

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

**CONDENSED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)
AND REPORT ON REVIEW**

**FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2021**

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

Introduction:

We have reviewed the accompanying condensed interim statement of financial position of Jadwa REIT Saudi Fund (the "Fund") as at 30 June 2021, and the related condensed interim statements of comprehensive income, cash flows and changes in net assets for six-month period ended 30 June 2021, and a summary of significant accounting policies and other explanatory notes. The Fund manager is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with Standard on Interim Financial Reporting IAS 34, as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the Standard on Interim Financial Reporting IAS 34, as endorsed in the Kingdom of Saudi Arabia.

Report on Other Legal and Regulatory Requirements:

As at 30 June 2021, the Fund has not complied with a condition of Part 4 of the Real Estate Investment Funds Regulations ("REIFR"). The Fund's investment value in constructionally developed real estate, and qualified to generate periodic rental income, represents 71.0% of the Fund's total asset value, which is less than the minimum requirement of 75%.

for Alluhaid & Alyahya Chartered Accountants


Saleh Al-Yahya
Certified Public Accountant
License No. 473

Riyadh: 10 Muharram 1443 H
(18 August 2021)



Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2021

	Notes	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
ASSETS			
NON-CURRENT ASSETS			
Investment properties	5	1,551,998,862	1,570,608,097
Financial assets at fair value through profit or loss	7	523,031,405	530,390,020
Deferred charges	9	2,149,837	3,132,465
TOTAL NON-CURRENT ASSETS		2,077,180,104	2,104,130,582
CURRENT ASSETS			
Financial assets at fair value through profit or loss	7	-	14,052,262
Deferred charges – current portion	9	1,981,542	1,981,542
Prepayments and other assets	8	31,410,470	21,946
Rent receivables		30,376,792	22,520,508
Other receivables		60,094	384,034
Cash and cash equivalents		45,490,840	18,536,864
TOTAL CURRENT ASSETS		109,319,738	57,497,156
TOTAL ASSETS		2,186,499,842	2,161,627,738
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term loan	9	603,122,500	573,122,500
CURRENT LIABILITIES			
Due to related parties	12	30,428,939	362,074
Unearned rental income		618,011	2,990,956
Accrued management fee	12	6,574,247	7,355,507
Accruals and other liabilities	10	2,307,800	1,345,635
TOTAL CURRENT LIABILITIES		39,928,997	12,054,172
TOTAL LIABILITIES		643,051,497	585,176,672
NET ASSETS		1,543,448,345	1,576,451,066
Units in issue		158,000,000	158,000,000
Per unit value		9.77	9.98
Per unit fair value	6	11.15	11.71

The attached notes 1 to 19 form an integral part of these condensed interim financial statements.

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six-month period ended 30 June 2021

		<i>For the six-month period ended 30 June</i>	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	SR	SR
INCOME			
Rental income from investment properties		71,231,797	66,635,539
Unrealised loss on financial assets at fair value through profit or loss	7	(7,358,615)	-
Realised gain on sale of financial assets at fair value through profit or loss	7	71,227	-
		63,944,409	66,635,539
EXPENSES			
Depreciation	5	(19,111,074)	(19,236,261)
Management fees	12	(6,554,247)	(6,612,676)
Amortisation of deferred charges	9	(982,628)	(988,056)
General and administrative expenses	11	(2,239,117)	(1,496,005)
		(28,887,066)	(28,332,998)
OPERATING PROFIT		35,057,343	38,302,541
Finance charges	9	(8,020,064)	(2,628,874)
NET INCOME FOR THE PERIOD		27,037,279	35,673,667
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		27,037,279	35,673,667

The attached notes 1 to 19 form an integral part of these condensed interim financial statements.

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2021

	Notes	For the six-month period ended 30 June	
		2021 (Unaudited) SR	2020 (Unaudited) SR
OPERATING ACTIVITIES			
Net income for the period		27,037,279	35,673,667
Adjustments for non-cash and other items:			
Unrealised loss on financial assets at fair value through profit or loss	7	7,358,615	-
Depreciation	5	19,111,074	19,236,261
Finance charges	9	8,020,064	2,628,874
Amortisation of deferred charges	9	982,628	988,056
Realised gain on sale of financial assets at fair value through profit or loss	7	(71,227)	
		<u>62,438,433</u>	<u>58,526,858</u>
Changes in operating assets and liabilities:			
Prepayments and other assets		(31,388,524)	6,935,159
Rent receivables		(7,856,284)	(5,638,681)
Other receivables		323,940	-
Due to related parties		100,069	(772,798)
Unearned rental income		(2,372,945)	4,089,517
Accrued management fee		(781,260)	(63,180)
Accruals and other liabilities		962,165	(96,777)
		<u>21,425,594</u>	<u>62,980,098</u>
Finance charges paid		(8,073,268)	(3,842,941)
Net cash from operating activities		<u>13,352,326</u>	<u>59,137,157</u>
INVESTING ACTIVITIES			
Proceeds from sale of financial assets at fair value through profit or loss	7	14,123,489	-
Addition to investment properties		(501,839)	-
Net cash from investing activities		<u>13,621,650</u>	<u>-</u>
FINANCING ACTIVITIES			
Proceeds from long-term loan	9	30,000,000	-
Dividends distributed	15	(30,020,000)	(58,460,000)
Loan repayment		-	(4,650,000)
Net cash used in financing activities		<u>(20,000)</u>	<u>(63,110,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
		<u>26,953,976</u>	<u>(3,972,843)</u>
Cash and cash equivalents at beginning of the period		<u>18,536,864</u>	<u>29,412,753</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD			
		<u><u>45,490,840</u></u>	<u><u>25,439,910</u></u>
NON-CASH TRANSACTIONS			
Dividends declared	15	<u>30,020,000</u>	<u>-</u>

The attached notes 1 to 19 form an integral part of these condensed interim financial statements.

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)
For the six-month period ended 30 June 2021

	Notes	<i>For the six-month period ended June 30</i>	
		2021 (Unaudited) SR	2020 (Unaudited) SR
Net asset value attributed to the unitholders at beginning of the period		1,576,451,066	1,537,698,355
Comprehensive income			
Net income for the period		27,037,279	35,673,667
Other comprehensive income for the period		-	-
Total comprehensive income for the period		27,037,279	35,673,667
Dividend distribution	15	(60,040,000)	(58,460,000)
Net asset value attributed to the unitholders at end of the period		<u>1,543,448,345</u>	<u>1,514,912,022</u>

The attached notes 1 to 19 form an integral part of these condensed interim financial statements.

Jadwa REIT Saudi Fund (Managed by Jadwa Investment Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) 30 June 2021

1 GENERAL

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 1,580,000,000 divided into 158,000,000 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").

The following entities have been established and approved by the CMA as special purpose vehicles (the "SPVs") for the beneficial interest 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.

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.

On 3 March 2021, the Board of Directors approved the suggested change in the Fund's total asset value which the Fund Manager intends to submit to CMA and Tadawul in connection with the acquisition of a targeted real estate property (retail and offices complex) by the Fund. The total asset value will be increased by SR 370,000,000 through accepting in-kind and cash subscriptions, after obtaining the necessary approvals for the acquisition of the targeted real estate property.

Also, on 3 March 2021, the Fund signed a Sale and Purchase Agreement for Riyadh Boulevard property with a purchase price of SR 320,000,000. The purchase will be financed by increasing the total value of the Fund's assets to SR 370,000,000, by accepting an in-kind contribution from the seller of the property amounting to SR 120,000,000 in addition to the issuance of additional cash units in the Fund amounting to SR 250,000,000, which will finance the purchase of the property, real estate transfer tax and acquisition costs.

2 REGULATING AUTHORITY

The Fund is governed by the REIFR published by the CMA in the Kingdom of Saudi Arabia on 19 Jumada II 1427H (corresponding to 15 July 2006) which was amended by Resolution Number 2-22-2021 dated 12 Rajab 1442H (corresponding to 24 February 2021) and REITF instructions published by CMA on 23 Muharram 1438H (corresponding to 24 October 2016) which was 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.

As at 30 June 2021, the Fund has not complied with a condition of Part 4 of the REIFR. The Fund's investment value in constructionally developed real estate, and qualified to generate periodic rental income, represents 71.0% of the Fund's total asset value, which is less than the minimum requirement of 75%. This was mainly due to the significant change in the fair value of its investment in private real estate investment Fund.

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(continued)
30 June 2021

3 BASIS OF PREPARATION

3.1 Statement of compliance

These unaudited condensed interim financial statements (“financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”), including International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”) and as endorsed in the Kingdom of Saudi Arabia.

These financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2020.

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 Use of estimates

In the ordinary course of business, the preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and 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 recognised in the period in which the estimates are reviewed and affected in future periods.

3.4 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 POLICIES

The significant accounting policies used in the preparation of these financial statements are consistent with those used and disclosed in the financial statements of the Fund for the year ended 31 December 2020:

4.1 Standards and amendments to existing standards effective 1 January 2021

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2021 that have a material effect on the financial statements of the Fund.

4.2 New standards, amendments and interpretations effective after 1 January 2021 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 / interpretations</u>	<u>Effective date</u>
IFRS 17 <i>Insurance Contracts</i>	1 January 2023
<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
<i>Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)</i>	1 January 2023
<i>Definition of Accounting Estimates (Amendments to IAS 8)</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 Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(continued)
30 June 2021

5 INVESTMENT PROPERTIES

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

30 June 2021 (Unaudited)

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Net book value SR</i>
Land	498,249,675	-	499,137,549
Alyaum Newspaper Tower	161,061,829	11,441,271	148,732,684
Almaarefa University for Science & Technology	97,439,857	9,814,344	87,625,513
Al-Sulay Warehouse	147,534,425	19,306,676	128,227,749
Marvela Residential Compound	492,696,838	62,152,459	430,544,379
Al Fanar Residential & Commercial Compound	205,902,564	23,179,229	182,723,335
Rawd Aljinan School	19,016,563	1,447,780	17,568,783
Aber Al Yasmin Hotel	19,870,771	1,018,403	18,852,368
Olaya Court Tower	40,670,939	2,084,437	38,586,502
	1,682,443,461	130,444,599	1,551,998,862

31 December 2020 (Audited)

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Net book value SR</i>
Land	498,249,675	-	498,249,675
Alyaum Newspaper Tower	160,559,990	9,773,815	150,786,175
Almaarefa University for Science & Technology	97,439,857	8,424,320	89,015,537
Al-Sulay Warehouse	147,534,425	16,572,319	130,962,106
Marvela Residential Compound	492,696,838	53,349,959	439,346,879
Al Fanar Residential & Commercial Compound	205,902,564	19,896,412	186,006,152
Rawd Aljinan School	19,016,563	1,153,013	17,863,550
Aber Al Yasmin Hotel	19,870,771	710,157	19,160,614
Olaya Court Tower	40,670,939	1,453,530	39,217,409
	1,681,941,622	111,333,525	1,570,608,097

5.1 The useful lives of the investment properties as estimated by an independent valuator range from 30 to 50 years.

5.2 Freehold land comprises of the lands acquired on which the buildings are built. The aggregate area of land in Riyadh, Al Khobar and Dammam are of 387,442.39 square meters (31 December 2020: 387,442.39 square meters).

5.3 Brief details of the investment properties follow:

5.3.1 Alyaum Newspaper Tower

This property is a 17-storey with 3-level basement, office building located in Al Hussam District, Dammam City.

5.3.2 Almaarefa University for Science & Technology

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

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(continued)
30 June 2021

5 INVESTMENT PROPERTIES (continued)

5.3.3 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.

5.3.4 Marvela Residential Compound

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

5.3.5 Al Fanar Residential & Commercial Compound

This property is a mixed-use project composed of residential and retail units located at the southwest corner of King Faisal Road and 1 Street, within Ar Rawabi District, Al Khobar.

5.3.6 Rawd Aljinan School

This property is a fully constructed educational facility located in An-Nakheel District, Riyadh.

5.3.7 Aber Al Yasmin Hotel

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

5.3.8 Olaya Court Tower

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

6 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 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. White Cubes and Menassat Realty Company (31 December 2020: White Cubes and ValuStrat Consulting). As at reporting date, the valuation of investment properties are as follows:

<u>30 June 2021 (Unaudited)</u>	<i>Appraiser 1</i> SR	<i>Appraiser 2</i> SR	<i>Average</i> SR
Alyaum Newspaper Tower	337,000,000	223,000,000	280,000,000
Almareefa University for Science & Technology	235,430,000	220,000,000	227,715,000
Al-Sulay Warehouse	266,700,000	217,000,000	241,850,000
Marvela Residential Compound	645,000,000	580,000,000	612,500,000
Al Fanar Residential & Commercial Compound	268,300,000	261,000,000	264,650,000
Rawd Aljinan School	31,250,000	32,400,000	31,825,000
Aber Al Yasmin Hotel	39,640,000	41,000,000	40,320,000
Olaya Court Tower	77,420,000	64,175,000	70,797,500
	<u>1,900,740,000</u>	<u>1,638,575,000</u>	<u>1,769,657,500</u>

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(continued)
30 June 2021

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

<i>31 December 2020 (Audited)</i>	<i>Appraiser 1 SR</i>	<i>Appraiser 2 SR</i>	<i>Average SR</i>
Alyaum Newspaper Tower	337,000,000	297,200,000	317,100,000
Almareefa University for Science & Technology	235,430,000	213,300,000	224,365,000
Al-Sulay Warehouse	266,700,000	235,300,000	251,000,000
Marvela Residential Compound	645,000,000	645,200,000	645,100,000
Al Fanar Residential & Commercial Compound	268,300,000	259,700,000	264,000,000
Rawd Aljnan School	31,250,000	31,000,000	31,125,000
Aber Al Yasmin Hotel	39,640,000	35,900,000	37,770,000
Olaya Court Tower	77,420,000	70,000,000	73,710,000
	<u>1,900,740,000</u>	<u>1,787,600,000</u>	<u>1,844,170,000</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 investment properties' fair value against cost:

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

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Fair value of investments in real estate properties	1,769,657,500	1,844,170,000
Less: Carrying value of investments in real estate properties (note 5)	1,551,998,862	1,570,608,097
Unrealised gain based on fair value evaluation	217,658,638	273,561,903
Units in issue	158,000,000	158,000,000
Per unit share in unrealised gain based on fair value evaluation	1.38	1.73

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

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Net asset value at cost, as presented in these financial statements	1,543,448,345	1,576,451,066
Unrealised gain based on real estate evaluations (note 6.i.)	217,658,638	273,561,903
Net asset based on fair value	1,761,106,983	1,850,012,969

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(Managed by Jadwa Investment Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(continued)
30 June 2021

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

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

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Net asset value per unit, at cost as presented in these financial statements	9.77	9.98
Impact on net asset value per unit on account of unrealised gain based on fair value evaluations (note 6.i.)	1.38	1.73
Net asset value per unit at fair value	<u>11.15</u>	<u>11.71</u>

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Non-current		
Investment in associate (note 7.1)	<u>523,031,405</u>	<u>530,390,020</u>
Current		
Investment in mutual fund (note 7.2)	<u>-</u>	<u>14,052,262</u>

7.1 Investment in associate

This represents investment in 45,000,000 units (31 December 2020: 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 450,000,000 (31 December 2020: 450,000,000). The Fund's principal place of business is in Riyadh, Kingdom of Saudi Arabia.

As at 30 June 2021, the Fund holds 30.36% of Real Estate Investment Fund (31 December 2020: 42.36%).

The unrealised loss on this investment amounted to SR 7,358,615 for the period ended 30 June 2021 (2020: SR nil).

7.2 Investment in mutual fund

As at 31 December 2020, this account represents the Fund's investment in 138,626.49 units of Jadwa Saudi Riyal Murabaha Fund managed by Jadwa Investment Company, the cost of which is SR 14,000,000) and is current in nature.

During the period ended 30 June 2021, the Fund disposed of all units in the mutual fund for SR 14,123,489 resulting to realised gain amounting to SR 71,227 (2020: SR nil).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(continued)
30 June 2021

8 PREPAYMENTS AND OTHER ASSETS

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Input value-added tax ("VAT")	31,008,259	-
Prepaid expenses	402,211	21,946
	<u>31,410,470</u>	<u>21,946</u>

9 LONG-TERM LOAN AND DEFERRED CHARGES

On 1 October 2018, BSF has 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.

The facility and correspondingly the loan is available until 1 October 2021 and is repayable in full on 31 July 2023. As at 30 June 2021, the Fund has drawn SR 603,122,500 (31 December 2020: SR 573,122,500) from the facility.

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 is as follows:

	For the six-month period ended 30 June	
	2021 (Unaudited) SR	2020 (Unaudited) SR
At beginning of the period	573,122,500	127,772,500
Proceeds from loans	30,000,000	-
Repayment of loans	-	(4,650,000)
At end of the period	<u>603,122,500</u>	<u>123,122,500</u>

Finance charges for the period ended 30 June 2021 amounted to SR 8,020,064 (2020: SR 2,628,874) which are reflected under the statement of comprehensive income.

Fees charged by the Bank for loan servicing amounting to 1.0% of the loan facility, which is equivalent to SR 10,000,000, has been capitalised as 'Deferred charges' in the statement of financial position and is amortised over the period of the loan facility.

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9 LONG-TERM LOAN AND DEFERRED CHARGES (continued)

The movement in the deferred charges is as follows:

	<i>For the six-month period ended 30 June</i>	
	2021 <i>(Unaudited)</i> SR	2020 <i>(Unaudited)</i> SR
At beginning of the period	5,114,007	7,100,977
Amortisation charged during the period	(982,628)	(988,056)
At end of the period	<u>4,131,379</u>	<u>6,112,921</u>

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

	30 June 2021 <i>(Unaudited)</i> SR	31 December 2020 <i>(Audited)</i> SR
Non-current portion	2,149,837	3,132,465
Current portion	1,981,542	1,981,542
	<u>4,131,379</u>	<u>5,114,007</u>

10 ACCRUALS AND OTHER LIABILITIES

	30 June 2021 <i>(Unaudited)</i> SR	31 December 2020 <i>(Audited)</i> SR
Output VAT	2,015,642	996,897
Property valuation fees	88,810	58,810
Custody fee	80,000	247,320
Professional fees	53,625	32,250
Administration fee	31,470	-
Independent board member fee	10,000	-
Others	28,253	10,358
	<u>2,307,800</u>	<u>1,345,635</u>

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11 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the six-month period ended 30 June</i>	
	2021 <i>(Unaudited)</i> SR	2020 <i>(Unaudited)</i> SR
Indirect tax	575,884	327,225
Professional fees	365,373	188,482
Legal fee	310,075	71,972
Registration fee	200,000	200,000
Custody fee	160,877	160,000
Tadawul listing fee	148,767	149,180
Property valuation fees	88,810	106,580
Insurance	63,103	174,328
Administration fee	62,659	60,396
Independent board member fee (i)	10,000	-
Others	253,569	57,842
	2,239,117	1,496,005

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

12 RELATED PARTY TRANSACTIONS AND BALANCES

12.1 *Related party transactions*

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

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Nature of transaction</i>	<i>Amount of transactions For the six-month period ended 30 June</i>	
			2021 <i>(Unaudited)</i> SR	2020 <i>(unaudited)</i> SR
Jadwa Investment Company	Fund Manager	Management fee (i)	6,554,247	6,612,676
Real Estate Development Areas Company	SPV	Finance charges	8,020,064	2,628,874
AbdulKadir Al Muhaidib & Sons Co.	Unitholder	Rental income from investment properties	-	38,196,959
Jadwa Saudi Riyal Murabaha Fund	Affiliate fund	Realised gain on sale of investment in mutual fund	71,227	-
Real Estate Investment Fund	Associate fund	Unrealised loss on financial asset at FVTPL	7,358,615	-

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 0.75% of the net asset market value of the Fund calculated and payable semi-annually in arrears.

As at 30 June 2021, the Fund Manager held 8,944,700 units in the Fund (31 December 2020: 8,944,700 units).

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12 RELATED PARTY TRANSACTIONS AND BALANCES (continued)
12.1 Related party transactions (continued)

For the dividends distributed to the unitholders, please refer to note 15.

12.2 Related party balances

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

a. Amounts due to related parties

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Unitholders - Unpaid dividends	30,343,756	223,687
Jadwa Investment Company	72,012	72,012
Real Estate Development Areas Company	13,171	66,375
	<u>30,428,939</u>	<u>362,074</u>

b. Accrued management fee

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Jadwa Investment Company	6,574,247	7,355,507
	<u>6,574,247</u>	<u>7,355,507</u>

13 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

All financial instruments for which fair value is recognised or disclosed are categorised 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

13.1 Financial instruments

Financial assets consist of cash and cash equivalents, rent receivables and other receivables. Financial liabilities consist of due to related parties, accrued management fees, other accrued expenses, 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 close to current market rate.

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13 FAIR VALUE MEASUREMENT (continued)
13.1 Financial instruments (continued)

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

<u>30 June 2021</u>	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets at fair value through profit or loss (note 7)	-	523,031,405	-	523,031,405
	<u>Level 1 SR</u>	<u>Level 2 SR</u>	<u>Level 3 SR</u>	<u>Total SR</u>
<u>31 December 2020</u>	14,052,262	530,390,020	-	544,442,282

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.

13.2 Non-financial assets

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

<u>30 June 2021 (Unaudited)</u>	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Marvela Residential Compound	-	-	612,500,000	612,500,000
Alyaum Newspaper Tower	-	-	280,000,000	280,000,000
Al Fanar Residential & Commercial Compound	-	-	264,650,000	264,650,000
Al-Sulay Warehouse	-	-	241,850,000	241,850,000
Almareefa University for Science & Technology	-	-	227,715,000	227,715,000
Olaya Court Tower	-	-	70,797,500	70,797,500
Aber Al Yasmin Hotel	-	-	40,320,000	40,320,000
Rawd Aljinan School	-	-	31,825,000	31,825,000
	<u>-</u>	<u>-</u>	<u>1,769,657,500</u>	<u>1,769,657,500</u>

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13 FAIR VALUE MEASUREMENT (continued)
13.2 Non-financial assets (continued)

<u>31 December 2020 (Audited)</u>	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Marvela Residential Compound	-	-	645,100,000	645,100,000
Alyaum Newspaper Tower	-	-	317,100,000	317,100,000
Al Fanar Residential & Commercial Compound	-	-	264,000,000	264,000,000
Al-Sulay Warehouse	-	-	251,000,000	251,000,000
Almareefa University for Science & Technology	-	-	224,365,000	224,365,000
Olaya Court Tower	-	-	73,710,000	73,710,000
Aber Al Yasmin Hotel	-	-	37,770,000	37,770,000
Rawd Aljinan School	-	-	31,125,000	31,125,000
	-	-	1,844,170,000	1,844,170,000

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 Menassat and White Cubes (31 December 2020: ValuStrat Consulting and White Cubes) as disclosed in note 6. 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 period-end are as follows:

30 June 2021 (Unaudited)

<i>Description</i>	<i>Valuation approach</i>	<i>Key assumptions</i>
Evaluator: White Cubes		
Marvela Residential Compound	Income capitalisation	Capitalisation rate
Alyaum Newspaper Tower	Income capitalisation	Capitalisation rate
Al Fanar Residential & Commercial Compound	Income capitalisation	Capitalisation rate
Al-Sulay Warehouse	Income capitalisation	Capitalisation rate
Almareefa University for Science & Technology	Income capitalisation	Capitalisation rate
Olaya Court Tower	Income capitalisation	Capitalisation rate
Aber Al Yasmin Hotel	Income capitalisation	Capitalisation rate
Rawd Aljinan School	Income capitalisation	Capitalisation rate

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13 FAIR VALUE MEASUREMENT (continued)
13.2 Non-financial assets (continued)

<i>Description</i>	<i>Valuation approach</i>	<i>Key assumptions</i>
<i>Evaluator: Menassat Realty Company</i>		
Marvela Residential Compound	Income capitalization, discounted cash flow and depreciated replacement cost (DRC)	Capitalisation rate, discount rate and depreciation rate
Alyaum Newspaper Tower	Income capitalization and DRC	Capitalisation rate and depreciation rate
Al Fanar Residential & Commercial Compound	Income capitalisation	Capitalisation rate
Al-Sulay Warehouse	Income capitalization and DRC	Capitalisation rate and depreciation rate
Almareefa University for Science & Technology	Income capitalisation	Capitalisation rate
Olaya Court Tower	Income capitalisation	Capitalisation rate
Aber Al Yasmin Hotel	Income capitalization and DRC	Capitalisation rate and depreciation rate
Rawd Aljinan School	Income capitalization and DRC	Capitalisation rate and depreciation rate

31 December 2020 (Audited)

<i>Description</i>	<i>Valuation approach</i>	<i>Key assumptions</i>
<i>Evaluator: White Cubes</i>		
Marvela Residential Compound	Income capitalisation	Capitalisation rate
Alyaum Newspaper Tower	Income capitalisation	Capitalisation rate
Al Fanar Residential & Commercial Compound	Income capitalisation	Capitalisation rate
Al-Sulay Warehouse	Income capitalisation	Capitalisation rate
Almareefa University for Science & Technology	Income capitalisation	Capitalisation rate
Olaya Court Tower	Income capitalisation	Capitalisation rate
Aber Al Yasmin Hotel	Income capitalisation	Capitalisation rate
Rawd Aljinan School	Income capitalisation	Capitalisation rate

<i>Description</i>	<i>Valuation approach</i>	<i>Key assumptions</i>
<i>Evaluator: ValuStrat Consulting</i>		
Marvela Residential Compound	Income capitalisation	Capitalisation rate
Alyaum Newspaper Tower	Income capitalisation	Capitalisation rate
Al Fanar Residential & Commercial Compound	Income capitalisation	Capitalisation rate
Al-Sulay Warehouse	Income capitalisation	Capitalisation rate
Almareefa University for Science & Technology	Income capitalisation	Capitalisation rate
Olaya Court Tower	Income capitalisation	Capitalisation rate
Aber Al Yasmin Hotel	Income capitalisation	Capitalisation rate
Rawd Aljinan School	Income capitalisation	Capitalisation rate

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14 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.

15 DIVIDENDS DISTRIBUTION

On 25 January 2021, the Fund Manager approved to distribute dividends to the unitholders for the period from 1 October 2020 to 31 December 2020 for an amount of SR 30,020,000 in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.

On 24 June 2021, the Fund Manager approved to distribute dividends to the unitholders for the period from 1 January 2021 to 31 March 2021 for an amount of SR 30,020,000 in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.

16 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. Accordingly, on 21 April 2020, the Fund has received a number of requests from some tenants to provide concession on the due rents until the end of precautionary measures that were implemented to contain the spread of COVID-19 outbreak aiming to protect citizens and residents by closing of commercial complexes until further notice in addition to a full curfew. The Fund Manager evaluates these requests on a case-by-case basis subject to the regularity and contractual procedures in a manner that protects the interests of the unitholders in the short and long term.

Accordingly, the Fund Manager has successfully addressed the requests and reduced the rent for four of its properties. The impact of rent concession on rental revenue from investment properties for the period ended 30 June 2021 amounted to SR 18,466 (2020: SR 3,935,595).

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 30 June 2021, 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.

17 SUBSEQUENT EVENTS

On 5 July 2021, the Fund Manager obtained the CMA approval in relation to increasing the total value of the Fund's assets by SR 370,000,000, in order for the Fund to acquire a new targeted real estate asset (commercial and offices), which is the Riyadh Boulevard located in Hittin District, Riyadh.

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18 LAST VALUATION DAY

The last valuation day of the period was 30 June 2021.

19 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund's Board on 10 Muharram 1443 H (corresponding to 18 August 2021).