors, leading family offices, and high-net-worth individuals. Jadwa Investment is licensed by the Capital Market Authority (CMA) as an authorized person, with license number 06034-37

## Delegation to Third Parties

As the Fund manager, Jadwa Investment Company is liable for the appointment of any third party (including its affiliates) and their responsibilities.

Jadwa Investment Company is also the Fund administrator. However, Jadwa has delegated certain administrative functions to Apex Fund Services (Dubai) Ltd to enhance the performance of the REIT.



# Jadwa REIT Saudi Fund Governance

## Custodian

<b>Name</b>	AlBilad Investment Company
<b>Address</b>	Smart Tower, First Floor, Intersection of King Fahad Road and Tahlia Road, P.O. Box 140, Kingdom of Saudi Arabia.
<b>Website</b>	www.albilad-capital.com
<b>Tel</b>	+966 11 290 6245

## Auditor

<b>Name</b>	Alluhaid & Alyahya Chartered Accountants (ACA)
<b>Address</b>	6733 Abo Bakr Al Siddiq Road, Al Taawun District. P.O. Box 85453, Riyadh 11691 Kingdom of Saudi Arabia.
<b>Tel</b>	+966 11 269 3516

## Administrator

<b>Name</b>	Jadwa Investment Company
<b>Address</b>	Sky Towers, Fourth Floor, King Fahad Road, P.O. Box 60677, Riyadh, 11555, Kingdom of Saudi Arabia
<b>Website</b>	www.jadwa.com
<b>Tel</b>	+966 11 279 1111

## Legal Advisor

<b>Name</b>	Abuhimed Alsheikh Alhagbani Law Firm (in affiliation with Clifford Chance LLP)
<b>Address</b>	The Business Gate, 15th Floor King Khaled International Airport Road, Kingdom of Saudi Arabia
<b>Tel</b>	+966 11 481 9700
<b>Website</b>	www.ashlawksa.com

## Third-Party Valuers

<b>Name</b>	White Cubes Company
<b>Address</b>	Riyadh, Kingdom of Saudi Arabia
<b>Tel</b>	+966 11 810 1765
<b>Website</b>	www.white-cubes.com

<b>Name</b>	ValuStrat Company
<b>Address</b>	6th Floor, Southern Tower, King Khalid Foundation Al Faisaliah Complex, King Fahd Road, Riyadh, Kingdom of Saudi Arabia
<b>Tel</b>	+966 11 293 5127
<b>Website</b>	www.valustrat.com

## VAT Consultant

<b>Name</b>	PricewaterhouseCoopers (PWC)
<b>Address</b>	Kingdom Tower - 21st Floor, King Fahd Highway, Riyadh, 11414, Saudi Arabia
<b>Tel</b>	+966 11 211 0400
<b>Website</b>	www.pwc.com/m1

## Conflicts of Interest

As of December 31, 2023, there are no transactions involving material conflicts of interest between Jadwa REIT Saudi Fund, Jadwa Investment Company, its board or any third parties. To clarify, the appointed custodian Al Bilad Capital is wholly owned by Al Bilad Bank. A member of Jadwa Investment Company's board of directors is a shareholder in a founding company of Al Bilad Bank (at a percentage not representing control).

Conflicts of interest may exist or arise from time to time between the REIT, and the Jadwa Investment Company or its affiliates, subsidiaries, directors, officers, employees and agents thereof, and other Funds sponsored or managed by them. Where Jadwa Investment Company has a material conflict of interest with the Fund, Jadwa Investment Company will make full disclosure to the Fund Board as soon as practicable. Jadwa Investment Company will attempt to resolve any conflicts of interest by exercising its good faith judgment considering the interests of all affected investors and parties taken as a whole.

# Jadwa REIT Saudi Fund Governance

## Material Changes

- On 15/02/2023G, Jadwa Investment Company, in its capacity as the manager of Jadwa REIT Saudi Fund, announces the signing a new master-lease agreement for Marvella Residential Compound. The Fund has signed the agreement with National Building and Marketing Company to lease the compound completely with a total annual rental value of fifty million (50,000,000) Saudi Riyals for each year excluding VAT. The agreement will be for five (5) years starting on 13/03/2023G and ending on 13/03/2028G, as the total value of the contract is two hundred and fifty million (250,000,000) Saudi riyals. The effect is considered positive as the signing of the new agreement ensures the continuity of 100% property occupancy at the same level of previous years' income with a robust tenant.
- On 02/05/2023G, Jadwa Investment Company has announced addendum announcement regarding the signing of a Sale and Purchase Agreement for a leased land located in Jeddah on Prince Sultan bin Abdulaziz Road in Al Zahra district with a total size of (161,276) sqm. (the "Agreement") on 19/09/1443H corresponding to 20/04/2022G, Jadwa Investment Company wishes to announce that an addendum to the Agreement has been signed on 11/10/1444H corresponding to 01/05/2023G according to the following details: Decreasing the acquisition price from 500 million Saudi riyals to 400 million Saudi riyals (excluding RETT and acquisition fees) with a decrease of 20% that results in an increase in the average acquisition yield to 8.96%.
- On 04/7/2023G, Jadwa Investment Company, in its capacity as the fund manager of Jadwa REIT Saudi Fund (the "Fund"), announces updates on its investment in the Real Estate Investment Fund that has successfully exited one of the its properties "Al-Nakhla Residential Compound" (the "Property") located Qurtobah district in Riyadh, The exited Property representing more than 70% of the real estate portfolio of the Real Estate Investment fund at a price of SAR 2.5 Billion.
- On 20/8/2023G, Jadwa Investment Company has announced the signing of shariah-compliant facility agreement with Banque Saudi Fransi (the "Agreement") after obtaining the Fund's Board of Directors approval. The Agreement was signed with a limit of (SAR 1,000,000,000), that will be used for repaying the entire existing facility with Banque Saudi Fransi related to the previous facility of (SAR 453,122,500) and the remaining will be used to finance the Fund's investment objectives. The signing of the Agreement resulted in a decrease in profit margin from 2% + SAIBOR to 1.5% + SAIBOR and a repayment structure of repaying the full drawdown amount in one payment after five years. During the period of the Agreement, only the cost of financing will be incurred.
- On 24/8/2023G, Jadwa Investment Company has announced the signing of sale and purchase agreement for Al Fanar Residential compound only (the "property") located in Al Rawabi district in Khobar on 07/02/1445H corresponding 23/08/2023G, after obtaining the approval of the fund board on the property sale plan. The sale price is (SAR 90,000,000). It is also worth noting that the fund had acquired the property in February of 2018 and enjoyed an annual net rent yield of 8.25% over this period.
- On 09/27/2023, Jadwa Investment Company has announced addendum announcement regarding the updates on its investment in the Real Estate Investment Fund that has successfully exited one of the its properties Jadwa Investment Company wishes to announce that the Fund has received a total cash distribution amount of (SAR 421,132,110) . The cash distribution translates to (SAR 9.36) per Fund unit.
- On 08/11/2023G, Jadwa Investment Company, in its capacity as the fund manager of Jadwa REIT Saudi Fund (the "Fund"), announces that the Fund has signed a Sale and Purchase Agreement for Offices Complex (the "Agreement") on 24/04/1445H corresponding to 08/11/2023G, according to the following details: (1) The property is located in Hittin district in the northern region of Riyadh and Known as "Lafif". (2) The property is an office complex with a land size of (6,000) sqm and a built-up area of (18,991) sqm including two basement floors. (3) The property is newly developed and has leased 60% of its total units, with a total revenue of SAR 7 million. (4) The purchase price is SAR 120 million (excluding Real Estate Transaction Tax). The acquisition will be financed using the available facility. (5) The Agreement is subject to completing the required technical and legal due diligence.

# Jadwa REIT Saudi Fund Governance

## Subsequent Events:

- On 18/02/2024 G Jadwa Investment Company has announced addendum announcement regarding the signing of an addendum to Sale and Purchase Agreement for a leased land located in Jeddah on Prince Sultan bin Abdulaziz Road in Al Zahra district with a total size of (161,276) sqm. (the "Agreement") on 11/10/1444H corresponding to 01/05/2023G, which includes decreasing the acquisition price from 500 million Saudi riyals to 400 million Saudi riyals (excluding RETT and acquisition fees). Jadwa Investment Company would like announce the completion of the sale process and transferring the title deed of the property to the Fund on 08/08/1445H corresponding to 18/02/2024G.
- On 28/02/2024G Jadwa Investment Company has announced addendum announcement regarding the signing of a Sale and Purchase Agreement for Al Fanar Residential compound located in Khobar. Jadwa Investment Company would like announce the completion of the sale process and transferring the title deed of the property to the buyer after fulfilling sale and purchase agreement terms and receiving the sale proceeds to the fund on 08/18/1445H corresponding to 28/02/2024G.

## Fund's Board

The Fund Board oversees the resolution of conflicts of interests. As at December 31, 2023, the Fund Board is composed of appointees of the Fund manager.

The members of the Fund Board have fiduciary duties to the investors under the Real Estate Investment Fund Regulations and will use their best efforts to resolve all conflicts by exercising their good faith judgment.

The Fund Board is composed of five members appointed by the Fund manager, of whom two are independent. Any amendment to the composition of the Fund Board shall be notified to the Unitholders by an announcement on the Fund manager's and Tadawul's websites.

## Fund Board Meeting

Board Meetings Jadwa REIT Saudi Fund 2023

### The First meeting was conducted in July 2023

The following topics have been discussed:

- A brief on the general performance of REIT market in Saudi Arabia during the first half of 2023.
- Fund financial performance during the first half of 2023.

### The Second meeting was conducted in December 2023

The following topics have been discussed:

- A brief on the general performance of REIT market in Saudi Arabia during the year 2023.
- Fund financial performance during the second half of 2023.

## Resolutions signed during the year of 2023:

- Approval of the annual financial statements for Jadwa REIT Saudi Fund for the year ending on 31 December 2023.
- Approval of leasing Marvella Complex.
- Approval of appointing Esnad company as the valuer of the Fund assets.
- Approval of appointing Barcode company as the valuer of the Fund assets.
- Approval to increase the number of members of the Fund's Board of, which consists of four (4) members of the Board, to five (5) members.
- Approval of the restructuring of the members of the Fund Board
- Approval of the annual financial statements for Jadwa REIT Saudi Fund for the year ending on 30 June 2023.
- Approval of obtaining a shariah compliant bank facility of up to SAR one billion for the Fund from BSF.
- Approval of selling Al Fanar Complex for SAR 90 million.
- Approval of Acquiring a Lafif Complex in Riyadh for SAR 120 million (excluding RETT and acquisition fees).

# Jadwa REIT Saudi Fund Governance

The Fund Board consists of the following members:

**Ghannam Al Ghannam**  
(Chairman)

Mr. Al Ghannam is the Director, Private & Institutional Client Investments at Jadwa Investment Company. Prior to joining Jadwa, he was a Senior Investment Advisor for private clients at HSBC Saudi Arabia. Mr. Al Ghannam has over 14 years of experience in business development and wealth management. He is a certified financial planner and holds a BS degree in Business Administration from Toledo University.

**Dr. Nouf Al Sharif**  
(Board Member)

Dr. Nouf is a senior economist part of the Jadwa research team. Prior to joining Jadwa, Dr. Nouf was an economics lecturer at Prince Sultan University specializing and teaching Business, Micro and Macroeconomics and monetary banking. From 2009 to 2011, she worked at Riyadh Bank quickly being promoted from senior planning analyst to the bank acting chief economist from December 2007 to November 2008. Dr. Nouf holds a PHD from Sussex University department of economics from Falmer, United Kingdom, in addition to a master and bachelors from King Saud University from the college of Business Administration, Riyadh, Saudi Arabia.

**Dr. Waleed Al Mazyad**  
(Independent Director)

Dr. Waleed Al Mazyad is a legal advisor to several commercial and industrial companies, and worked in the Ministry of Justice at the General Court and the Judicial Court as a judicial lieutenant, legal and Sharia advisor, and secretary of the Board of Directors of the Arab Securities Company.

**Nader Al Amri**  
(Board Member)

Mr. Nader Al Amri is the executive and founding partner of First Avenue Real Estate Development Company, and occupies the role of a financial advisor to a number of public and private entities. He holds a Bachelor of Commerce majoring in Economics from Saint Mary's University in Canada, in addition to a Masters degree in Economics from the University of Waterloo in Canada. Mr. Nader holds other degrees in real estate management, finance, design and leadership from Harvard Labor College in the United States, also holds a professional certificate in real estate finance and investment from the University of New York in the United States.

**Adel Al Kadi**  
(Independent Director)

Mr. Adel works as Vice Chairman and CEO of Al Hayat Investment Company, and previously worked in Advanced Electronics Company as a project manager. Mr. Adel has more than 9 years of experience in the field of investment and business development, and holds an industrial engineering degree from King Fahd University For Petroleum and Minerals with second honors, in addition to a certified project manager certificate from the International Project Management Institute.

# Jadwa REIT Saudi Fund Governance

## Sharia Board

Fund manager has appointed a Shariah Board as the Fund Shariah Advisor (the “Shariah Board”). The Shariah Board is a panel consisting of four scholars who are experts in the field of Islamic Shariah. It monitors the business, operations, investments and financings of the Fund to ensure compliance with the Islamic principles of Shariah.

The Fund manager carries out the Shariah monitoring tasks for the Fund’s investments, which include the following:

- Achieve the Fund’s commitment to Shariah monitoring through periodic reviews.
- Review agreements and contracts regarding the Fund’s transactions.
- Follow-up with the Fund’s operations, review its activities in terms of their legality, and consider the extent of its compliance with the Shariah Guidelines and the Shariah Board’s directions.
- Submit the matter to the Shariah Board in case of any potential Shariah violations.
- Prepare and follow-up with the necessary endorsements for the purification amounts approved by the Shariah Board.

The Shariah Board oversees the compliance of the Fund’s activities with the Shariah Guidelines and provides relevant advice.

### **H.E. Sheikh Dr. Abdulla Al Mutlaq**

H.E Sheikh Dr. Abdulla Al Mutlaq is a member of the Senior Ulema Board, Advisor to the Royal Court, former Chairman of the comparative Fiqh, Imam Mohammed Bin Saud Islamic University, and a member of the Shariah Board for several financial institutions in the Kingdom of Saudi Arabia.

### **Sheikh Bader Abdulaziz Al Omar**

Sheikh Bader Abdulaziz Al Omar has 18 years of experience in Islamic banking. Currently, he is the Head of the Shariah Group at Jadwa Investment, having worked earlier in several positions at the Shariah group within Al Rajhi bank. He is a former member of the Islamic banking committee at the Saudi Arabian Monetary Agency.

### **Sheikh Ahmed Abdulrahman Al Gaidy**

Sheikh Ahmed Abdulrahman Al Gaidy is our head of Shariah research and has 14 years of experience in investment banking. He has issued several pieces of Shariah research and previously worked as Shariah consultant to the Al Rajhi Bank’s investment department. He was also a Shariah consultant to the Al-Jazira Bank’s treasury department.

### **Sheikh Dr. Muhammad Ali bin Ibrahim Al Qari bin Eid**

Sheikh Dr. Muhammad Ali Al Qari bin Eid is a professor of Islamic Economics at King Abdulaziz University in Jeddah, and an expert at the Fiqh Academy of the Organization of Islamic Conference in Jeddah.

# Jadwa REIT Saudi Fund Governance

## Shariah guidelines for the Fund's investment in real estate assets

The Shariah Board believes that investments in real estate assets are permissible subject to the following guidelines:

1. The purchase-and-sale agreement for the real estate assets must be in the Shariah Board's approved form.
2. The invested real-estate asset must be accurately known with due diligence.
3. The price must be known.
4. The Fund manager must not execute any lease contracts on a real estate asset until completion of the purchase of the real estate asset;
5. The property cannot be rented from the owner for a deferred payment, and then re-leased to the owner for an amount that is less than the deferred amount.

The property must not be rented from the owner with a current payment, then re-leased to the owner for more than that price for a deferred payment.

### In Addition:

1. The Fund can only invest directly in the shares of listed real estate companies.
2. The Fund can only purchase units in other real estate Funds traded on the Saudi Stock Market 'Tadawul' if these are Shariah-compliant and are approved by the Shariah Board.
3. All Murabaha transactions must be in SAR.

The Fund manager is responsible for the expenses of the Shariah Board, including those related to monitoring the business, operations, investments and financings of the Fund. The Fund is not responsible for Shariah Board's expenses.

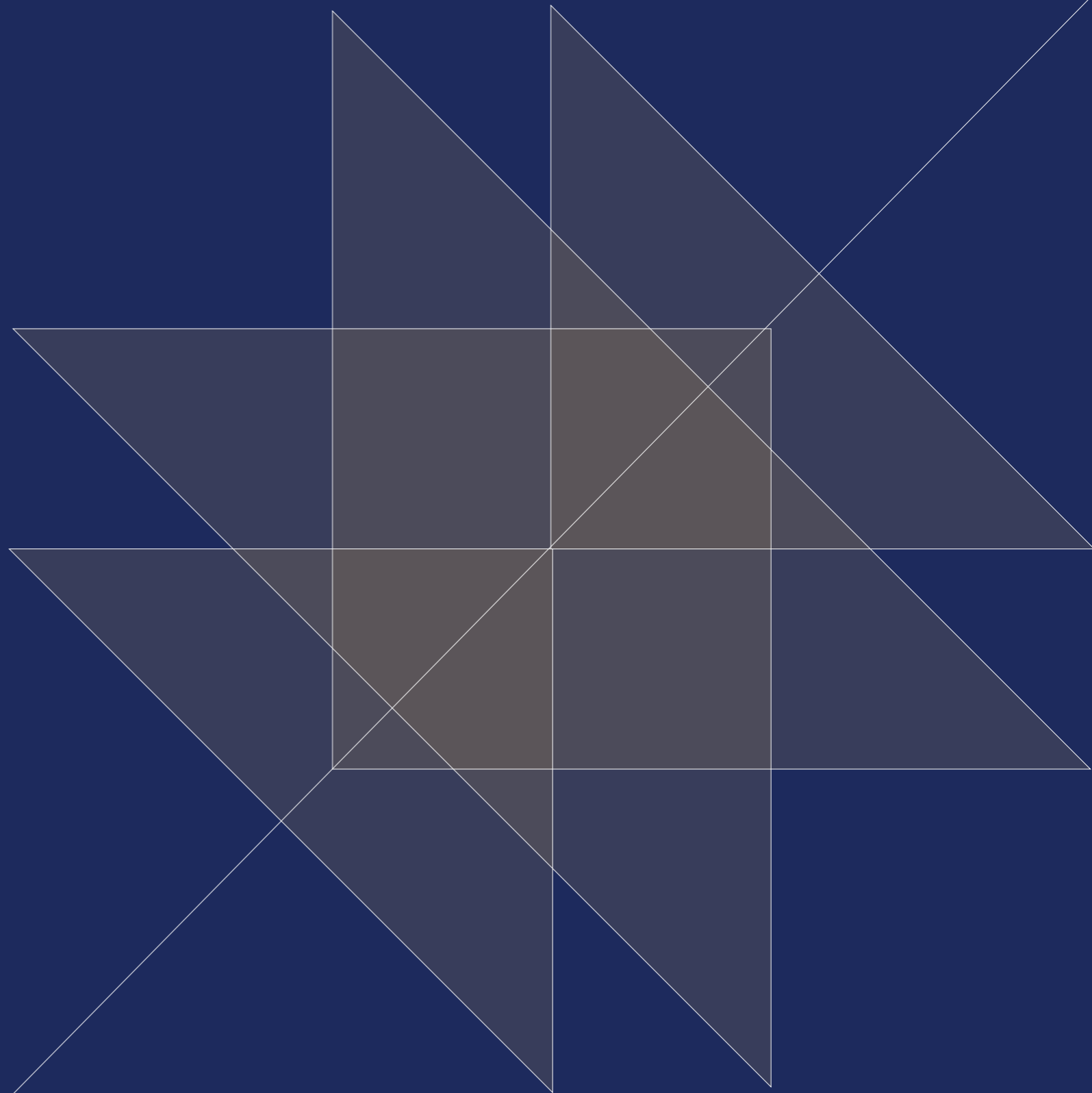
The Shariah Board has reviewed the Terms and Conditions and approved the structure of the Fund and the offering of units at the Fund's inception. The Fund shall also comply with the approved Shariah Guidelines.

If any investment proceeds or other amounts received by the Fund are not Shariah-compliant, the fund shall arrange for such Funds to be 'purified' in accordance with a procedure to be determined by the Shariah Board from time to time. The Shariah Board shall specify the relevant purification percentage or amount.

*The preceding does not support to be a complete or exhaustive explanation and summary of all the potential conflicts of interest involved in an investment in units in the Fund. It is strongly recommended that all potential investors seek independent advice from their professional advisors.*

Section 5

# REIT Fund Financials





Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)  
FINANCIAL STATEMENTS  
31 December 2023

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Statement of comprehensive income	6
Statement of cash flows	7
Statement of changes in equity	8
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**Jadwa REIT Saudi Fund**  
(Managed by Jadwa Investment Company)

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**31 DECEMBER 2023**



Alluhaid & Alyahya Chartered Accountants  
A Limited Liability Company  
Paid up capital SR 100,000 - CR:1010468314  
Kingdom of Saudi Arabia Riyadh King Fahd Road  
Muhammadiyah District, Grand Tower 12 th Floor

**INDEPENDENT AUDITOR'S REPORT**  
**To the Unitholders of Jadwa REIT Saudi Fund**  
**(Managed by Jadwa Investment Company)**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of Jadwa REIT Saudi Fund (the "Fund") managed by Jadwa Investment Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2023, and the related statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes to the financial statements, including a material accounting policy information.

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Fund as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("the Code") 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 that Code. 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 of the current year. 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.

Key Audit Matter	How the key matter was addressed in the audit
<p><b>Assessing Impairment of Investment Properties</b></p> <p>The Fund owns a portfolio of investment properties comprising of land and commercial buildings being located in the Kingdom of Saudi Arabia.</p> <p>Investment properties are held for capital appreciation and/or rental yields and are stated at cost less accumulated depreciation and any impairment losses.</p> <p>As at 31 December 2023, the carrying value of investment properties was SR 1,729 million (2022: SR 1,634 million) which was net of accumulated depreciation of SR 214 million (2022: 175 million) and an accumulated impairment allowance of SR 64 million (2022: SR 63 million).</p>	<ul style="list-style-type: none"> <li>- We have obtained an understanding of the process and controls surrounding assessment of impairment of investment properties by performing walkthrough procedures.</li> <li>- We agreed the value of all the properties held at the year end to the valuation included in the independent management expert valuation report;</li> <li>- We evaluated the competency, capabilities and objectivity of work performed by the independent management expert;</li> <li>- On sample basis, with the help of our independent expert, we performed the following:</li> </ul>



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**INDEPENDENT AUDITOR'S REPORT (continued)**  
**To the Unitholders of Jadwa REIT Saudi Fund**  
**(Managed by Jadwa Investment Company)**

**Key Audit Matters (continued)**

Key Audit Matter	How the key matter was addressed in the audit
<p>For assessing the impairment of investment properties, the Fund management monitors volatility of fair value of properties by engaging independent certified property valuers to perform a formal valuation of the Fund's investment properties on semi-annual basis.</p> <p>We considered this as a key audit matter since the impairment assessment of investment properties requires significant judgement and estimates by management and the external valuers. Any input inaccuracies or unreasonable bases used in these judgements and estimates (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the Statement of Financial Position and in the Statement of Comprehensive Income.</p> <p><i>The Fund's accounting policy for investment properties is disclosed in note 5.1, the significant accounting estimates, judgement and assumptions relating to investment properties are disclosed in note 4 and related disclosures about investment properties are included in notes 6 and 7 of the accompanying financial statements.</i></p>	<ul style="list-style-type: none"> <li>o We assessed the appropriateness of valuation methods, assumptions, and estimates used by management in the process of impairment of investment properties;</li> <li>o We engaged in discussions with management and assessed the relevant assumptions used based on market data where possible;</li> <li>o We tested the appropriateness of the key assumptions used in the valuation of investment properties, such as estimated rental value and yield profile applied;</li> </ul> <ul style="list-style-type: none"> <li>- We checked the accuracy of impairment loss recognized in the statement of comprehensive income during the year; and</li> <li>- We ensured that the financial statements contain adequate disclosures regarding the valuation methods, judgment, assumptions and estimates used in the valuation.</li> </ul>

**Other Information included in the Fund's 2023 Annual Report**

The Fund Manager is responsible for the other information. The other information comprises the information included in the Fund's 2023 annual report other than the financial statements and our auditor's report thereon. The Fund's 2023 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Fund's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



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**INDEPENDENT AUDITOR'S REPORT (continued)**  
**To the Unitholders of Jadwa REIT Saudi Fund**  
**(Managed by Jadwa Investment Company)**

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

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncement that are endorsed by SOCPA and the applicable provisions of the Real Estate Investment Fund Regulations issued by the Board of Capital Market Authority, and the Fund's terms and conditions and the information memorandum, 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 charge with governance, i.e the Board of Directors are responsible for overseeing the Fund's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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



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**INDEPENDENT AUDITOR'S REPORT (continued)**  
**To the Unitholders of Jadwa REIT Saudi Fund**  
**(Managed by Jadwa Investment Company)**

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

For Alluhaid & Alyahya Chartered Accountants

Turki A. Alluhaid  
Certified Public Accountant  
License No. 438

Riyadh: 17 Ramdan 1445 H  
(27 March 2024)



Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)STATEMENT OF FINANCIAL POSITION  
As at 31 December 2023

	Notes	2023 SR	2022 SR
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investment properties	6	1,729,390,454	1,634,115,765
Financial assets at fair value through profit or loss ("FVTPL")	8	195,827,122	530,100,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,925,217,576</b>	<b>2,164,215,765</b>
<b>CURRENT ASSETS</b>			
Prepayments and other assets	9	51,098,330	15,228,213
Rent receivables	10	27,945,532	68,605,957
Cash and cash equivalents	11	65,974,431	45,636,276
<b>TOTAL CURRENT ASSETS</b>		<b>145,018,293</b>	<b>129,470,446</b>
<b>TOTAL ASSETS</b>		<b>2,070,235,869</b>	<b>2,293,686,211</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITY</b>			
Long-term loan	12	202,122,500	-
<b>CURRENT LIABILITIES</b>			
Long-term loan – current portion	12	-	451,235,466
Due to related parties	14	1,645,700	39,669,175
Contract liability		4,027,247	1,689,253
Accrued management fees	14	9,625,348	16,222,974
Accrued expenses and other liabilities	13	22,256,282	5,377,040
<b>TOTAL CURRENT LIABILITIES</b>		<b>37,554,577</b>	<b>514,193,908</b>
<b>TOTAL LIABILITIES</b>		<b>239,677,077</b>	<b>514,193,908</b>
<b>EQUITY</b>			
Net assets attributable to unitholders		1,830,558,792	1,779,492,303
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,070,235,869</b>	<b>2,293,686,211</b>
Units in issue (in units)	16	186,509,785	186,509,785
Per unit value		9.81	9.54
Per unit fair value	7	11.36	10.82

The attached notes 1 to 26 form an integral part of these financial statements.

Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 31 December 2023

	Notes	2023 SR	2022 SR
<b>REVENUE</b>			
Rental income from investment properties	18	141,254,094	158,453,725
Dividend income	8	54,000,000	13,500,000
Unrealised gain on financial assets at FVTPL	8	46,065,567	11,700,000
Realised gains on financial assets at FVTPL	8	40,793,665	1,590,554
Finance income	11	1,101,322	-
Gain on disposal of investment properties	6	-	24,870,401
		<b>283,214,648</b>	<b>210,114,680</b>
<b>EXPENSES</b>			
Depreciation	6	(38,500,806)	(41,223,214)
Management fees	14	(16,012,463)	(15,517,584)
Amortisation of transaction cost	12	(1,887,034)	(2,995,431)
Reversal (charge) of impairment on other assets	9	15,150,000	(19,715,577)
General and administrative expenses	15	(12,410,667)	(10,152,673)
		<b>(53,660,970)</b>	<b>(89,604,479)</b>
<b>OPERATING PROFIT</b>		<b>229,553,678</b>	<b>120,510,201</b>
Finance charges	12, 14	(28,057,507)	(25,516,835)
<b>PROFIT FOR THE YEAR</b>		<b>201,496,171</b>	<b>94,993,366</b>
Impairment losses on investment properties	6	(1,221,854)	(17,351,874)
<b>NET INCOME FOR THE YEAR</b>		<b>200,274,317</b>	<b>77,641,492</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>200,274,317</b>	<b>77,641,492</b>

The attached notes 1 to 26 form an integral part of these financial statements.

Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)

STATEMENT OF CASH FLOWS  
For the year ended 31 December 2023

	Notes	2023 SR	2022 SR
<b>OPERATING ACTIVITIES</b>			
Net income for the year		200,274,317	77,641,492
<i>Adjustments for non-cash and other items:</i>			
Depreciation on investment properties	6	38,500,806	41,223,214
Impairment losses on investment properties	6	1,221,854	17,351,874
Gain on disposal of investments properties		-	(24,870,401)
Amortisation of transaction cost	12	1,887,034	2,995,431
Finance charges	12,14	28,057,507	25,516,835
(Reversal) charge of impairment on other assets	9	(15,150,000)	19,715,577
Unrealised loss (gain) on financial assets at FVTPL	8	(46,065,567)	(11,700,000)
Realised gains on financial assets at FVTPL		(40,793,665)	(1,590,554)
Finance income		(1,101,322)	-
		<b>166,830,964</b>	<b>146,283,468</b>
<i>Changes in operating assets and liabilities:</i>			
Prepayments and other assets		(20,286,242)	706,284
Rent receivables		40,660,425	(54,798,677)
Due to related parties		(38,476,475)	38,755,734
Contract liability		2,337,994	(162,404)
Accrued management fees		(6,597,626)	9,477,945
Accrued expenses and other liabilities		16,879,242	2,918,956
		<b>161,348,282</b>	<b>143,181,306</b>
Finance charges paid		(27,604,507)	(25,053,166)
Finance income received		667,447	-
		<b>134,411,222</b>	<b>118,128,140</b>
<b>INVESTING ACTIVITIES</b>			
Proceed from disposal of financial assets at FVTPL		421,132,110	188,590,554
Payments for financial assets at FVTPL		-	(187,000,000)
Additions to investment properties	6	(134,997,349)	(2,294,082)
Proceed from disposal of investment properties		-	167,000,000
		<b>286,134,761</b>	<b>166,296,472</b>
<b>FINANCING ACTIVITIES</b>			
Distributions	21	(149,207,828)	(149,207,828)
Proceeds from long-term loan	12	202,122,500	-
Repayment of long-term loan	12	(453,122,500)	(150,000,000)
Transaction cost	12	-	(1,750,000)
		<b>(400,207,828)</b>	<b>(300,957,828)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>20,338,155</b>	<b>(16,533,216)</b>
Cash and cash equivalents at beginning of the year		45,636,276	62,169,492
<b>Cash and cash equivalents at end of the year</b>		<b>65,974,431</b>	<b>45,636,276</b>

The attached notes 1 to 26 form an integral part of these financial statements.

Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)

STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2023

	Notes	2023 SR	2022 SR
<b>Equity attributed to the Unitholders at beginning of the year</b>			
		1,779,492,303	1,851,058,639
<b>Comprehensive income</b>			
Net income for the year		200,274,317	77,641,492
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>200,274,317</b>	<b>77,641,492</b>
Distributions	21	(149,207,828)	(149,207,828)
<b>Equity attributed to the Unitholders at end of the year</b>		<b>1,830,558,792</b>	<b>1,779,492,303</b>

Transactions in units for the year ended are summarised as follows:

	Notes	2023 Units	2022 Units
<b>Units at the beginning and at the end of the year</b>	16	<b>186,509,785</b>	<b>186,509,785</b>

The attached notes 1 to 26 form an integral part of these financial statements.

## Jadwa REIT Saudi Fund (Managed by Jadwa Investment Company)

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

#### 1 CORPORATE INFORMATION

Jadwa REIT Saudi Fund (the "Fund") is a closed-ended Shariah compliant real estate investment traded fund. The Fund operates in accordance with Real Estate Investment Fund Regulations ("REIFR") and Real Estate Investment Traded Funds ("REITF") Instructions issued by the Capital Market Authority ("CMA"). The Fund is listed on Saudi Stock Exchange ("Tadawul") and the units of the Fund started to be traded on Tadawul in accordance with its rules and regulations. The Capital of the Fund is SR 1,950,000,000 divided into 186,509,785 units (2022: SR 1,950,000,000 divided into 186,509,785 units). The Fund has a term of 99 years, which is extendable at the discretion of the Fund Manager following the approval of the CMA.

The Fund is being managed by Jadwa Investment Company (the "Fund Manager"), a Saudi Arabian closed joint stock company with commercial registration number 1010228782, and a Capital Market Institution licensed by the CMA under license number 06034-37.

The following entities have been established and approved by the CMA as special purpose vehicles (the "SPVs") for the beneficial interest of the Fund. The SPVs own all the assets of the Fund and have entered into financing agreement on behalf of the Fund.

1. Real Estate Development Areas Company, a Limited Liability Company with commercial registration number 1010385322.
2. Jadwa Al Masha'ar Real Estate Company, a Limited Liability Company with commercial registration number 1010495554.
3. Growth Areas Real Estate Company, a Limited Liability Company- Owned by Single Person with commercial registration number 1010748800.

The primary investment objective of the Fund is to provide its investors with regular income by investing in income-generating real estate assets in Saudi Arabia, excluding the Holy cities of Makkah and Medina.

While the Fund will primarily invest in developed real estate assets which are ready for use, it may also opportunistically invest in real estate development projects in a value not exceeding 25% of the Fund's total asset value with the aim of achieving an increase in value per unit; provided that (i) at least 75% of the Fund's total assets are invested in developed real estate assets which generate periodic income and (ii) the Fund shall not invest in White Land.

The Fund has appointed Albilad Investment Company (the "Custodian") to act as its custodian. The fees of the custodian are paid by the Fund.

#### 2 REGULATING AUTHORITY

The Fund operates in accordance with Real Estate Investment Fund Regulations ("REIFR") and Real Estate Investment Traded Funds ("REITF") instructions issued by the CMA. The regulations detail the requirements for real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

#### 3 BASIS OF PREPARATION

##### 3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

## Jadwa REIT Saudi Fund (Managed by Jadwa Investment Company)

### NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

#### 3 BASIS OF PREPARATION (continued)

##### 3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, using accrual basis of accounting, except for financial assets at fair value through profit or loss ("FVTPL") which are recorded at fair value.

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

##### 3.3 Functional and presentation currency

These financial statements are presented in Saudi Riyals ("SR"), which is the functional currency of the Fund. All financial information has been rounded off to the nearest SR.

#### 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Fund's financial statements in conformity with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may differ from the related actual results.

Significant areas where management has used estimates, assumptions, or exercised judgments are as follows:

##### Going concern

The Board of Directors, in conjunction with the Fund Manager, has made an assessment of the Fund's ability to continue as going concern and satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as going concern. Therefore, the financial statements Continued to be prepared on the going concern basis.

##### Useful lives of investment properties

The management 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. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods. The estimated useful lives of the investment properties are disclosed in Note 6.

##### Impairment of investment properties

The carrying values of non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset or cash generating unit ("CGU") exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The value in use is based on a discounted cash flow ("DCF") model, whereby the future expected cash flows are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the asset. Impairment losses are recognised in the statement of comprehensive income.

Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**

Impairment of investment properties (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately in the statement of comprehensive income.

Impairment of financial assets held at amortised cost

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

As at the year end, the Fund has rents receivable and amounts due from a related party as financial assets carried at amortised cost. For rental income receivables and contract assets, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The information about the ECLs on the Fund's rental income receivables is disclosed in note 10 in these financial statements.

Fair value measurement

The Fund measures its investments in equity instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For all other financial instruments not traded in an active market, if any, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

**5 MATERIAL ACCOUNTING POLICY INFORMATION**

The material accounting policies used in the preparation of these financial statements are as follows:

**5.1 Investment properties**

Investment properties comprise properties that are held to earn rentals or for capital appreciation or both. Investment property is stated at cost including transaction costs net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

The cost less estimated residual value, if any, of investment property is depreciated on a straight-line basis over the estimated useful lives of the assets. Land, on the other hand, is reported at cost.

The estimated useful lives of the buildings range from 30 to 50 years.

The fair value of investment properties is disclosed in Note 7.

Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

**5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**5.2 Impairment of non-financial assets**

The carrying values of non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset or cash generating unit ("CGU") exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets of a group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The value in use is based on a discounted cash flow ("DCF") model, whereby the future expected cash flows are discounted using a discount rate that reflects the current market assessments of the time value of money and risks specific to the asset. Impairment losses are recognised in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately in the statement of comprehensive income.

**5.3 Cash and cash equivalents**

For the purposes of cash flows statement, cash and cash equivalents consists of bank balances and short term deposits having original maturity of less than or equal to 90 days.

**5.4 Financial instruments**

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

**5.4.1 Initial recognition and measurement of financial instruments**

The Fund initially recognises financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

Initial measurement of the financial instrument is at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets carried at FVTPL are expensed in the statement of comprehensive income.

**5.4.2 Financial assets – subsequent classification and measurement**

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL. There are two criteria used to determine how financial assets should be classified and measured:

- The Fund's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset

A financial asset is measured at amortised cost if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Otherwise, a financial asset is measured at FVTPL.

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

In accordance with the exemption in IAS 28 Investments in Associates and Joint Ventures, the Fund has elected to measure its investment in associates at FVTPL.

The Fund has no financial assets measured at FVOCI.

Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

**5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**5.4 Financial instruments (continued)**

**5.4.2 Financial assets – subsequent classification and measurement (continued)**

The Fund derecognises a financial asset when the rights to the cash flows from the financial asset have expired or where the Fund has transferred substantially all risks and rewards associated with the financial asset and does not retain control of the financial asset.

**5.4.3 Impairment of financial assets**

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

As at the year end, the Fund has rent receivables as financial assets carried at amortised cost. For rent receivables, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The information about the ECLs on the Fund's rent receivables is disclosed in note 10 and note 19 in these financial statements.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

**5.4.4 Financial liabilities – subsequent classification and measurement**

Financial liabilities are subsequently measured at amortised cost using the effective interest rate ("EIR") method. The EIR is the rate that discounts the estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

The Fund derecognises a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.

The Fund's financial liabilities include long-term loan, contract liabilities, due to related parties, management fee payable and other liabilities.

**5.4.5 Modification of financial assets and financial liabilities**

Financial assets

If the terms of the financial asset are modified, the Fund evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Fund recalculates the gross carrying amount of the financial asset and recognises the amount adjusting the gross carrying amount as modification gain or loss in the statement of comprehensive income.

Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

**5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**5.4 Financial instruments (continued)**

**5.4.5 Modification of financial assets and financial liabilities**

Financial liabilities

The Fund derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms are recognised in the statement of comprehensive income.

**5.4.6 Offsetting of financial instruments**

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

**5.5 Current versus non-current classification**

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

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

All other assets are classified as non-current:

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Fund classifies all other liabilities as non-current.

**5.6 Fair value measurement**

The Fund measures financial instruments such as equity instruments at fair value at each balance sheet date.

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

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



Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

**5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**5.6 Fair value measurement (continued)**

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. 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.

For assets and liabilities that are recognised in financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year. The Fund determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies. For this analysis, the Fund verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in Note 7.

**5.7 Provisions**

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**5.8 Revenue recognition**

Revenue includes rental income from investment properties.

The Fund recognises lease payments as rental income on a straight-line basis. After lease commencement, the Fund recognises variable lease payments that do not depend on an index or rate (e.g. performance- or usage-based payments) as they are earned. When the Fund provides incentives to its tenants, the cost of the incentives is recognised on a straight-line basis, as a reduction of rental income.

**5.8 Revenue recognition**

The contracts include fixed price and the customer pays the fixed amount based on a payment schedule. If the services rendered by the Fund exceed the payment, contract asset is recognised. If the payments exceed the services rendered, contract liability is recognised.

Revenue is measured at the transaction price agreed under the contract. Amounts disclosed as revenue are net of variable consideration and payments to customers, which are not for distinct services, this consideration may include discounts. The Fund does not have contracts where the period between the performance of the service to the customer and the payment by the customer exceeds one year, and as a result, the Fund does not adjust transaction price for the time value of money.

Rental income from operating lease of properties is recognised on a straight-line basis over the term of the operating lease.

Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

**5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**5.9 Management fees**

Management fees are charged by the Fund Manager at the rate of 0.75% per annum of the Fund's net asset market value. Management fees are calculated and payable semi-annually in arrears.

**5.10 Expenses**

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue.

**5.11 Net asset value**

The net asset value per unit disclosed in the financial statements is calculated by dividing the net assets of the Fund by the number of units in issue at the year-end.

**5.12 Units in issue**

The Fund has units in issue. On liquidation of the Fund, the unitholders are entitled the holders to the residual net assets. They rank pari passu in all respects and have identical terms and conditions. The units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets in the event of the Fund's liquidation.

**5.13 Zakat**

Zakat is the obligation of the Unitholders and is not provided for in the financial statements.

**5.14 Dividends distribution**

The Fund has a policy of distributing and paying at least 90% of its net profit, not including profit resulting from the sale of the underlying real estate assets and other investments and unrealised (loss)/gain on financial assets at FVTPL.

**5.15 Amendments to existing standards effective 1 January 2023**

The Fund applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated).

**IFRS 17 Insurance Contracts**

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

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

The new standard had no impact on the Fund's financial statements.

**Definition of Accounting Estimates - Amendments to IAS 8**

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies, and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Fund's financial statements.

Jadwa REIT Saudi Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

5.15 Amendments to existing standards effective 1 January 2023 (continued)

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their material accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Fund disclosures of accounting policies, but not on the measurement, recognition, or presentation of any items in the financial statements.

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

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the financial statements of the Fund.

**International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12**

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the financial statements of the Fund.

5.16 New standards, amendments and interpretations effective after 1 January 2023 and have not been early adopted

The following standards, amendments to standards and interpretations are not yet effective:

Standards / amendments to standards / interpretations	Effective date
Classification of Liabilities as Current or Non-current and Non-Current Liabilities with Covenants (Amendment to IAS 1)	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	1 January 2024
Lack of exchangeability – Amendments to IAS 21	1 January 2025

In the opinion of the Fund Manager, these standards, amendments to standards and interpretations are not expected to impact the Fund. The Fund intends to adopt these standards, if applicable, when they become effective.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

6 INVESTMENT PROPERTIES

The composition of the investment properties as of the reporting date is summarised below:

31 December 2023

Description	Cost SR	Accumulated depreciation SR	Impairment loss SR	Net book Value SR
Alyaum Newspaper Tower	281,084,708	17,407,673	61,839,535	201,837,500
Almaarefa University for Science & Technology	203,500,000	16,833,576	-	186,666,424
Al-Sulay warehouse	226,057,061	33,120,859	-	192,936,202
Marvela Residential Compound	612,074,087	106,608,599	-	505,465,488
Al Fanar Residential	112,791,836	21,045,472	2,448,219	89,298,145
Aber Al Yasmin Hotel	34,601,250	2,574,958	-	32,026,292
Olaya Court Tower Boulevard	60,917,500	5,270,351	-	55,647,149
Lafif Complex	346,573,350	10,927,183	-	335,646,167
	129,900,000	32,913	-	129,867,087
	<u>2,007,499,792</u>	<u>213,821,584</u>	<u>64,287,754</u>	<u>1,729,390,454</u>

On 7 November 2023, the Fund acquired Lafif property at a purchase consideration of SR 129,900,000, which includes purchase price of SR 120,000,000 and other direct attributable cost of SR 9,900,000.

31 December 2022

Description	Cost SR	Accumulated depreciation SR	Impairment loss SR	Net book value SR
Alyaum Newspaper Tower	280,292,257	15,388,926	63,065,900	201,837,431
Almaarefa University for Science & Technology	203,500,000	14,030,491	-	189,469,509
Al-Sulay Warehouse	223,342,600	27,600,389	-	195,742,211
Marvela Residential Compound	610,545,000	88,851,754	-	521,693,246
Al Fanar Residential	112,791,836	17,592,552	-	95,199,284
Aber Al Yasmin Hotel	34,601,250	1,953,357	-	32,647,893
Olaya Court Tower Boulevard	60,917,500	3,998,077	-	56,919,423
	346,512,000	5,905,232	-	340,606,768
	<u>1,872,502,443</u>	<u>175,320,778</u>	<u>63,065,900</u>	<u>1,634,115,765</u>

During the year ended 31 December 2022, the Fund sold the following investment properties:

- Commercial portion of Al Fanar Compound with a selling price of SR 140,000,000 having carrying value of SR 118,361,125 recognizing a gain on disposal of SR 21,638,875.
- Rawd Aljnan School with a selling price of SR 27,000,000 having carrying value of SR 23,768,474 recognizing a gain on disposal of SR 3,231,526.

Jadwa REIT Saudi Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

6 INVESTMENT PROPERTIES (continued)

The movement in the account during the year is as follows:

	2023 SR	2022 SR
<b>Cost</b>		
Balance at beginning of the year	1,872,502,443	2,029,003,262
Additions during the year	134,997,349	2,294,082
Disposals during the year	-	(158,794,901)
Balance at end of the year	2,007,499,792	1,872,502,443
<b>Accumulated depreciation</b>		
Balance at beginning of the year	175,320,778	150,762,866
Depreciation charge for the year	38,500,806	41,223,214
Depreciation related to disposals	-	(16,665,302)
Balance at end of the year	213,821,584	175,320,778
<b>Accumulated impairment</b>		
Balance at beginning of the year	63,065,900	45,714,026
Impairment of investment properties	1,221,854	17,351,874
Balance at end of the year	64,287,754	63,065,900
<b>Net book value</b>	<b>1,729,390,454</b>	<b>1,634,115,765</b>

The useful lives of the investment properties as estimated by an independent valuator range from 30 to 50 years. During the year ended 31 December 2023, the Fund recognised depreciation amounting to SR 38,500,806 (2022: SR 41,223,214).

Freehold land comprises of the lands acquired on which the buildings are built. The Fund acquired properties in Riyadh, Al Khobar and Dammam with an aggregate area of 354,345.72 square meters of land (31 December 2022: 348,345.72 square meters).

On 25 April 2023, the Fund entered into a Sale and Purchase Agreement for a leased commercial land located in Jeddah on Prince Sultan bin Abdulaziz Road, Al Zahra district with a size of 161,276 sqm for a purchase price of SR 400 million. On 25 December 2023, the Fund has paid an advance amount of SR 20,000,000. However, as of the year end, the legal formalities for completion of the transaction have not yet been completed (refer to Note 9 and 23).

6.1 Brief details of the investment properties:

6.1.1 Alyaum Newspaper Tower

This property is a 16-storey with 3-level basement, office building located in Al Hussam District, Dammam City.

6.1.2 Almaarefa University for Science & Technology

This property is a fully constructed educational facility located in Al Diriah District, Riyadh.

6.1.3 Al-Sulay Warehouse

This property is an industrial compound located at the east corner of Haroon Al Rashid Road and Alsafa Street, within Al Sulay District, Riyadh.

6.1.4 Marvela Residential Compound

This property is a residential compound located along the southeast side of King Abdullah Road, within King Faisal District, Riyadh.

Jadwa REIT Saudi Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

6 INVESTMENT PROPERTIES (continued)

6.1 Brief details of the investment properties: (continued)

6.1.5 Al Fanar Residential

This property is a residential compound located at the southwest corner of King Faisal Road and 1 Street, within Ar Rawabi District, Al Khobar.

6.1.6 Aber Al Yasmin Hotel

This property is a hospitality and retail property located in Al Yasmin District, Riyadh.

6.1.7 Olaya Court Tower

This property is an office project occupied by the labor court and located in Al Sahafa District, Riyadh.

6.1.8 Boulevard

This property is a prime commercial and office complex located in Hittin District, Riyadh.

6.1.9 Laff property

This property is an office complex located in Hittin District, in the northern part of Riyadh.

6.2 Impairment of investment properties

The investment properties were tested for impairment and the management noted the carrying amount of two properties (31 December 2022: one property) to be higher than the recoverable amount. Accordingly, during the year ended 31 December 2023, the management recognised an impairment of SR 1,221,854 (2022: SR 17,351,874) to adjust the value of its investment properties to their recoverable amounts based on the average fair values as of the reporting period determined by the independent evaluators as shown in Note 7.

7 EFFECT ON NET ASSET VALUE IF INVESTMENTS IN REAL ESTATE PROPERTIES ARE FAIR VALUED

In accordance with Article 35 of the REIFR issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's real estate assets based on two evaluations prepared by independent evaluators. However, in accordance with the requirement of CMA in the Kingdom of Saudi Arabia, investment in real estate properties is carried at cost less depreciation and impairment, if any, in these financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's books.

The fair value of the investment properties is determined by two selected appraisers, i.e. Barcode and Ensad (2022: Barcode and Menassat). As at reporting date, the valuation of investment properties is as follows:

31 December 2023	Appraiser 1 SR	Appraiser 2 SR	Average SR
Alyaum Newspaper Tower	201,838,000	201,837,000	201,837,500
Almareefa University for Science & Technology	235,429,000	212,645,000	224,037,000
Al-Sulay warehouse	267,761,583	262,231,000	264,996,292
Marvela Residential Compound	625,000,000	625,000,000	625,000,000
Al Fanar Residential	88,235,294	90,361,000	89,298,147
Aber Al Yasmin Hotel	46,702,142	46,702,000	46,702,071
Olaya Court Tower	73,720,000	81,429,000	77,574,500
Boulevard	339,183,770	341,446,000	340,314,885
Laff Complex	143,277,663	152,830,000	148,053,831
	<b>2,021,147,452</b>	<b>2,014,481,000</b>	<b>2,017,814,226</b>

Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

## 7 EFFECT ON NET ASSET VALUE IF INVESTMENTS IN REAL ESTATE PROPERTIES ARE FAIR VALUED (continued)

31 December 2022	Appraiser 1 SR	Appraiser 2 SR	Average SR
Alyaum Newspaper Tower	201,838,000	201,836,863	201,837,432
Almareefa University for Science & Technology	235,429,000	219,733,333	227,581,167
Al-Sulay Warehouse	266,667,000	258,064,516	262,365,758
Marvela Residential Compound	625,000,000	602,409,639	613,704,820
Al Fanar Residential	125,000,000	93,750,000	109,375,000
Aber Al Yasmin Hotel	46,702,142	40,864,350	43,783,246
Olaya Court Tower Boulevard	73,720,000 336,177,882	73,076,923 346,057,627	73,398,462 341,117,755
	<u>1,910,534,024</u>	<u>1,835,793,251</u>	<u>1,873,163,640</u>

Management has used the average of the two valuations for the purposes of disclosing the fair value of the investment properties.

The investment properties were valued taking into consideration number of factors, including the area and type of property. Below is an analysis of the fair value of investment properties against cost:

7.1 The unrealised gain on investment properties based on fair value evaluation is set out below:

	2023 SR	2022 SR
Fair value of investments in real estate properties	<b>2,017,814,226</b>	1,873,163,640
Less: Carrying value of investments properties (Note 6)	<b>1,729,390,454</b>	1,634,115,765
Unrealised gain based on fair value evaluation	<b>288,423,772</b>	239,047,875
Units in issue	<b>186,509,785</b>	186,509,785
Per unit share in unrealised gain based on fair value valuation	<b>1.55</b>	1.28

7.2 The net asset value using the fair values of the real estate properties is set out below:

	2023 SR	2022 SR
Net asset value at cost, as presented in these financial statements	<b>1,830,558,792</b>	1,779,492,303
Unrealised gain based on real estate evaluations (Note 7.1)	<b>288,423,772</b>	239,047,875
Net asset based on fair value	<b>2,118,982,564</b>	2,018,540,178

Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

## 7 EFFECT ON NET ASSET VALUE IF INVESTMENTS IN REAL ESTATE PROPERTIES ARE FAIR VALUED (continued)

7.3 The net asset value per unit, using the fair values of the real estate properties is set out below:

	2023 SR	2022 SR
Net asset value per unit, at cost as presented in these financial statements	<b>9.81</b>	9.54
Impact on net asset value per unit on account of unrealised gain based on fair value evaluations (Note 7.1)	<b>1.55</b>	1.28
Net asset value per unit at fair value	<b>11.36</b>	10.82

## 8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 SR	2022 SR
<b>Non-current</b>		
Investment in associate (Note 8.1)	<b>195,827,122</b>	530,100,000

## 8.1 Investment in associate

This represents investment of 12,713,205 units (2022: 45,000,000) in Real Estate Investment Fund, a closed-ended Shariah-compliant private real estate investment fund managed by Jadwa Investment Company, the cost of which is SR 127,132,049 (2022: 450,000,000).

As at 31 December 2023, the Fund holds 28.075% of Real Estate Investment Fund (2022: 28.075%).

The unrealised gain on this investment amounted to SR 46,065,567 for the year ended 31 December 2023 (2022: SR 11,700,000).

During the year ended 31 December 2023, the Fund redeemed 32,286,795 units of Real Estate Investment Fund for SR 421,132,110. The carrying value of this investment at the time of redemption was SR 380,338,445 as a result the Fund recognised a realised gain of SR 40,793,665 (2022: SR Nil).

During 2023, the Fund recognised dividend income amounting to SR 54,000,000 (2022: SR 13,500,000) from its investment in associate.

## 8.2 Investment in mutual fund

As at 31 December 2023, the Fund does not hold any unit of Jadwa Saudi Riyal Murabaha Fund managed by Jadwa Investment Company. The Fund redeemed its investment in mutual fund during 2022.

The realised gain on the redemption of investment amounted to SR Nil for the year ended 31 December 2023 (2022: SR 1,590,554).

Jadwa REIT Saudi Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

9 PREPAYMENTS AND OTHER ASSETS

	2023 SR	2022 SR
VAT input receivable (i)	30,300,000	15,150,000
Advance payment for property acquisition (Note 6)	20,000,000	-
Accrued finance income	433,875	-
Prepaid insurance	201,961	-
Other receivables	162,494	78,213
	<u>51,098,330</u>	<u>15,228,213</u>

(i) During 2017, the Fund acquired property from Al-Atheer Company (the "seller") for SR 606,000,000, prior to the implementation of VAT law in the Kingdom of Saudi Arabia which came into effect on 1 January 2018. The related Sale and Purchase Agreement to acquire the property was signed in December 2017 and consideration against the acquisition of property was also paid in December 2017; however, the amended title deed was issued on 1 January 2018. Considering the transaction had already completed during 2017 (except for amendment of title deed), the Fund did not settle any VAT on the acquisition of the said property.

During 2021, ZATCA raised its VAT assessment on the seller whereby a VAT claim amounting to SR 99,746,027 was made which comprised of 5% VAT amount, fines for non-charging of VAT on the related acquisition and fines for late payment of VAT.

In relation to the above assessment, the Fund decided to raise an appeal with ZATCA considering the fact that the transaction was already completed before effective date of VAT Law. In order to be eligible to file an appeal, VAT amounting to 5% of the acquisition price was paid to ZATCA through seller during the year 2021. Considering the final outcome of the appeal was pending as at 31 December 2022, the Fund recorded a provision amounting to SR 15,150,000 during the year ended 31 December 2022.

The Appellate Committee completed hearing against the Fund's appeal during the year ended 31 December 2023 and rendered its final verdict in favor of the Fund on 3 January 2024. Accordingly, the Fund reversed previously recognised impairment provision of SR 15,150,000.

10 RENT RECEIVABLES

This account represents the rent receivables from the operating leases (Note 18).

	2023 SR	2022 SR
Rent receivables	32,511,109	73,171,534
Less: Allowance for expected credit loss	(4,565,577)	(4,565,577)
	<u>27,945,532</u>	<u>68,605,957</u>

Following is the ageing analysis of the rent receivables:

	2023 SR	2022 SR
Less than 30 days	5,116,124	36,904,296
Between 91 to 120 days	12,103,225	3,754,467
More than 120 days	15,291,760	32,512,771
	<u>32,511,109</u>	<u>73,171,534</u>

Jadwa REIT Saudi Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

10 RENT RECEIVABLES (continued)

Impairment and risk exposure

Information about the impairment of rent receivables and the Fund's exposure to credit risk can be found in Note 19

11 CASH AND CASH EQUIVALENTS

	2023 SR	2022 SR
Cash at Bank	35,974,431	45,636,276
Short-term deposits	30,000,000	-
	<u>65,974,431</u>	<u>45,636,276</u>

As of 31 December 2023, there are bank accounts maintained with Banque Saudi Fransi under the name of the SPVs with a total balance of SR 12,261,026 (2022: SR 4,486,101).

Short-term deposits represent investment in Murabaha deposits with original maturity period of 90 days.

As at 31 December 2023, the Fund's short-term deposits amounted to SR 30,000,000 (2022: Nil) and carried a profit rate of 5.85% (2022: Nil).

Finance income for the year ended 31 December 2023 amounting to SR 1,101,322 (2022: SR Nil), with an accrued finance income amounted to SR 433,875 (2022: Nil).

12 LONG-TERM LOAN, NET

	2023 SR	2022 SR
Long-term loan	202,122,500	453,122,500
Less:		
Transaction costs	11,750,000	11,750,000
Amortisation of transaction costs	(11,750,000)	(9,862,966)
	-	1,887,034
Long-term loan, net	<u>202,122,500</u>	<u>451,235,466</u>

On 1 October 2018, Banque Saudi Fransi ("BSF") extended an Islamic finance facility to one of the SPVs, Real Estate Development Areas Company, amounting to SR 1,000,000,000 for the purposes of financing the real estate investments of the Fund. The SPV has made an arrangement with the Fund under a long-term loan agreement to lend all the loan proceeds availed by it under the facility to the Fund on terms and conditions same as that of the facility.

On 15 March 2022, BSF has increased the limits of the shariah-compliant banking facility by SR 170,300,000, bringing the total available banking facility amount of SR 1,170,300,000 which carried a markup rate of 3 months SIBOR +2% margin. The outstanding amount of SR 453,122,500 against the said facility was due of repayment on 21 July 2023 which was settled in full during the year ended 31 December 2023.

On 2 August 2023, BSF renewed the said facility with decreasing the limit to SR 1,000,000,000 carrying a markup rate of 3 month SIBOR +1.5%.

Jadwa REIT Saudi Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

12 LONG-TERM LOAN, NET (continued)

As of 31 December 2023, the Fund has drawn SR 202,122,500 from the facility. The Fund can avail the remaining balance against the facility until 2 August 2024 and repayment is due in full amount on 30 September 2028.

The facility is secured by promissory notes and pledge over the current and future rights and interests in the investment properties of the Fund.

The movement in the long-term loan, excluding transaction cost, is as follows:

	2023 SR	2022 SR
At beginning of the year	453,122,500	603,122,500
Proceeds from loan	202,122,500	-
Repayment of loan	(453,122,500)	(150,000,000)
At end of the year	202,122,500	453,122,500

Finance charges for the year ended 31 December 2023 amounted to SR 28,057,507 (2022: SR 25,516,835) which are reflected under the statement of comprehensive income.

Transaction costs charged by Banque Saudi Fransi for loan servicing amounting to 1.0% of the loan facility is amortised over the period of the loan facility.

The movement in the transaction costs is as follows:

	2023 SR	2022 SR
At beginning of the year	1,887,034	3,132,465
Additions during the year	-	1,750,000
Amortisation charged during the year	(1,887,034)	(2,995,431)
At end of the year	-	1,887,034

13 ACCRUED EXPENSES AND OTHER LIABILITIES

	2023 SR	2022 SR
Payable for property purchase (i)	20,000,000	-
Security deposits	535,085	540,676
Property valuation fees	206,826	206,430
Output value-added tax	198,058	3,458,527
Professional fees	101,626	46,125
Custody fee	80,000	80,000
Independent board member fee	30,000	20,000
Administration fee	-	58,237
Others	1,104,687	967,045
	22,256,282	5,377,040

(i) On November 7, 2023, the Fund purchased Laff complex property for a total purchase price of SR 120,000,000. The Fund paid SR 100,000,000, with the remaining balance of SR 20,000,000 outstanding as of 31 December 2023.

Jadwa REIT Saudi Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

14 RELATED PARTY TRANSACTIONS AND BALANCES

14.1 Related party transactions

The following are the details of the significant transactions with related parties during the year:

Name of related party	Nature of relationship	Nature of transaction	2023 SR	2022 SR
Jadwa Investment Company	Fund Manager	Management fees (i)	16,012,463	15,517,584
Real Estate Development Areas Company	SPV	Transaction fee Finance charges	- 28,057,507	-1,252,500 25,516,835
Jadwa Saudi Riyal Murabaha Fund	Affiliate	Investment in mutual fund Redemption	- -	187,000,000 187,000,000
Real Estate Investment Fund	Associate	Redemption Dividend income	421,132,110 54,000,000	- 13,500,000

(i) Management fees

In consideration for managing the assets of the Fund, the Fund Manager in accordance with the Terms and Conditions of the Fund charges the Fund management fees equal to 0.75% of the net asset market value of the Fund calculated and payable semi-annually in arrears.

As at 31 December 2023, the Fund Manager held 10,558,353 units in the Fund (2022: 10,558,353 units).

For the dividends distributed to the Unitholders, please refer to Note 21.

14.2 Related party balances

The following are the details of related party balances at the year-end:

Amounts due to related parties

	2023 SR	2022 SR
Real Estate Development Areas Company	966,475	513,475
Unitholders distribution payable	607,212	37,831,188
Jadwa Investment Company	72,013	1,324,512
	1,645,700	39,669,175

Accrued management fees

	2023 SR	2022 SR
Jadwa Investment Company	9,625,348	16,222,974

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

15 GENERAL AND ADMINISTRATIVE EXPENSES

	2023 SR	2022 SR
Property expense	3,748,915	4,271,763
VAT expense	2,443,864	1,264,792
Repair and maintenance expense	1,315,598	165,959
Property management fees	888,470	1,182,172
Insurance	517,878	42,098
Professional fees	448,699	197,758
Registration fee	400,000	400,000
Administration fees	373,655	342,628
Property valuation fees	369,395	161,620
Legal fee	366,900	24,975
Bank charges	366,158	39,063
Custody fee	320,000	320,000
Tadawul listing fee	300,000	300,000
Independent board member fee (i)	20,000	20,000
Transaction fee	-	1,252,500
Others	531,135	167,345
	<u>12,410,667</u>	<u>10,152,673</u>

(i) This pertains to remuneration paid to independent directors of the Fund's Board.

16 UNITS TRANSACTION

	2023 In numbers	2022 In numbers
Units at the beginning of the year	186,509,785	186,509,785
Units at the end of the year	<u>186,509,785</u>	<u>186,509,785</u>

During the year, the Fund did not issue any units.

17 FAIR VALUE MEASUREMENT

17.1 Financial instruments

Financial assets consist of cash and cash equivalents, rent receivables, and other receivables. Financial liabilities consist of due to related parties, management fees payable, other liabilities and long-term loan.

Due to the short-term nature of most of the financial instruments, their carrying amounts are considered to be the same as their fair values. For the long-term loan, the fair value is not materially different from its carrying amount since the interest payable on the loan is frequently repriced at market rate.

The following table shows the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
31 December 2023				
Financial assets at fair value through profit or loss (Note 8)	-	195,827,122	-	<u>195,827,122</u>
31 December 2022				
Financial assets at fair value through profit or loss (Note 8)	-	530,100,000	-	<u>530,100,000</u>

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31 December 2023

17 FAIR VALUE MEASUREMENT (continued)

17.2 Non-financial assets

The financial asset at FVTPL which is an investment in private real estate investment fund is determined using unadjusted net asset value (Level 2 valuation).

There were no transfers between levels 1, 2 and 3 during the reporting period.

The following table shows the fair value of investment properties disclosed:

	Level 3 SR	Total SR
31 December 2023		
Alyaum Newspaper Tower	201,837,500	201,837,500
Almareefa University for Science & Technology	224,037,000	224,037,000
Al-Sulay warehouse	264,996,292	264,996,292
Marvela Residential Compound	625,000,000	625,000,000
Al Fanar Residential	89,298,147	89,298,147
Aber Al Yasmin Hotel	46,702,071	46,702,071
Olaya Court Tower	77,574,500	77,574,500
Boulevard	340,314,885	340,314,885
Laff Complex	148,053,831	148,053,831
	<u>2,017,814,226</u>	<u>2,017,814,226</u>

	Level 3 SR	Total SR
31 December 2022		
Alyaum Newspaper Tower	201,837,432	201,837,432
Almareefa University for Science & Technology	227,581,167	227,581,167
Al-Sulay Warehouse	262,365,758	262,365,758
Marvela Residential Compound	613,704,820	613,704,820
Al Fanar Residential	109,375,000	109,375,000
Aber Al Yasmin Hotel	43,783,246	43,783,246
Olaya Court Tower	73,398,462	73,398,462
Boulevard	341,117,755	341,117,755
	<u>1,873,163,640</u>	<u>1,873,163,640</u>

When the fair value of items disclosed in these financial statements cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include capitalisation rate, and discount rate.

Changes in assumptions about these factors could affect the fair value of items disclosed in these financial statements and the level where the items are disclosed in the fair value hierarchy.

The fair values of investment properties were assessed by Ensad (TAQEEM license number: 1210000934) and Barcode (TAQEEM license number: 1210000001) (2022: Menassat and Barcode) as disclosed in Note 7. They are accredited independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

The valuation models have been applied in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation Standards, in addition to the International Valuation Standards issued by International Valuation Standards Council ("IVSC") and applied by Saudi Authority for Accredited Valuers ("TAQEEM").

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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17 FAIR VALUE MEASUREMENT (continued)

17.2 Non-financial assets (continued)

The assumptions used in determining the fair values of the investment properties as at 31 December are as follows:

Valuation approach	Key assumptions	Range	
		2023	2022
Income capitalisation	Capitalisation rate (%)	7 - 8.50	6 - 8.30
Discounted cash flow	Discount rate (%)	8 - 10	8

18 OPERATING LEASES

Future minimum rent receivables under the operating leases are as follows:

	2023 SR	2022 SR
Not later than one year	139,260,043	131,151,336
Later than one year and not later than five years	364,101,028	412,222,500
Later than five years	271,968,246	310,448,031
	<u>775,329,317</u>	<u>853,821,867</u>

The Fund enters into long-term operating lease contracts with tenants for space in its investment properties. Initial lease terms are generally between 3 and 20 years. Leases generally provide for the tenant to pay the base rent, with provisions for contractual increases in base rent over the term of the lease. Responsibility for repair and maintenance of the property, and its insurance over the lease term lies with the lessee. Rental income from investment properties recognised by the Fund during the year is SR 141,254,094 (2022: SR 158,453,725).

19 FINANCIAL RISK MANAGEMENT

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

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

The Fund has its terms and conditions document that sets 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.

19.1 Market risk

The Fund will be subject to the general conditions of the real estate sector in Saudi Arabia, which itself is influenced by a variety of factors such as, but not limited to the overall macroeconomic growth in the Kingdom, interest rates, demand-supply, availability of financing, investor sentiment, liquidity, legal and regulatory requirement. The Fund management monitors on a regular basis the fluctuation and changes in the overall economic environment and believes that the impact of such changes is not significant to the Fund.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

19 FINANCIAL RISK MANAGEMENT (continued)

19.1 Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk arises from the long-term loan. This is benchmarked to SAIBOR which expose the Fund to cash flow interest rate risk.

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

An increase/decrease in interest rate of 1%, with all other variables held constant, would have resulted in a net increase/decrease in the Fund's total comprehensive income of SR 3,834,075 for the year ended 31 December 2023 (2022: SR 6,089,992).

19.2 Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. As at year end, the Fund has cash and cash equivalents, rent receivables, and other receivables as financial assets carried at amortised cost.

The maximum exposure to credit risk applicable to the Fund approximates to the carrying value of the financial assets as disclosed in these financial statements. The Fund seeks to limit its credit risk by monitoring outstanding balances on an ongoing basis. For banks and financial institutions, the Fund only deals with reputable banks with sound credit ratings.

The Fund applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for rent receivables.

19.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

The table below summarises the maturity profile of the Fund's financial liabilities based on contractual undiscounted payments:

	On demand SR	Within 12 months SR	More than 12 months SR	Total SR
<b>31 December 2023</b>				
Long-term loan	-	-	203,088,975	203,088,975
Due to related parties	679,225	-	-	679,225
Other liabilities	-	21,639,772	-	21,639,772
	<u>679,225</u>	<u>21,639,772</u>	<u>203,088,975</u>	<u>225,407,972</u>
<b>31 December 2022</b>				
Long-term loan	-	453,635,975	-	453,635,975
Due to related parties	39,155,701	-	-	39,155,701
Other liabilities	-	1,507,721	-	1,507,721
	<u>39,155,701</u>	<u>455,143,695</u>	<u>-</u>	<u>494,299,396</u>



**Jadwa REIT Saudi Fund**  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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**20 OPERATING SEGMENT**

The Fund is organised into one operating segment. All of the Fund's activities are interrelated and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the fund as one segment.

**21 DIVIDENDS DISTRIBUTION**

The following dividends were distributed in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.

**31 December 2023**

<i>Dividend declaration date</i>	<i>Dividend period</i>	<i>SR</i>
7 March 2023	From 1 October 2022 to 31 December 2022	37,301,957
22 May 2023	From 1 January 2023 to 31 March 2023	37,301,957
2 August 2023	From 1 April 2023 to 30 June 2023	37,301,957
19 November 2023	From 1 July 2023 to 30 September 2023	37,301,957
		<b>149,207,828</b>

**31 December 2022**

<i>Dividend declaration date</i>	<i>Dividend period</i>	<i>SR</i>
7 March 2022	From 1 October 2021 to 31 December 2021	37,301,957
25 May 2022	From 1 January 2022 to 31 March 2022	37,301,957
1 September 2022	From 1 April 2022 to 30 June 2022	37,301,957
28 November 2022	From 1 July 2022 to 30 September 2022	37,301,957
		<b>149,207,828</b>

**22 ZAKAT AND INCOME TAX**

The Ministry of Finance has issued a resolution ("MR") numbered 29791, dated 9th Jumada Al-Awwal 1444H (corresponding to 3 December 2022) publishing certain zakat filing rules to be complied by investment funds in the Kingdom of Saudi Arabia, applicable for the financial year 2023. According to the MR the Fund is not subject to zakat or tax, however, will be required to file certain financial information with Zakat, Tax and Customs Authority ("ZATCA") commencing 1 January 2023. The filing with ZATCA is due by 30 April 2024.

**23 EVENTS AFTER THE REPORTING DATE**

On 5 February 2024, the Fund Manager approved to distribute dividends to the Unitholders for the period from 1 October 2023 to 31 December 2023 for an amount of SR 37,301,957 in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.

On 18 February 2024, the title deed of commercial land property located in Jeddah on Prince Sultan bin Abdulaziz Road, Al Zahra district with a size of 161,276 sqm has been transferred to the Fund (Note 6).

On 2 March 2024, the Fund completed the sale process for the Al Fanar Residential Compound property located in Khobar. This transaction was executed in accordance with the terms outlined in the Sale and Purchase Agreement ("SPA"). The completion of this sale included fulfilling all contractual obligations stipulated within the SPA, including the transfer of the property title deed to the buyer, and received the sale proceeds amounting to SR 90,000,000.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

**24 COMPARATIVE FIGURES**


Certain of the prior period amounts have been reclassified to conform to the presentation in the current period.

**25 LAST VALUATION DAY**

The last valuation day of the year was 29 December 2023 (2022: 29 December 2022).

**26 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Fund's Board on 15 Ramadan 1445 H (corresponding to 25 March 2024).



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