

Jadwa REIT Al Haramain Fund
(Managed by Jadwa Investment Company)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2020

Jadwa REIT Al Haramain Fund
(Managed by Jadwa Investment Company)

FINANCIAL STATEMENTS

31 December 2020

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

Opinion

We have audited the accompanying financial statements of Jadwa REIT Al Haramain Fund (the "Fund") being managed by Jadwa Investment Company, which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of cash flows and statement of changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements taken as a whole, present fairly, in all material respects, the financial position of the Fund as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements and issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) (collectively referred to as "IFRSs as endorsed in KSA").

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements 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. For the key audit matter below, a description of how our audit addressed the matter is provided in that context.

Key Audit Matter	How the key matter was addressed in the audit
<p><u>Valuation of investment properties</u></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>As at 31 December 2020, the carrying value of Fund's investment properties aggregated to SR 704,690,492 (2019: SR 779,514,058) and the fair value of these properties amounted to SR 787,730,275 (2019: SR 862,000,000).</p> <p>Investment properties, being held for capital appreciation and/or rental yields, are stated at cost less accumulated depreciation and any impairment losses.</p>	<p>For impairment of investment properties, we have carried out the following audit procedures:</p> <ul style="list-style-type: none">- We assessed the credentials, independence, professional qualification, competence and experience of the Fund's valuers, and also assessed that they are certified by the Saudi Authority for Accredited Valuers (TAQEEM);- We involved our specialist and assessed the reasonableness of valuation methodology, approach and assumptions of the Fund's independent valuers;



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

Key Audit Matters (continued)

Key Audit Matter	How the key matter was addressed in the audit
<p>Investment properties are re-measured for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.</p> <p>For assessing the impairment of investment properties, the Fund Manager 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 semiannual basis.</p> <p>We considered this a key audit matter since the assessment of impairment requires significant judgment by the management and assessed the recoverable amount, which is higher of fair value or value in use of the related investment properties based on the independent valuation reports. The Fund Manager have determined that the recoverable amount of two investment properties at the end of the year was lower than the carrying value of the related investment properties and an impairment of SR 59,826,225 (2019: Nil) was recognized in the statement of comprehensive income during the year.</p> <p><i>The Fund's policies for investment properties are disclosed in note 5.1 and related disclosures about the above-mentioned key audit matter are included in notes 6 and 7 of the accompanying financial statements.</i></p>	<p>- We reconciled the average fair value of the investment properties as presented in the accompanying financial statements to the external valuers' reports;</p> <p>- We assessed the recoverable amount which is higher of fair value and value in use of the related investment properties as per the above-mentioned valuation reports and assessed that appropriate impairment was recognized in the statement of comprehensive income during the year; and</p> <p>- We have also reviewed the adequacy of the investment properties disclosures included in the accompanying financial statements.</p>

Other Information

Fund Manager is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

Other Information (continued)

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as endorsed in KSA 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.

The Fund's Board is 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 as 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.



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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Fund Manager.
- Conclude on the appropriateness of Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

for Alluhaid & Alyahya Chartered Accountants


Saleh A. Al-Yahya
Certified Public Accountant
License No. 473

Riyadh: 16 Sha'ban 1442 H
(29 March 2021)



Jadwa REIT Al Haramain Fund
(Managed by Jadwa Investment Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 SR	2019 SR
ASSETS			
NON-CURRENT ASSETS			
Investment properties	6	704,690,492	779,514,058
Financial assets at fair value through profit or loss	8	58,932,224	-
Deferred charges	12	337,925	1,236,783
TOTAL NON-CURRENT ASSETS		763,960,641	780,750,841
CURRENT ASSETS			
Financial assets at fair value through profit or loss	8	17,711,157	-
Deferred charges – current portion	12	898,858	901,321
Prepayments and other assets	9	37,103	53,516
Rent receivables	10	6,106,058	21,556,267
Accrued rental income		-	2,824,883
Cash and cash equivalents	11	644,157	11,425,236
TOTAL CURRENT ASSETS		25,397,333	36,761,223
TOTAL ASSETS		789,357,974	817,512,064
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term loan	12	232,010,613	181,422,611
CURRENT LIABILITIES			
Due to related parties	14	7,531,365	1,746,698
Accrued management fee	14	1,035,377	3,588,469
Accrued expenses and other liabilities	13	367,000	1,095,862
TOTAL CURRENT LIABILITIES		8,933,742	6,431,029
TOTAL LIABILITIES		240,944,355	187,853,640
NET ASSETS		548,413,619	629,658,424
Units in issue		66,000,000	66,000,000
Per unit value		8.31	9.54
Per unit fair value	7	9.57	10.79

The attached notes 1 to 25 form an integral part of these financial statements.

Jadwa REIT Al Haramain Fund
(Managed by Jadwa Investment Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 SR	2019 SR
INCOME			
Rental income from investment properties	17	8,067,772	52,565,599
Unrealised gain on financial assets at fair value through profit or loss	8	8,984,790	-
Return on bank deposits		-	107,829
		<u>17,052,562</u>	<u>52,673,428</u>
EXPENSES			
Depreciation	6	(11,923,575)	(12,055,176)
General and administrative expenses	15	(1,480,329)	(2,436,304)
Management fees	14	(1,035,377)	(7,144,785)
Amortisation of deferred charges	12	(901,321)	(1,048,493)
Amortisation of transaction costs	12	(588,002)	(586,103)
		<u>(15,928,604)</u>	<u>(23,270,861)</u>
OPERATING PROFIT		1,123,958	29,402,567
Finance charges	12	(5,778,581)	(10,428,825)
Loss on disposal of investment properties	6	(3,563,957)	-
(LOSS) PROFIT FOR THE YEAR		(8,218,580)	18,973,742
Impairment loss on investment properties	6	(59,826,225)	-
NET (LOSS) PROFIT FOR THE YEAR AFTER IMPAIRMENT		(68,044,805)	18,973,742
Other comprehensive income		-	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		(68,044,805)	18,973,742

The attached notes 1 to 25 form an integral part of these financial statements.

Jadwa REIT Al Haramain Fund
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STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 SR	2019 SR
OPERATING ACTIVITIES			
Net (loss) income for the year		(68,044,805)	18,973,742
Adjustments for non-cash and other items:			
Depreciation	6	11,923,575	12,055,176
Impairment loss on Investment properties	6	59,826,225	-
Unrealised gain on financial assets at fair value through profit or loss	8	(8,984,790)	-
Finance charges	12	5,778,581	10,428,825
Loss on disposal of investment properties	6	3,563,957	-
Amortisation of deferred charges	12	901,321	1,048,493
Amortisation of transaction costs	12	588,002	586,103
Return on bank deposits		-	(107,829)
		5,552,066	42,984,510
Changes in operating assets and liabilities:			
Rent receivables		15,450,209	(20,147,313)
Accrued rental income		2,824,883	19,225,445
Prepayments and other assets		16,413	282,900
Due to related parties		117,441	64,155
Accrued management fee		(2,553,091)	(24,252)
Accrued expenses and other liabilities		(728,863)	813,658
		20,679,058	43,199,103
Finance charges paid		(111,355)	(10,595,945)
Return on bank deposits received		-	143,677
Net cash from operating activities		20,567,703	32,746,835
INVESTING ACTIVITIES			
Payments for financial assets at fair value through profit or loss	8	(67,658,591)	-
Addition to investment properties	6	(156,000)	-
Demolition cost	6	(334,191)	-
Proceeds from short-term deposits		-	7,000,000
Net cash (used in) from investing activities		(68,148,782)	7,000,000
FINANCING ACTIVITIES			
Proceeds from long-term loan	12	50,000,000	-
Dividends distributed	20	(13,200,000)	(35,640,000)
Deferred charges	12	-	(500,000)
Net cash from (used in) financing activities		36,800,000	(36,140,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(10,781,079)	3,606,835
Cash and cash equivalents at beginning of the year	11	11,425,236	7,818,401
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	11	644,157	11,425,236

The attached notes 1 to 25 form an integral part of these financial statements.

Jadwa REIT Al Haramain Fund
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STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2020

	<i>Notes</i>	2020 SR	2019 SR
Net asset value attributed to the unitholders at beginning of the year		629,658,424	646,324,682
Comprehensive (loss) income			
Net (loss) income for the year		(68,044,805)	18,973,742
Other comprehensive income for the year		-	-
Comprehensive (loss) income for the year		(68,044,805)	18,973,742
Dividend distribution	20	(13,200,000)	(35,640,000)
Net asset value attributed to the unitholders at end of the year		<u>548,413,619</u>	<u>629,658,424</u>

The attached notes 1 to 25 form an integral part of these financial statements.

Jadwa REIT Al Haramain Fund (Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

1 GENERAL

Jadwa REIT Al Haramain 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 660,000,000 divided into 66,000,000 units of SR 10 each. The Fund has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of the CMA.

The Fund is being managed by Jadwa Investment Company, 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 "Fund Manager").

Jadwa Al Khalil Real Estate Company, a Limited Liability Company with commercial registration number 1010495553, has been established and approved by the CMA as a special purpose vehicle (the "SPV") for the beneficial interest of the Fund. The SPV owns all the assets of the Fund and its contractual obligations. The SPV has not been consolidated in these financial statements as the same is being consolidated with the ultimate parent in which the unitholders of the Fund are the owners.

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, with a focus on 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.

2 REGULATING AUTHORITY

The Fund is governed by the REIFR published by the CMA in the Kingdom of Saudi Arabia on 19 Jumada II 1427 H (corresponding to 15 July 2006) and REITF instructions published by CMA on 23 Muharram 1438 H (corresponding to 24 October 2016) and amended by Resolution Number 2-115-2018 dated 13 Safar 1440H (corresponding to 22 October 2018), detailing requirements for all real estate funds operating 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 issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

3.2 *Basis of measurement*

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

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.

Jadwa REIT Al Haramain Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the ordinary course of business, the preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are reviewed and in any future period affected. The significant accounting judgments and estimates applied in the preparation of these financial statements are as follows:

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements. Judgment has been applied in the cases of determining whether an arrangement contains a lease and classification of leases.

Assumptions and estimation uncertainties

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 Fund assesses whether there are any indicators of impairment for all investment properties at each reporting date. The investment properties are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. The impairment of the investment properties are disclosed in note 6.

Impairment of financial assets held at amortised cost

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

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

5 SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Investment properties

Investment properties comprise completed 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 3 to 32 years.

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

Jadwa REIT Al Haramain Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

5 SIGNIFICANT ACCOUNTING POLICIES (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 recognized 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 Funds 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 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.

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 recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.

5.3 Cash and cash equivalents

Cash and cash equivalents consist of bank balances and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

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:

- a) The Fund's business model for managing the financial assets; and
- b) 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 and rent receivables.

The Fund has measured its investments in mutual fund and private real estate investment fund at FVTPL.

The Fund has no financial assets measured at FVOCI.

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.

Jadwa REIT Al Haramain Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Financial instruments (continued)

5.4.3 Impairment of financial assets

The Fund assesses on a forward-looking basis the ECL associated with its debt instruments as part of its financial assets, carried at amortised cost and FVOCI, the ECL is based on a 12-month ECL and lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. Where there is no significant financing component in the financial instruments recognised at amortised cost or FVOCI, then the Fund can use simplified approach and assess allowance on lifetime ECL using a forward-looking provision matrix.

Expected credit loss assessment for rent receivables

The Fund applies IFRS 9 simplified approach for measuring ECL, which uses a lifetime expected loss allowance. The method is applied for assessing an allowance against financial assets measured at amortised cost.

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical rates are adjusted to reflect the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Fund has identified inflation rate to be the most relevant factor and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks the total loss amount modelling into the following parts: Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD). These are briefly described below:

Probability of Default (PD): The likelihood of a default over a particular time horizon.

Loss Given Default (LGD): This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Exposure at Default (EAD): This is an estimate of the exposure at a future default rate, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Presentation of impairment

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

Impairment losses related to rent receivables are presented separately in the statement of comprehensive income.

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 expires.

The Fund’s financial liabilities include long-term loan, due to related parties, accrued management fee and accrued expenses.

Jadwa REIT Al Haramain Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Financial instruments (continued)

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.

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 Provision

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.

5.6 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.

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, accrued rental income is recognised. If the payments exceed the services rendered, unearned rental income 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, trade allowances, rebates and amounts collected on behalf of third parties. 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.

A receivable is recognised when services are provided as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5.7 Management fees

Management fees are charged by the Fund Manager at the rate of 1.0% per annum of the Fund's net asset market value. Management fee is calculated and payable semi-annually in arrears.

Jadwa REIT Al Haramain Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.8 Expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under International Financial Reporting Standards.

5.9 Net assets value

The net assets 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.

5.10 Units in issue

The Funds has units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets. They rank parri 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.

5.11 Zakat

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

5.12 Dividend 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 gain on financial assets at FVTPL.

5.13 Amendments to existing standards effective 1 January 2020

The Fund has adopted the following amendments to existing standards which have been issued and effective from 1 January 2020:

<u>Amendments to standards</u>	<u>Effective date</u>
<i>Definition of a Business (Amendments to IFRS 3)</i>	1 January 2020
<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>	1 January 2020
<i>Definition of Material (Amendments to IAS 1 and IAS 8)</i>	1 January 2020
<i>Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)</i>	1 January 2020

The application of the amendments to existing standards did not have an impact on the amounts presented in these financial statements.

5.14 New standards, amendments and interpretations effective after 1 January 2020 and have not been early adopted

The following standards, amendments to standards and interpretations are not yet effective and neither expected to have a significant impact on the Fund's financial statements:

<u>Standards / amendments to standards</u>	<u>Effective date</u>
<i>IFRS 17 Insurance Contracts</i>	1 January 2023
<i>Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)</i>	1 January 2021
<i>Reference to the Conceptual Framework (Amendments to IFRS 3)</i>	1 January 2022
<i>Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)</i>	1 January 2022
<i>Annual Improvements to IFRS Standards 2018 — 2020</i>	1 January 2022
<i>Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)</i>	1 January 2022
<i>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</i>	1 January 2023

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

Jadwa REIT Al Haramain Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

6 INVESTMENT PROPERTIES

The composition of the investment properties as of year-end is summarized below:

31 December 2020

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Impairment Loss (note 6.6) SR</i>	<i>Net book value SR</i>
Land	498,291,500	-	59,826,225	438,465,275
Tharawat Al Andalusia Hotel	152,000,000	25,636,046	-	126,363,954
Tharawat Al Taqwa Hotel	158,000,000	18,294,737	-	139,705,263
Retail Building	100,000	100,000	-	-
3-Star Hotel, Makkah	156,000	-	-	156,000
	<u>808,547,500</u>	<u>44,030,783</u>	<u>59,826,225</u>	<u>704,690,492</u>

31 December 2019

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Net book value SR</i>
Land	498,291,500	-	498,291,500
Tharawat Al Andalusia Hotel	152,000,000	18,711,476	133,288,524
Tharawat Al Taqwa Hotel	158,000,000	13,345,828	144,654,172
Ibrahim Al-Khalil I	3,408,500	344,543	3,063,957
Retail Building	100,000	67,245	32,755
Ibrahim Al-Khalil II	200,000	16,850	183,150
	<u>812,000,000</u>	<u>32,485,942</u>	<u>779,514,058</u>

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

	2020 SR	2019 SR
Cost		
Balance at beginning of the year	812,000,000	812,000,000
Additions during the year	156,000	-
Disposals during the year	(3,608,500)	-
Balance at end of the year	<u>808,547,500</u>	<u>812,000,000</u>
Accumulated depreciation		
Balance at beginning of the year	32,485,942	20,430,766
Depreciation charge for the year	11,923,575	12,055,176
Related to disposals	(378,734)	-
Balance at end of the year	<u>44,030,783</u>	<u>32,485,942</u>
Accumulated impairment		
Balance at beginning of the year	-	-
Impairment loss of Investment properties	59,826,225	-
Balance at end of the year	<u>59,826,225</u>	<u>-</u>
Net book value	<u>704,690,492</u>	<u>779,514,058</u>

Jadwa REIT Al Haramain Fund (Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

6 INVESTMENT PROPERTIES (continued)

6.1 The useful lives of the investment properties as estimated by an independent valuator range from 3 to 32 years.

6.2 Freehold land comprises of the lands acquired on which the buildings are built. Freehold land along with the properties are kept in the custody of Albilad Capital. The Fund acquired properties in Makkah in different locations with an aggregate area of 3,227.2 square meter of land. The consideration for the two hotels was partly paid in cash and partly settled through issuance of 30,000,000 units of the Fund. The consideration for the other properties were fully paid in cash.

6.3 Brief details of the investment properties follow:

6.3.1 *Tharawat Al Andalusia Hotel*

This property is a fully constructed and operated hotel located in Al Misfalah District, being situated approximately 0.5 km away from Al Haram, benefitting from a direct view over Ibrahim Al-Khalil Road.

6.3.2 *Tharawat Al Taqwa Hotel*

This property is a fully constructed pilgrim accommodation hotel located in Shisha District north of the intersection between the major Al Hajj Road and King Fahad Road.

6.3.3 *Retail Building*

The property was acquired as a retail property. It is located in Al Misfalah District, with a direct view on Misyal Road, and is 500m away from the Holy Mosque. The property in its current state is fully leased.

6.3.4 *Ibrahim Al-Khalil I*

This property is located in Al Misfalah District, with a direct view on Ibrahim Al-Khalil Road, and is 350m away from the Holy Mosque. The building was demolished in 2020 and the land was merged with Ibrahim Al-Khalil II (see note 6.5).

6.3.5 *Ibrahim Al-Khalil II*

The property is located in Al Misfalah District, with a direct view on Ibrahim Al-Khalil Road, and is 350 m away from the Holy Mosque. The building was demolished in 2020 and the land was merged with Ibrahim Al-Khalil I (see note 6.5).

6.3.6 *3-Star Hotel, Makkah*

A proposed hotel tower which will be built in the merged Ibrahim Al-Khalil I and Ibrahim Al-Khalil II lands after the demolition of the buildings (see note 6.5).

6.4 These investment properties have been pledged with Banque Saudi Fransi ("BSF") in order to secure a debt facility obtained by the SPV for the purposes of the Fund.

6.5 On 4 February 2020, the Fund Board approved the redevelopment plan to merge Ibrahim Al-Khalil I and Ibrahim Al-Khalil II and redevelop them into a hotel tower. Accordingly, the buildings in these properties with carrying amounts of SR 3,047,595 and SR 182,171, respectively, were disposed of and demolished. The demolition costs amounting to SR 334,191 were recorded under 'Loss on disposal of investment properties' in the statement of comprehensive income.

6.6 *Impairment of investment properties*

The investment properties were tested for impairment and the management noted the carrying amounts of two properties not to be recoverable. During the year ended 31 December 2020, the management recognised an impairment of SR 59,826,225 (2019: Nil) 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.

Jadwa REIT Al Haramain Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

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

In accordance with Article 22 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 are 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. ValuStrat Consulting and White Cubes. As at reporting date, the valuation of investment properties are as follows:

31 December 2020	Appraiser 1 SR	Appraiser 2 SR	Average SR
Tharawat Al Andalusia Hotel	400,000,000	408,330,000	404,165,000
Tharawat Al Taqwa Hotel	260,000,000	264,000,000	262,000,000
Ibrahim Al-Khalil I	73,080,000	79,179,101	76,129,551
Retail Building	25,000,000	25,000,000	25,000,000
Ibrahim Al-Khalil II	18,260,550	22,610,899	20,435,724
	776,340,550	799,120,000	787,730,275
31 December 2019	Appraiser 1 SR	Appraiser 2 SR	Average SR
Tharawat Al Andalusia Hotel	400,000,000	408,330,000	404,165,000
Tharawat Al Taqwa Hotel	270,000,000	264,000,000	267,000,000
Ibrahim Al-Khalil I	133,000,000	125,000,000	129,000,000
Retail Building	25,000,000	25,000,000	25,000,000
Ibrahim Al-Khalil II	37,000,000	36,670,000	36,835,000
	865,000,000	859,000,000	862,000,000

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 investment properties' fair value against cost:

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

	2020 SR	2019 SR
Fair value of investments in real estate properties	787,730,275	862,000,000
Less: Carrying value of investments in real estate properties (note 6)	704,690,492	779,514,058
Unrealised gain based on fair value evaluation	83,039,783	82,485,942
Units in issue	66,000,000	66,000,000
Per unit share in unrealised gain based on fair value evaluation	1.26	1.25

Jadwa REIT Al Haramain Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

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

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

	2020 SR	2019 SR
Net asset value at cost, as presented in these financial statements	548,413,619	629,658,424
Unrealised gain based on real estate evaluations (note 7.i.)	83,039,783	82,485,942
Net asset based on fair value	<u>631,453,402</u>	<u>712,144,366</u>

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

	2020 SR	2019 SR
Net asset value per unit, at cost as presented in these financial statements	8.31	9.54
Impact on net asset value per unit on account of unrealised gain based on fair value evaluations (note 7.i.)	1.26	1.25
Net asset value per unit at fair value	<u>9.57</u>	<u>10.79</u>

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 SR	2019 SR
Current		
Investment in mutual fund (note 8.1)	<u>17,711,157</u>	-
Non-current		
Investment in private real estate fund (note 8.2)	<u>58,932,224</u>	-

8.1 Investment in mutual fund

This represents the Fund's investment in 174,721.72 units (2019: Nil) of Jadwa Saudi Riyal Murabaha Fund managed by Jadwa Investment Company, the cost of which is SR 17,658,591 (2019: Nil) and is current in nature.

The unrealised gain on this investment amounted to SR 52,566 for the year ended 31 December 2020 (2019: Nil).

8.2 Investment in real estate fund

This represents investment in 5,000,000 units (2019: Nil) 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 50,000,000 (2019: Nil).

The unrealised gain on this investment amounted to SR 8,932,224 for the year ended 31 December 2020 (2019: Nil).

Jadwa REIT Al Haramain Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

9 PREPAYMENTS AND OTHER ASSETS

	2020 SR	2019 SR
Input value-added tax ("VAT")	37,103	-
Prepaid insurance	-	53,516
	<u>37,103</u>	<u>53,516</u>
	<u><u>37,103</u></u>	<u><u>53,516</u></u>

10 RENT RECEIVABLES

This account represents the rent receivables from the operating leases (see note 17).

Following is the ageing analysis of the receivables:

	2020 SR	2019 SR
Less than 30 days	-	21,525,000
Between 31 to 60 days	-	-
Between 61 to 90 days	-	-
Between 91 to 120 days	-	-
More than 120 days	6,106,058	31,267
	<u>6,106,058</u>	<u>21,556,267</u>
	<u><u>6,106,058</u></u>	<u><u>21,556,267</u></u>

The rent receivables are secured by promissory notes.

Impairment and risk exposure

Information about the impairment of rent receivables and the Fund's exposure to credit risk can be found in note 18.

11 CASH AND CASH EQUIVALENTS

As at 31 December 2020, four of the nine bank accounts are maintained with Banque Saudi Fransi ("BSF") and Riyadh Bank under the name of the SPV with a total balance of SR 22,400 (2019: four of the eight bank accounts with a total balance of SR 10,756,887).

12 LONG-TERM LOAN AND DEFERRED CHARGES

	2020 SR	2019 SR
Long-term loan	233,000,000	183,000,000
Less:		
Transaction cost	2,771,250	2,771,250
Amortisation of transaction costs	(1,781,863)	(1,193,861)
	<u>989,387</u>	<u>1,577,389</u>
Long-term loan	<u><u>232,010,613</u></u>	<u><u>181,422,611</u></u>

Jadwa REIT Al Haramain Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

12 LONG-TERM LOAN AND DEFERRED CHARGES (continued)

The Fund has obtained the following Shariah-compliant facilities through the SPV:

- i. On 20 July 2017, BSF has extended an Islamic finance facility (Tawaruq) to the SPV amounting to SR 500,000,000 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. The facility and correspondingly the loan is available till 20 July 2020 and is repayable in full on 31 August 2022.

On 23 August 2020, BSF has increased the limit of the Tawaruq facility from SR 500,000,000 to SR 550,000,000. Also, BSF has extended the availability of the loan until 31 July 2021.

The loan carries mark-up at the rate of Saudi Inter-Bank Offered Rate ("SAIBOR") plus 2% per annum, payable on semi-annual basis. As at 31 December 2020, SR 233,000,000 (2019: SR 183,000,000) have been drawn from the available facility.

Transaction costs related to the loan amounting to SR 2,771,250 as of 31 December 2020 (2019: SR 2,771,250) have been capitalized in the carrying amount of the loan and are being amortized over the period of the loan.

The facility is secured by promissory notes and pledge of certain coverage ratio over the current and future rights and interests in the investment properties of the Fund (see note 6).

Finance charges for the year ended 31 December 2020 amounted to SR 5,778,581 (2019: SR 10,428,825) which are reflected under the statement of comprehensive income.

Fees charged by BSF for loan servicing amounting to SR 3,750,000 has been capitalised as 'Deferred charges' in the statement of financial position and is amortised over the period of the loan facility. Amortisation of deferred charges for the year ended 31 December 2020 amounted to SR 734,350 (2019: SR 732,343) which are reflected under the statement of comprehensive income.

- ii. On 8 May 2018, Riyadh Bank has extended an Islamic finance facility to the SPV amounting to SR 200,000,000 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.

The facility and correspondingly the loan is available until 7 February 2021 and is repayable in full on 7 February 2021. As at 31 December 2020 and 2019, the Fund has not drawn any amount from the facility.

Fees charged by Riyadh Bank for loan servicing amounting to 0.25% of the loan facility has been capitalised as 'Deferred charges' in the statement of financial position and is amortised over the period of the loan facility. Amortisation of deferred charges for the year ended 31 December 2020 amounted to SR 166,971 (2019: SR 316,150).

The movement in the long-term loan is as follows:

	2020	2019
	SR	SR
At beginning of the year	183,000,000	183,000,000
Proceeds from loans	50,000,000	-
At end of the year	233,000,000	183,000,000

Jadwa REIT Al Haramain Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

12 LONG-TERM LOAN AND DEFERRED CHARGES (continued)

The movement in the deferred charges is as follows:

	2020	2019
	SR	SR
At beginning of the year	2,138,104	2,686,597
Additions during the year	-	500,000
Amortisation during the year	(901,321)	(1,048,493)
At end of the year	1,236,783	2,138,104

Deferred charges are presented in the statement of financial position as follows:

	2020	2019
	SR	SR
Non-current portion	337,925	1,236,783
Current portion	898,858	901,321
	1,236,783	2,138,104

13 ACCRUED EXPENSES AND OTHER LIABILITIES

	2020	2019
	SR	SR
Custody fee	160,000	78,376
Insurance fee	126,438	-
Property valuation fee	44,810	46,314
Professional fee	30,719	91,281
Output VAT	-	839,337
Administrator fee	-	30,554
Independent board member fee	-	10,000
Others	5,033	-
	367,000	1,095,862

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:

<i>Related party</i>	<i>Nature of relationship</i>	<i>Nature of transaction</i>	2020	2019
			SR	SR
Jadwa Investment Company	Fund Manager	Management fee (i) Expenses paid on behalf of the Fund	1,035,377	7,144,785
			20,342	-
Jadwa Al-Khalil Real Estate Company	SPV	Finance charges	5,778,581	10,428,825
Jadwa Saudi Riyal Murabaha Fund	Affiliate	Investment in mutual fund Unrealised gain	17,711,157	-
			52,566	-
Real Estate Investment Fund	Affiliate	Investment in private real estate investment fund Unrealised gain	58,932,224	-
			8,932,224	-

Jadwa REIT Al Haramain Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

14.1 Related party transactions (continued)

i. Management fee

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 a management fee equal to 1.0% of the net asset market value of the Fund calculated and payable semi-annually in arrears.

The Fund Manager announced temporary suspension of management fees for the Fund from 1 March 2020 until the Fund resumes the collection of any rents, due to the direct impact of the COVID-19 outbreak on the Fund's assets.

For the dividends distributed to the unitholders, please refer to note 20.

14.2 Related party balances

The following are the details of major related party balances at yearend:

Due to related parties

	2020 SR	2019 SR
Jadwa Al-Khalil Real Estate Company	7,337,300	1,580,074
Unitholders - Unpaid dividends	171,723	164,624
Jadwa Investment Company	22,342	2,000
	<u>7,531,365</u>	<u>1,746,698</u>

Accrued management fee

	2020 SR	2019 SR
Jadwa Investment Company	1,035,377	3,588,469
	<u>1,035,377</u>	<u>3,588,469</u>

15 GENERAL AND ADMINISTRATIVE EXPENSES

	2020 SR	2019 SR
Registration fee	400,000	400,000
Professional fee	182,895	399,369
Legal fee	163,610	69,907
Custody fee	161,899	159,857
Tadawul listing fee	144,320	156,245
Administrator fee	136,856	108,786
Insurance	126,442	126,630
Property valuation fee	100,117	106,810
Independent board member fee (i)	20,000	20,000
Breakup fee	-	835,983
Others	44,190	52,717
	<u>1,480,329</u>	<u>2,436,304</u>

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

Jadwa REIT Al Haramain Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

16 FAIR VALUE MEASUREMENT

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

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

Assets and liabilities for which fair value is recognised or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- 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

16.1 Financial instruments

Financial assets consist of cash and cash equivalents, rent receivables and financial assets at fair value through profit or loss. Financial liabilities consist of due to related parties, accrued management fees, accrued expenses and long-term loan.

Due to the short-term nature of most of the financial instruments, their carrying amount is 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 this loan is close to current market.

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

31 December 2020	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets at fair value through profit or loss (note 8)	17,711,157	58,932,224	-	76,643,381

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.

16.2 Non-financial assets

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

31 December 2020	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Tharawat Al Andalusia Hotel	-	-	404,165,000	404,165,000
Tharawat Al Taqwa Hotel	-	-	262,000,000	262,000,000
Retail Building	-	-	25,000,000	25,000,000
Ibrahim Al-Khalil I (Land)	-	76,129,551	-	76,129,551
Ibrahim Al-Khalil II (Land)	-	20,435,724	-	20,435,724
	-	96,565,275	691,165,000	787,730,275

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

16 FAIR VALUE MEASUREMENT (continued)

16.2 Non-financial assets (continued)

31 December 2019	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Tharawat Al Andalusia Hotel	-	-	404,165,000	404,165,000
Tharawat Al Taqwa Hotel	-	-	267,000,000	267,000,000
Retail Building	-	-	25,000,000	25,000,000
Ibrahim Al-Khalil I	-	-	129,000,000	129,000,000
Ibrahim Al-Khalil II	-	-	36,835,000	36,835,000
	-	-	862,000,000	862,000,000

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 considerations of liquidity and model inputs related to items such as credit risk, correlation and volatility.

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 ValuStrat Consulting and White Cubes 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).

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

<i>Description</i>	<i>Valuation approach</i>	<i>Key assumptions</i>
Evaluator: ValuStrat		
Tharawat Al Andalusia Hotel	Discounted cash flow	Discount rate, exit yield rate, growth rate
Tharawat Al Taqwa Hotel	Discounted cash flow	Discount rate, exit yield rate, growth rate
Retail Building	Income capitalisation	Capitalisation rate
Ibrahim Al-Khalil I (Land)	Market comparative (2019: Income capitalisation)	Price per square meter from current year sales of comparable lots of land in the area (2019: Capitalisation rate)
Ibrahim Al-Khalil II (Land)	Market comparative (2019: Income capitalisation)	Price per square meter from current year sales of comparable lots of land in the area (2019: Capitalisation rate)

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16 FAIR VALUE MEASUREMENT (continued)

16.2 Non-financial assets (continued)

<i>Description</i>	<i>Valuation approach</i>	<i>Key assumptions</i>
Evaluator: White Cubes		
Tharawat Al Andalusia Hotel	Income capitalisation	Capitalisation rate
Tharawat Al Taqwa Hotel	Income capitalisation	Capitalisation rate
Retail Building	Income capitalisation	Capitalisation rate
Ibrahim Al-Khalil I	Market comparative (2019: Income capitalisation)	Price per square meter from current year sales of comparable lots of land in the area (2019: Capitalisation rate)
Ibrahim Al-Khalil II	Market comparative (2019: Income capitalisation)	Price per square meter from current year sales of comparable lots of land in the area (2019: Capitalisation rate)

Transfers between levels 2 and 3

In 2020, the Fund transferred Ibrahim Al-Khalil I and Ibrahim Al-Khalil II from level 3 into level 2 as the buildings in these investment properties were disposed of and demolished for the Fund's plan to merge the remaining parcels of land and redeveloped them into a hotel tower. Accordingly, the remaining properties' valuations were derived using market comparative approach and presented under level 2 fair value hierarchy.

17 OPERATING LEASES

Future minimum rental commitments under the operating leases are as follows:

	2020	2019
	SR	SR
Not later than one year	20,608,757	43,906,780
Later than one year and not later than five years	-	145,449,153
Later than five years	-	405,903,955
	20,608,757	595,259,888

The Fund enters into long-term operating lease contracts with tenants for space in its investment properties. Initial lease terms are generally between three and 16 years. During the year, the Fund received notices from the tenant of Tharawat Al Andalusia and Tharawat Al Taqwa Hotel to terminate the respective lease contracts in accordance with the lease contract terms and conditions. Accordingly, the contracts will end in 2021 (see note 22).

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 recognised by the Fund during the year amounted to SR 8,067,772 (2019: SR 52,565,599).

18 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk, liquidity risk and property risk.

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

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.

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18 FINANCIAL RISK MANAGEMENT (continued)

18.1 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.

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 short-term deposits and 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 1,904,944 for the year ended 31 December 2020 (2019: SR 2,061,139).

18.2 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.

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.

As at year end, the Fund has cash and cash equivalents and rent receivables as financial assets carried at amortised cost.

The bank balances are demand deposits with reputable financial institutions with investment grade credit rating. These financial institutions are highly capitalised and sufficiently liquid. They adhere to strict requirements of their regulator with respect to capital adequacy and liquidity requirements. Further, based on the economic review in general and assessment of the forecast of the Saudi Arabian Financial Institutions specifically by the reputable financial analyst and other agencies, the management believes that the financial institutions will continue their positive capital of liquidity requirements. Accordingly, the management assessed no provision is required at this stage.

With respect to rent receivables, these are short-term receivables which are current and are settled within a very short period of time. Considering that there are no historical losses and accordingly very low probability of default, the management assessed the loss allowance to be negligible to the Fund.

18.3 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

18 FINANCIAL RISK MANAGEMENT (continued)

18.3 Liquidity risk (continued)

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

	<i>On demand SR</i>	<i>Less than 3 months SR</i>	<i>3 to 12 months SR</i>	<i>More than 12 months SR</i>	<i>Total SR</i>
31 December 2020					
Due to related parties	194,065	6,372,457	964,843	-	7,531,365
Accrued management fees	-	1,035,377	-	-	1,035,377
Accrued expenses and other liabilities	-	367,000	-	-	367,000
Long-term loan	-	-	-	233,000,000	233,000,000
	<u>194,065</u>	<u>7,774,834</u>	<u>964,843</u>	<u>233,000,000</u>	<u>241,933,742</u>
	<i>On demand SR</i>	<i>Less than 3 months SR</i>	<i>3 to 12 months SR</i>	<i>More than 12 months SR</i>	<i>Total SR</i>
31 December 2019					
Due to related parties	166,624	-	1,580,074	-	1,746,698
Accrued management fees	-	3,588,469	-	-	3,588,469
Accrued expenses and other liabilities	-	1,095,862	-	-	1,095,862
Long-term loan	-	-	-	183,000,000	183,000,000
	<u>166,624</u>	<u>4,684,331</u>	<u>1,580,074</u>	<u>183,000,000</u>	<u>189,431,029</u>

18.4 Property risk

Property risk is the risk related to the investment properties of the Fund. The Fund's management has identified the following risks related to its investment properties:

- A tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associate property. To reduce this risk, the Fund reviews the financial status of all prospective tenants and decides on the appropriate level of security required via promissory notes.
- Concentration risk as all the investment properties of the Fund are located in the vicinity of the Holy Mosque in Makkah. This causes changes in economic, political or other conditions to similarly affect all the properties at the same time. The Fund's management regularly assess the changes in the market indicators and diversifies its investment in different areas within the macro location, as this is a premium location with high level of demand for hospitality units.

19 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.

20 DIVIDENDS DISTRIBUTION

On 10 March 2020, the Fund Manager approved to distribute dividends to the unitholders for the period from 1 July 2019 to 31 December 2019 amounting to SR 13,200,000 in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.

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31 December 2020

21 CHANGES IN THE FUND'S TERMS AND CONDITIONS

During the year ended 31 December 2020, the Fund Manager has made certain changes to the terms and conditions of the Fund. These changes include the following:

- Adjustment of percentage of asset allocation in Makkah and Madina to be at least 60% of the Fund's total asset value, instead of 100% of the total asset value.
- Geographical expansion for the Fund's investments in addition to Makkah and Madina in order to include the rest of the cities in the Kingdom, with a percentage that does not exceed 40% of Fund's total asset value.
- Allowing the Fund to invest in real estate assets outside the Kingdom with a percentage that does not exceed 25% of Fund's total asset value.
- Updating the Fund's other investments and maintaining the same allocation, with a percentage that does not exceed 25% of Fund's total asset value, and adding buy-back and leasehold agreements, cash and money market funds, units in real estate investment funds, whether private or publicly listed, and whether managed by the Fund Manager or any other fund manager, as long as it is a Shariah-compliant and a CMA-regulated fund.

22 IMPACT OF COVID-19

At the beginning of the year 2020, the presence of Coronavirus disease ("COVID-19") was confirmed, which spread all over the world causing disturbance of commercial and economic activities. The impact of COVID-19 in the Fund are as follows:

On 9 March 2020, the Fund received a notice to suspend the lease contract for Tharawat Al Andalusia Hotel due to temporary suspension of Umrah due to the COVID-19 outbreak. The Fund received another notice from the tenant of Tharawat Al Andalusia Hotel that the lease contract shall be terminated due to changing conditions in the hospitality sector in Makkah Al-Mukarramah. Accordingly, the end of the contract term will be on 13 Rajab 1442H (corresponding to 25 February 2021) which is equivalent to a period of Hijri twelve months from the date of notice.

On 29 March 2020, the Fund received a notice from the tenants of Tharawat Al Taqwa Hotel and the Retail Building to suspend the lease contracts temporarily for these two properties until the authorities lift the suspension.

On 28 Dhu al-Hijjah 1441H (corresponding to 18 August 2020), the Fund Manager has received a notice from the tenant of Tharawat Al Taqwa Hotel to terminate the lease contract in accordance with the lease contract terms and conditions. Accordingly, the end of the contract period will be on 1 Jumada Al-Awwal 1443 H (corresponding to 5 December 2021), which is four Hijri years from the beginning of the lease term.

The Fund Manager has successfully addressed most of the requests and suspended the lease contracts until the authorities lift the suspension of Umrah. The effective date of the rent suspension for Tharawat Al Andalusia Hotel and Tharawat Al Taqwa Hotel is 1 March 2020 as per the tenants' requests while the effective date for the Retail Building is 23 March 2020, which is the start date of the curfew in the Kingdom.

The Fund Manager announced temporary suspension of management fees for the Fund, due to the direct impact of the COVID-19 outbreak on the Fund's assets. Specifically, the precautionary COVID-19 measures included the suspension of Umrah, which led to the suspension of the Fund's rents. The suspension of management fees will be effective from the date of rent suspension for tenants, corresponding to 1 March 2020, and until the Fund resumes the collection of any rents.

The impact of the suspension of lease contracts on rental income and management fees for the year ended 31 December 2020 amounted to approximately SR 36,644,068 and SR 5,288,021, respectively.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

22 IMPACT OF COVID-19 (continued)

The Fund continues to determine net asset values with the frequency as set out in the offering documents, consistently applying valuation policies and reflective of prevailing market conditions. In determining the investment property valuations as of 31 December 2020, the Fund has considered the potential impact (based on the best available information) of the uncertainties caused by the COVID-19 pandemic and has taken into account the economic and relief measures it has to extend to its tenants.

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

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

23 COMPARATIVE FIGURES AND DISCLOSURES

Certain of the prior year figures and disclosures have been reclassified to conform with the 2020 presentation. The major reclassification is as follows:

<i>Reclassified from</i>	<i>Reclassified to</i>	<i>Amount SR</i>
Deferred charges – non-current portion	Deferred charges – current portion	901,321

24 LAST VALUATION DAY

The last valuation day of the year was 31 December 2020.

25 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund's Board on 16 Sha'ban 1442H (corresponding to 29 March 2021).