



جدوى ريت الحرمين
Jadwa REIT Al Haramain

2022

ANNUAL REPORT



جدوى للاستثمار
Jadwa Investment





بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Jadwa Investment Headquarters:

Sky Towers, King Fahad Road
P.O. Box 60677, Riyadh 11555,
Kingdom of Saudi Arabia

Tel +966 011 279 1111

Fax +966 011 293 7992

reit.jadwa.com



His Majesty

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



His Royal Highness Prince


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



Contents

Section 1	01
REIT At Glance	
Section 2	06
Portfolio Description	
Section 3	20
Risk Report	
Section 4	28
Fund Governance	
Section 5	42
REIT Fund Financials	

Fund Manager's Message To Unit Holders



Dear Unit Holders

We are pleased to present to you the annual report of Jadwa REIT Al Haramain Fund for year 2022 and would like to thank the unit holders for their continuous support and trust in the Fund during the past year. Subsequent to the past two years and the economic stress and trauma occurring in 2020 caused by emergence of one of the most fast-spreading viruses in human history "COVID-19" the and the fast and sharp recovery happening in 2021, the year 2022 was thought to be the year where normalcy resumes free of any "COVID-19" impact. While this might be the case for the day-to-day living as preventive measures such as social-distancing and lockdown are completely discontinued, this is not case for the holly cities, as moderate cautious measures continued to be implemented especially on the outbound visitors up until the second quarter of 2022. Yet the economy is still suffering the lagging consequences of that economic disruption as the pressurizing demand for goods and commodities paired with an unmatching supply due to dislocated supply chains shortage of some vital resources has resulted in a surging inflation eating into household income. The magnitude of these dynamics was apparent as interest rates skyrocketed during Q2 and continued maintaining these high levels with the Fed steadily increasing the rates with every meeting. Naturally, these events had their toll on the Saudi economy and its real estate sector as the number and volume of transactions has been relatively decreasing compared to previous year. However, with the wise leadership of the Saudi government and its many initiatives and plan to further grow and bolster the

Saudi economy, income-generating real estate assets across different sectors remain robust with many catalysts support such as increasing consumer spending, rise in tourism, regional companies presence in Saudi, and many more. Moreover, religious tourism has recovered a great extent from its past activity levels and footfall as Umrah is open to all visitors throughout the year and number Hajj and Umrah visitors are coming back to the normal levels. Taking market circumstances into account, Jadwa REIT Al Haramain Fund occupancy levels has improved significantly across its assets. The hotel operations of the two biggest assets in the fund are being managed by an experienced operator who successfully managed quick occupancy level ramp up resulting in achieving relatively good revenue streams with expected outlook of improvements in profitability throughout next year. Additionally, the redevelopment project has entered the final phase of construction with expectations of the asset being handed-over in the beginning of the second half of 2023.

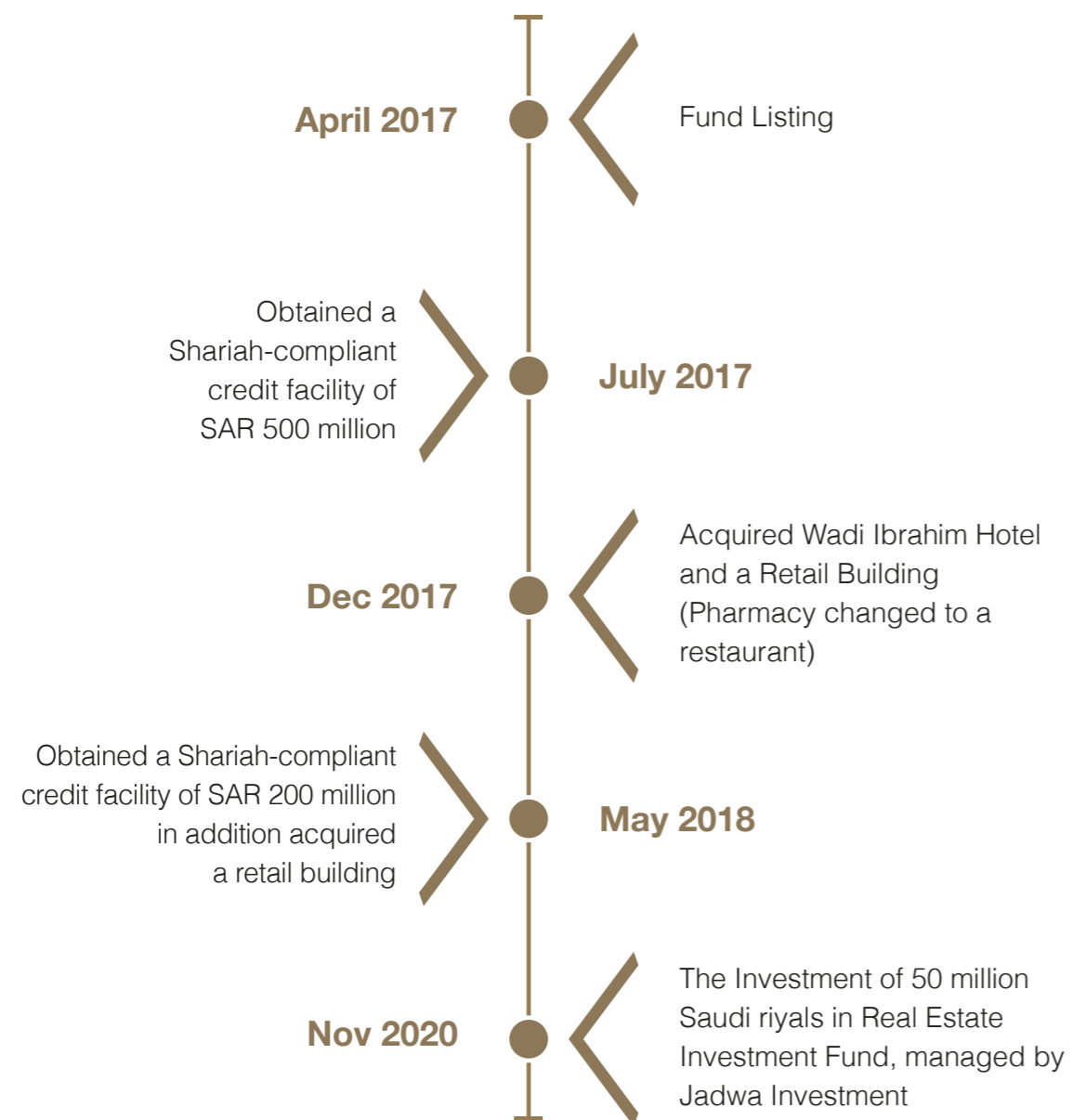
Jadwa REIT Al Haramain Fund is marching into 2023 with a strong conviction and positive outlook into the market as the economy is expected to slowly but surely recovers from the impact of the felt inflation and rising interest rates. The next twelve months will surely present new challenges and exciting opportunities, in which the Fund is in an optimal position to benefit from. With its available credit line facility on hand and low leverage, the Fund is on track to deploy more capital and grow the portfolio through more acquisitions of accretive high-quality assets.

Section 1

**REIT AT
A GLANCE**



REIT At A Glance



Financial Performance

Portfolio Characteristics

	2020	2021	2022
Number of properties	4	4	4
Sector	Hospitality Retail	Hospitality Retail	Hospitality Retail
Total Land area (sq. meter)	3,227	3,227	3,227
Total BUA	40,690	40,690	40,690
Portfolio Occupancy	100%	0%	64.0%
Number of Tenants	2	0	9
WAULT	0.54	0	0.6
Fair Market Value	787,730,275	735,652,000	663,539,602

Fund's Performance

	2020	2021	2022
Net Asset Value (cost)	548,413,619	539,258,158	493,001,814
Net Asset Value (Fair value)	631,453,402	584,181,978	500,213,515
Fair Value NAV per unit	9.57	8.85	7.55
Highest Fair Value NAV per unit	10.13	9.65	8.81
Lowest Fair Value NAV per unit	9.52	8.59	6.89
Number of issued unit	66,000,000	66,000,000	66,000,000
Distributed dividends Per unit	-	-	-
Percentage of fund expenses to the fund's total assets value	0.32%	0.16%	0.80%
Annual return	-11.31%	-7.52%	-14.69%
Unearned revenue to revenue	0.0%	0.0%	3.5%
Non cash expenses to net income	-19.7%	-144.0%	-26.4%
LTV	29.4%	31.8%	33.33%
Loan Maturity Date	Sep-13-2027		

Fund's Returns Profile

2018	2019	2020	2021	2022
5.25%	3.59%	-11.31%	-7.52%	-14.69%
1-Year return	3-Years return	Return Since Inception		
-14.69%	-21.11%	-10.70%		

Annual Fund Expenses

	2022
Management Fee	-
Registrar Fee	400,000
Listing Fee	169,847
Custodian Fee	125,085
Administrator Fee	146,799
Auditor Fee	35,000
Board Oversight Fee	20,000
Other Fund Fees	5,133,438
Grand Total	6,030,169
Percentage of fund expenses to the fund's total assets value	0.80%

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

	2020	2021	2022
Tharawat Al Andalusiya	59.8%	0.0%	51.0%
Tharawat Al Taqwa	40.2%	0.0%	46.0%
Hotel Under Development	0.0%	0.0%	0.0%
Retail	0.0%	0.0%	3.0%

Annual Fund Performance Comparison*

Jadwa REIT Al Haramain Fund	Tadawul All Share Index	Tadawul REITS Index
-14.35%	-4.96%	-8.61%

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

Special Commission

No special commission has been received by the Fund manager during 2022

Section 2

**PORTFOLIO
DESCRIPTION**



Portfolio Description

Fund's Assets

The Fund's assets consists of 4 properties and units in private real estate investment fund. The assets are:

1. Tharawat Al Andalseya Hotel
2. Tharawat Al Taqwa Hotel
3. Hotel Under Development
4. Retail Building
5. Units in Real Estate Investment Fund

Targeted Assets by the Fund Manager

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

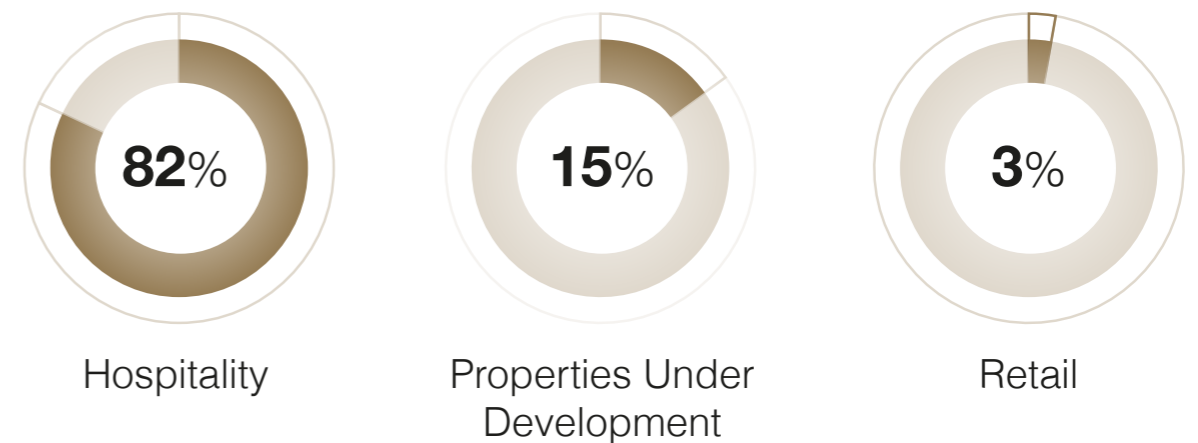
Portfolio Occupancy as of December 31 2022 *

64% | Percentage of leased assets to the total portfolio of income generating assets

36% | Percentage of unleased assets to the total portfolio of income generating assets

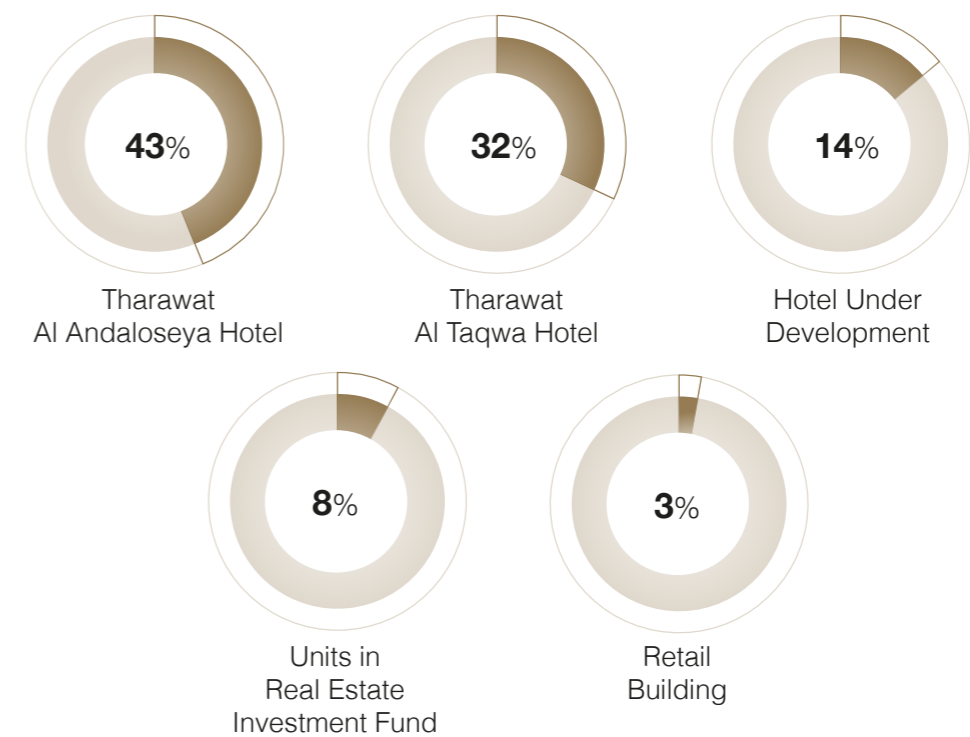
* The portfolio occupancy only includes the direct investment in real estate income generating assets

Portfolio Allocation by Sector



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

Portfolio Allocation by Asset



Tharawat Al Andalosiya

- The property is currently utilized as a four-star hotel, under the brand of 'Tharawat Al Andalseya Hotel'.
- 294 rooms to accommodate visitors to Makkah's holy sites throughout the year. Located within 500 meters of the Masjid Al-Haram.
- The property consists of a basement, ground level, mezzanine floor, service level, 12 upper levels and a roof.
- The ground level is internally configured to accommodate ten shops.

Location	Al Mesfalah District, Makkah
Acquisition Price	323,855,982
Net Acquisition Yield	6.7%
Number of tenants	0
Fair Value Estimation*	310,644,901
Occupancy Rate	92%
Remaining Lease Term	N/A
% of Total Fund Portfolio	43%

*as of 31st Dec 2022

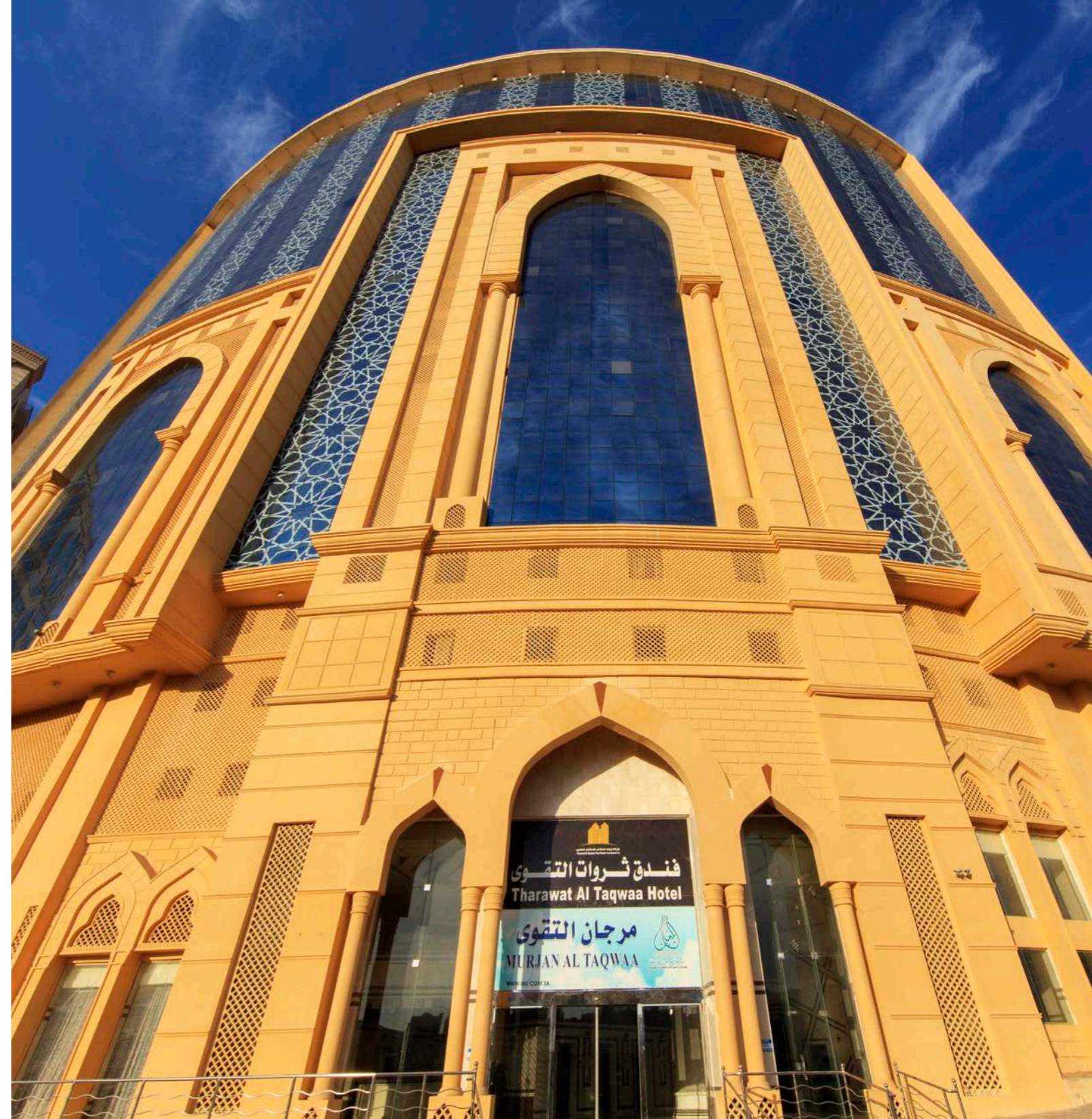


Tharawat Al Taqwa

- The property is currently utilized for the accommodation of Hajj and Umrah visitors, under the brand of 'Tharawat Al Taqwa Hotel'.
- 690 rooms to accommodate visitors to Makkah's holy sites during the Hajj season and month of Ramadan. Located approximately 900 meters from Mina, the hotel can host 3,506 pilgrims.
- The property is arranged over three basement levels, a ground floor, mezzanine level, service level, restaurant level, 14 upper levels and a roof.

Location	Al Shishah District, Makkah
Acquisition Price	250,000,000
Net Acquisition Yield	6.8%
Number of tenants	0
Fair Value Estimation*	229,046,191
Occupancy Rate	25%
Remaining Lease Term	N/A
% of Total Fund Portfolio	32%

*as of 31st Dec 2022



Hotel Under Development

- There is a plan to redevelop the Tharawat Wadi Ibrahim Hotel building and the commercial restaurant building by merging the two properties and developing them into a hotel tower.
- The merging and redevelopment of the two properties will result in the full utilization of the permitted building areas for the buildings located in the central area of the Grand Mosque on Ibrahim al-Khalil Street, and the redevelopment will result in an increase in the leasable areas and the number of hotel rooms.

Location	Al Mesfalah District, Makkah
Acquisition Price	160,000,000
Net Acquisition Yield**	N/A
Number of tenants**	N/A
Fair Value Estimation*	102,043,684
Occupancy Rate**	N/A
Remaining Lease Term**	N/A
% of Total Fund Portfolio	14%

*as of 31st Dec 2022

** The fund terminated the lease contract to start the re-development.



Retail Building

- The property is configured to allow for two retail shops and ancillary residential.
- The building consists of a ground level, two upper levels and a roof.

Location	Al Mesyal Road, Makkah
Acquisition Price	23,000,000
Net Acquisition Yield	6.7%
Number of tenants	0
Fair Value Estimation*	21,804,827
Occupancy Rate	100%
Remaining Lease Term	1 year
% of Total Fund Portfolio	3%

*as of 31st Dec 2022



Units in Real Estate Investment Fund

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

Value of Investment	57,800,000
Expected Five Years Average Annual Return	10%
Number of Underlying Properties	3
% of Total Fund Portfolio	8%



Section 3

RISK REPORT



Jadwa REIT Al Haramain Fund Risk Report

Fund Description

Fund Name	Jadwa REIT Al Haramain Fund
Fund Manager	Jadwa Investment Company
Listing Exchange	Tadawul (Saudi) Stock Exchange in April 2017
Type of Fund	Closed-ended Shariah Compliant
Authorized Capital	SR 660,000,000 (66,000,000 units)
Fair Value NAV per unit	SAR 7.55 (as of 31st Dec 2022)
No. of Properties	4 (3 Developed + 1 Under Development)
Fund Term	99 Years, extendable for additional periods
Risk Level	Above Average / High

Key Risks

Risk Type	Risk Description	Risk Mitigation
Economic Risk	Changes in economic conditions, including, for example, inflation, new government regulations, political events and trends can affect the Fund's prospects.	Regular monitoring of macroeconomic conditions and regulatory trends in laws is being carried out by the Fund Manager. Proactive steps are taken to mitigate or minimize the impact as much as possible. Relaxations in the COVID-19 restrictions by government for Hajj & Umrah has eased the impact on the hospitality sector in Makkah and Medina but the sector is still under-performing as compared to the period prior to COVID-19. The Fund Manager has suspended the management fees to mitigate the negative impact on the Fund.
Legal and Regulatory Risk	Failure to adhere to laws, rules and regulations as stipulated by CMA can result in suspension of trading or cancelation of the Fund's listing.	The Fund Manager has recruited qualified personnel to manage the Fund and monitor all regulatory requirements such as compliance and risk management. These qualified persons take all necessary steps for establishing and confirming to avoid any non-compliant practices under the supervision of the Fund Manager.
Occupancy Risk	Risk when expected occupancy rates are not achieved, which affects the profitability of the Fund.	All properties acquired by the Fund have strong economic fundamentals and cash-generation characteristics, thus providing significant margins of safety on occupancy rates. However, COVID-19 restrictions had resulted in rent suspension for all three properties and lease termination for two properties in 2021. Currently 2 out of 3 properties have been fully occupied and lease agreement have been renewed. The hospitality sector in Makkah and Medina is still under-performing as compared to the period prior to COVID-19 therefore the risk of not achieving the expected occupancy rates continues to remain for the Fund.
Development Risk	Development risks associated with real estate projects under development include: Delay in construction, costs exceeding planned allocations that may affect the profitability and / or financial feasibility of the Project.	The Fund had initiated redevelopment of Tharawat Wadi Ibrahim Hotel and the restaurant building through merging these properties and redeveloping them into a hotel tower. The initial estimation was to complete this development by end of 2022 which has been shifted to Q2 2023 due to exogenous factors such as COVID-19 restriction. These delays in project completion would result in the increase of development risk faced by the Fund.
Credit Risk	Risks relating to the inability of tenants to meet their payment obligations towards the Fund.	Credit analysis/ assessment is conducted by the Fund Manager before on boarding new tenants. For the existing tenants, regular monitoring of outstanding dues towards the Fund and follow up for payments is done by the Fund Manager.

Jadwa REIT Al Haramain Fund Risk Report

Key Risks

Risk Type	Risk Description	Risk Mitigation
Financing Risk	Financing risk occurs when the Fund is unable to attain financing from market to continue/expand its operation.	The Fund has a committed SAR 300 million credit line facility out of which SAR 253 million has been utilised. The fund has been able to increase / decrease the financing facilities since inception, assuring that the financing risk is at a minimal.
Lease Renewal Risk	Lease renewal risk is the risk of nonrenewal of existing leases or renewal at lower than current lease rate that might impact the rental income of the Fund.	The Fund enters into long term operating lease contracts with tenants for space in its investment properties with lease terms ranging between 3 and 16 years. These operating leases provide tenant to pay the base rent with provisions for contractual increase in the rent. Given the suspension of Umrah due to global pandemic in 2021, the lease agreement for 2 out of 3 properties was terminated. In 2022, the Fund Manager was able to renew the lease for 1 of the properties. The fund Manager is continuously evaluating new tenants for leasing the unoccupied property to mitigate the lease renewal risk.
Risk of neglecting the property	Any adverse event leading to structural damage to the properties owned by the Fund thereby risking the income generating potential from such properties.	All the properties are insured by the Fund which covers for all property damages. The Fund Manager ensures that the insurance coverage is adequate under public liability and property all risks insurance.
Property Manager Risk	Risk of early termination of the property manager contract thereby impacting the operations of the properties that it manages.	Provision of advance notice of 3 months by either party before terminating the services. During this period alternative arrangement can be made by the Fund Manager.
Counterparty Concentration Risk	This risk arises when a single counterparty has the most concentration of leased assets, this might lead to an adverse condition if the counterparty has troubles in future.	The Fund had terminated lease from Tharawat Al Mashaer Property Development and Investment Company in 2021 which had exposed the Fund to a high cash-flow risk. The Fund Manager has added 1 new lessee in 2022. The Fund has received a dividend payment from the investment in the real estate investment Fund which represents 16.05% of the Fund's total revenue in 2022. This concentration risk is being mitigated by growing the portfolio over a range of tenants and diversification of the Fund by investing in other funds.
Sector Concentration Risk	This risk arises when all assets belong to the same sector, this might lead to an adverse condition if that sector has troubles in future.	Majority of the Fund's assets are hotels, which subjects the Fund to the risks inherent in the hospitality sector. The Fund continuously explores various options for diversification. The Fund has invested 50 Mn SAR in closed ended Shariah compliant private real estate investment fund for diversification.

Risk Type	Risk Description	Risk Mitigation
Geographical Concentration Risk	The risk arises when all the assets belong to same geographical area, this might lead to an adverse condition if that location has troubles in future.	Post changes in terms and conditions in 2020, the Fund Manager can invest a minimum 60% asset allocation in the holy cities of Makkah and Medina and remaining 40% can be invested in income generating and development real estate projects in rest of the cities inside or outside the kingdom with restrictions on concentration limits of 40% and 25% respectively. The Fund Manager is actively looking for investment opportunities outside the holy cities to ensure diversification of geographical risk.
Interest Rate Risk	The risk that the value of Fund's assets and financial instruments will fluctuate due to adverse changes in profit/ interest rates.	The Fund is leveraged using a floating rate facility (priced at a SAIBOR + spread rate) and any adverse change in SAIBOR would result in higher profit/ interest expenses and consequently lower total returns to the Unitholders. The Fund Manager is mitigating the impact of increasing profit/ interest rate by selling the least performing assets and using the proceeds to buy a better yielding asset and repay the debt.
Liquidity Risk	The risk of the Fund not being able to meet short term financial demands (e.g., debt servicing, dividend distribution, operating expenses) or unable to meet any payment obligations for exiting property.	Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund's general and administrative expenses. The Fund Manager ensures that there are adequate funds to repay obligation in a timely and cost-effective manner.
Leverage Risk	The risk that the Fund may not be able to generate necessary income to service its debt which triggers an event of default.	The Fund Manager closely monitors the detailed cash flows statements by property and the overall fund to ensure that sufficient funds are available to meet any debt repayment commitments as they arise. Moreover, the Fund Manager closely monitors the debt covenants to make sure that all covenants are met(all covenants are met as of 31/12/2022).
Exit Risk	The risk of inability to liquidate the underlying real estate assets in a timely manner and according to the Fund's strategy. This risk is more relevant as the fund gets closer to maturity.	The Fund has a long term to maturity (99 years, extendable) and the Fund's units continue to be tradable on the stock exchange, giving unitholders the ability to exit at the time of their choice based on prevailing market prices. The Fund has invested in Real Estate assets which have suitable appetite and strong investors demand and are easier to liquidate than other Real Estate assets.
Asset Valuation Risk	Incorrect valuation of the properties resulting in notional and reputational losses.	The Fund Manager ensures clear communication of most up to date required information to the external professional valutors for valuation of the properties to reduce the risk of inaccurate valuation. Moreover, Valuations are carried out by two independent valutors accredited by Saudi Authority for Accredited Valutors (TAQEEM). The Fund Manager uses the average of two valuations for reporting and decision making.
Environmental, Social and Governance (ESG) Risk	Environmental, Social, and Governance (ESG) risks refer to the three factors in measuring the sustainability and societal impact of an investment.	As part of the traditional financial analysis and due diligence, the risks arising due to environmental issues of properties and environmental regulation are accounted for the valuation processes by the independent valutors. The increased awareness of the Fund Manager about ESG risks, do not guarantee that its financial results will not be negatively impacted by the occurrence of any such event.



Jadwa REIT Al Haramain Fund Risk Report

Conclusion

The Jadwa REIT Al Haramain Fund is exposed to various risks as identified above which may impact the performance of the Fund. These risks have been mitigated through the actions taken by the Fund Manager to some extent. COVID-19 restrictions had impacted all segments of the economy specifically the travel and hospitality segment in 2020 and 2021. Due to easing restrictions in 2022, rents have been initiated on 2 out of 3 properties. Non-renewal of 1 property has negatively impacted the Fund's rental income and exposed the Fund to occupancy and lease renewal risk. The Fund has one property which is under development which exposes the Fund to development risk. The Fund Manager is continuously exploring new investments and diversification opportunities to provide

a stable stream of income to the investors including investment in other funds. The Fund is exposed to a sector concentration risk as significant portion of leasing income is derived from hotel properties. This subjects the Fund to the risks inherent in the hospitality sector. Unutilized credit facility of SAR 797 Mn helps the Fund maintain a flexible balance sheet for acquiring new assets swiftly and efficiently.

The changes in macroeconomic conditions brought by COVID-19 had a negative impact on businesses in the holy cities and the Fund's performance in 2020 and 2021. Though there has been marginal improvement in Fund's performance in 2022 but given the delays in redevelopment project and no lease on 1 of the properties, The Fund's risk continues to remain at **"Above Average / High"** in 2022.

Section 4

**FUND
GOVERNANCE**



Jadwa REIT Al Haramain Fund Governance

About the REIT

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

Name	Jadwa Investment Company
Address	Sky Towers, Fourth Floor, King Fahad Road, P.O. Box 60677, Riyadh, 11555, Kingdom of Saudi Arabia
Website	www.jadwa.com

About Jadwa Investment Company

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

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

Delegation to Third Parties

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

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



Jadwa REIT Al Haramain Fund Governance

Custodian

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

Auditor

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

Administrator

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

Legal Advisor

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

Third-Party Valuers

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

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

VAT Consultant

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

Conflicts of Interest

As of December 31, 2022, there are no transactions involving material conflicts of interest between Jadwa REIT Al Haramain Fund Jadwa Investment Company, its board or any third parties. To clarify, the appointed custodian Al Bilad Capital is wholly owned by Al Bilad Bank. A member of Jadwa Investment Company's board of directors is a shareholder in a founding company of Al Bilad Bank (at a percentage not representing control).

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

Jadwa REIT Al Haramain Fund Governance

Fund's Board

The Fund Board oversees the resolution of conflicts of interests. As at December 31, 2022, the Fund Board is composed of appointees of the Fund manager.

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

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

Material Changes

- Jadwa Investment Company ("Fund Manager"), in its capacity as the manager of the Jadwa REIT Al Haramain Fund (the "Fund"), announces the signing of a management and operation contract with Emaar Al Diyafa Hotels Company for the purpose of managing and operating Tharawat Andalusia Hotel (the "Hotel") located in Makkah, the contract also includes the responsibilities of marketing, maintenance and supervision of the hotel.
- Jadwa Investment Company ("Fund Manager"), in its capacity as the manager of the Jadwa REIT Al Haramain Fund (the "Fund"), announces the signing of a management and operation contract with Emaar Al Diyafa Hotels Company for the purpose of managing and operating Tharawat Andalusia Hotel (the "Hotel") located in Makkah, the contract also includes the responsibilities of marketing, maintenance and supervision of the hotel.
- Jadwa Investment Company ("Fund Manager") in its capacity as the Fund Manager Jadwa REIT Al Haramain Fund (the "Fund") announces the signing of shariah-compliant facility agreement with Bank AlBilad (the "Agreement") after obtaining the Fund's Board of Directors approval. The Agreement was signed with a limit of (SAR 300,000,000), that will be used for the purpose of repaying the entire existing facility with Banque Saudi Fransi of (SAR 253,000,000) and the remaining will be used to finance the Fund's investment objectives.

Subsequent Events

- On 28/02/2023G, Jadwa Investment Company ("Fund Manager"), in its capacity as the manager of Jadwa REIT Al Haramain Fund (the "Fund"), announced a change in the membership of the Fund's Board of Directors by appointing Dr Waleed Al Mazyad as an independent board member.

Fund Board Meeting

The Fund manager held Two Fund Board meetings during 2022

The first meeting was conducted on July 05, 2022

The following topics have been discussed:

- An overview of REITs market in Saudi Arabia and Makkah market
- Properties operating income and operators tendering process
- The status of the new hotel under development

The second meeting was conducted on December 25, 2022

The following topics have been discussed:

- An overview of REITs market in Saudi Arabia and Makkah market
- Fund Performance review in in the second half of 2022 and operator's assessment
- The status of the new hotel under development

Resolutions signed during the year of 2022:

- Approval of the annual financial statements for Jadwa REIT Al Haramain Fund for the year ending on 31 December 2021.
- Approval on signing a management and operation agreement with Emaar Hotel Hospitality for the purpose of assigning the management and operation of Tharawat Al Andaloseya Hotel.
- Approval on signing a management and operation agreement with Emaar Hotel Hospitality for the purpose of assigning the management and operation of Tharawat Al Taqwa Hotel.
- Approval of the semiannual financial statements for Jadwa REIT Saudi Fund for the period ending on 30 June 2022.
- Acceptance of Mr. Asad Khan resignation from the fund board.
- Acceptance of Dr. Waleed Addas resignation from the fund board and the appointment of Mr. Adel Al Kadi as an independent board member.
- Approval on obtaining a shariah-compliant bank facility from Al Bilad Bank with the amount of SAR 300 million and authorizing the fund manager on signing all related agreements.

Jadwa REIT Al Haramain Fund Governance

The Fund Board consists of
the following members:

Ghannam Al Ghannam (Chairman)

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

Dr. Nouf Al Sharif (Board Member)

Dr. Nouf is a Deputy Head of Economic Research at Jadwa Investment. Prior to joining Jadwa Dr. Nouf was an economics lecturer at Prince Sultan University specializing and teaching Business, Micro and Macroeconomics and monetary banking. At a previous stage of her career, Dr. Nouf worked at Riyadh Bank as a senior economic planning analyst at Bank Economic Research. Dr. Nouf holds a PHD from Sussex University, United Kingdom, in addition to a master and bachelors (Honors) in economics from King Saud University.

Nader Al Amri (Independent Director)

The executive and founding partner of First Avenue for Real Estate Development Company, and occupies the role of a financial advisor to a number of public and private entities. He holds a Bachelor of Commerce in Economics from Saint Mary's University in Canada, in addition to a Master's degree in Economics from the University of Waterloo in Canada. Mr. Nader holds degrees in Real Estate Management, Finance, Design and Leadership from Harvard Business School in the United States, and he also holds a Professional Certificate in Real Estate Finance and Investment from New York University in the United States.

Adel Al Kadi (Independent Director)

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

**The Fund board composition as of 31 December 2022, the composition have been changed on 28 February 2023*

Jadwa REIT Al Haramain Fund Governance

Sharia Board

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

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

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

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

H.E. Sheikh Dr. Abdulla Al Mutlaq

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

Sheikh Bader Abdulaziz Al Omar

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

Sheikh Dr. Muhammad Ali bin Ibrahim Al Qari bin Eid

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

Sheikh Ahmed Abdulrahman Al Gaidy

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

Jadwa REIT Al Haramain Fund Governance

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

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

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

In Addition:

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

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

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

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

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

Section 5

REIT Fund Financials

A large, dark brown arrow graphic pointing to the right, positioned below the main title and extending across the width of the page.

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

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2022

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

FINANCIAL STATEMENTS
31 December 2022

INDEX	PAGE
Independent auditor's report	1 - 4
Statement of financial position	5
Statement of comprehensive income	6
Statement of cash flows	7
Statement of changes in equity	8
Notes to the financial statements	9 - 28

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jadwa REIT Al Haramain Fund (the "Fund") managed by Jadwa Investment Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2022, and the related statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Fund as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the key matter was addressed in the audit
<p>Impairment of investment properties</p> <p>The Fund owns a portfolio of investment properties comprising of land and commercial buildings being located in the Kingdom of Saudi Arabia.</p> <p>Investment properties are held for capital appreciation and/or rental yields and are stated at cost less accumulated depreciation and any impairment losses.</p> <p>As at 31 December 2022, the carrying value of investment properties was SR 656 million (2021: SR 691 million), which was net of accumulated depreciation of SR 68 million (2021: SR 56 million) and accumulated impairment allowance of SR 105 million (2021: SR 65 million).</p>	<ul style="list-style-type: none"> - We agreed the value of all the properties held at the year end to the valuation included in the independent management expert valuation report; - We evaluated the competency, capabilities and objectivity of work performed by the independent management expert; - On sample basis, with the help of our independent expert, we performed the following: <ul style="list-style-type: none"> o We assessed the appropriateness of valuation methods, assumptions, and estimates used by management in the investment properties valuation process;

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

Other Information included in the Fund's 2022 Annual Report

Management is responsible for the other information. The other information comprises the information included in the Fund's 2022 annual report other than the financial statements and our auditor's report thereon. The Fund's 2022 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Fund's 2022 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncement that are endorsed by SOCPA and the applicable provisions of the Real Estate Investment Fund Regulations issued by the Board of Capital Market Authority, and the Fund's terms and conditions and the information memorandum, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

P.O.Box 85453, Riyadh 11691 - Fax. +966 11 269 4419 - Tel. +966 11 269 3516

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

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

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

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

For Alluhaid & Alyahya Chartered Accountants


Turki A. Aluhaid
Certified Public Accountant
License No. 438

Riyadh: 7 Ramadan 1444 H
(29 March 2023)



P.O.Box 85453, Riyadh 11691 - Fax. +966 11 269 4419 - Tel. +966 11 269 3516

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 SR	2021 SR
ASSETS			
NON-CURRENT ASSETS			
Investment properties	6	656,327,901	690,728,180
Financial assets at fair value through profit or loss ("FVTPL")	8	57,800,000	57,600,000
TOTAL NON-CURRENT ASSETS		714,127,901	748,328,180
CURRENT ASSETS			
Financial assets at FVTPL	8	-	6,346,671
Prepayments and other assets	9	844,702	601,586
Rent and related receivables	10	18,895,975	17,780,557
Cash and cash equivalents	11	17,911,955	20,603,604
TOTAL CURRENT ASSETS		37,652,632	45,332,418
TOTAL ASSETS		751,780,533	793,660,598
LIABILITIES			
CURRENT LIABILITIES			
Long-term loan – current portion	12	-	252,112,962
Due to related parties	14	4,369,726	911,742
Management fees payable	14	1,035,377	1,035,377
Accrued expenses and other liabilities	13	5,001,290	342,359
TOTAL CURRENT LIABILITIES		10,406,393	254,402,440
NON-CURRENT LIABILITIES			
Long-term loan – current portion	12	250,622,326	-
TOTAL LIABILITIES		261,028,719	254,402,440
EQUITY			
Net assets attributable to unitholders		490,751,814	539,258,158
TOTAL LIABILITIES AND EQUITY		751,780,533	793,660,598
Units in issue (in units)		66,000,000	66,000,000
Per unit value		7.44	8.17
Per unit fair value	7	7.55	8.85

The attached notes 1 to 23 form an integral part of these financial statements.

5

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

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	2022 SR	2021 SR
INCOME			
Rental income from investment properties		19,339,555	-
Income from financial assets at FVTPL	8	266,076	(1,166,710)
Dividend income	8	1,500,000	2,000,000
Lease termination fee income		-	16,000,000
Other income		6,500	-
		21,112,131	16,833,290
EXPENSES			
Depreciation	6	(11,765,332)	(11,841,037)
General and administrative expenses	15	(6,025,170)	(1,289,428)
Amortisation of transaction costs	12	(1,039,364)	(1,339,132)
		(18,829,866)	(14,469,597)
OPERATING PROFIT		2,282,265	2,363,693
Finance charges	12	(10,934,463)	(6,685,518)
LOSS FOR THE YEAR BEFORE IMPAIRMENT		(8,652,198)	(4,321,825)
Impairment loss on investment properties	6	(39,854,146)	(4,833,636)
NET LOSS FOR THE YEAR		(48,506,344)	(9,155,461)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(48,506,344)	(9,155,461)

The attached notes 1 to 23 form an integral part of these financial statements.

6

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	2022 SR	2021 SR
OPERATING ACTIVITIES			
Net loss for the year		(48,506,344)	(9,155,461)
Adjustments to reconcile net loss to net cash flows:			
Depreciation	6	11,765,332	11,841,037
Finance charges	12	10,934,463	6,685,518
Impairment loss on investment properties	6	39,854,146	4,833,636
Income from financial assets at FVTPL	8	(266,076)	1,166,710
Amortisation of transaction costs	12	1,039,364	1,339,132
		<u>14,820,885</u>	<u>16,710,572</u>
Changes in operating assets and liabilities:			
Increase in rent and related receivables		(1,115,418)	(11,674,499)
Increase in prepayments and other assets		(243,116)	(564,483)
Increase (decrease) in accrued expenses and other liabilities		<u>4,658,931</u>	<u>(24,641)</u>
		<u>18,121,282</u>	<u>4,446,949</u>
Finance charges paid		(7,476,479)	(13,305,141)
Net cash flows from (used in) operating activities		<u>10,644,803</u>	<u>(8,858,192)</u>
INVESTING ACTIVITIES			
Disposal of financial assets at FVTPL		6,412,747	11,530,000
Addition to investment properties	6	(17,219,199)	(2,712,361)
Net cash flows (used in) from investing activities		<u>(10,806,452)</u>	<u>8,817,639</u>
FINANCING ACTIVITIES			
Proceeds from long-term loan	12	253,000,000	20,000,000
Repayment of long-term loan	12	(253,000,000)	-
Transaction cost	12	(2,530,000)	-
Net cash flows (used in) from financing activities		<u>(2,530,000)</u>	<u>20,000,000</u>
Net (decrease) increase in cash and cash equivalents		<u>(2,691,649)</u>	<u>19,959,447</u>
Cash and cash equivalents at beginning of the year		<u>20,603,604</u>	<u>644,157</u>
Cash and cash equivalents at the end of the year		<u>17,911,955</u>	<u>20,603,604</u>

The attached notes 1 to 23 form an integral part of these financial statements.

7

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	2022 SR	2021 SR
Equity attributed to the Unitholders at beginning of the year	539,258,158	548,413,619
Comprehensive loss		
Net loss for the year	(48,506,344)	(9,155,461)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	<u>(48,506,344)</u>	<u>(9,155,461)</u>
Equity attributed to the Unitholders at end of the year	<u>490,751,814</u>	<u>539,258,158</u>
Transactions in units for the year ended are summarised as follows:		
	2022 Units	2021 Units
Units at the beginning and end of the year	<u>66,000,000</u>	<u>66,000,000</u>

The attached notes 1 to 23 form an integral part of these financial statements.

8

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

1 CORPORATE INFORMATION

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 at the discretion of the Fund Manager following the approval of the CMA.

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.

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

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 has entered into financing agreement on behalf of the Fund.

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

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 28 March 2022, the Fund Manager entered into a management and operation contract with Emaar Al Diyafa Hotels Company for the purpose of managing and operating Tharawat Al Andalusia Hotel. The contract also includes the responsibilities of marketing, maintenance and supervision of the property. The related fees is based on percentage of net profit from the property.

2 REGULATING AUTHORITY

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

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organisation 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, except for financial assets at fair value through profit or loss ("FVTPL") which are recorded at fair value.

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

3.3 Functional and presentation currency

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the ordinary course of business, the preparation of financial statements requires management to make judgements, 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 recognised in the period in which the estimates are reviewed and in any future period affected. The significant accounting judgements and estimates applied in the preparation of these financial statements are as follows:

Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements. Judgement 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 is 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.

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

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

5.3 Cash and cash equivalents

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:

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

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

The Fund's financial assets 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.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Financial instruments (continued)

5.4.3 Financial assets – subsequent classification and measurement (continued)

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

5.4.4 Impairment of financial assets

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

As at the year end, the Fund has rent receivables as financial assets carried at amortised cost. For rent receivables, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The information about the ECLs on the Fund's rent receivables is disclosed in note 10 and note 17 in these financial statements.

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.

5.4.5 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, management fees payable and other liabilities.

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.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Financial instruments (continued)

Financial liabilities

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

5.4.6 Offsetting of financial instruments

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

5.5 Current versus non-current classification

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

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

All other assets are classified as non-current

A liability is current when:

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

The Fund classifies all other liabilities as non-current

5.6 Fair value measurement

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Fair value measurement (continued)

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

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

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

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed in note 16.

5.7 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.

5.8 Revenue recognition

Revenue includes rental income and other 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.

5.9 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 fees are calculated and payable semi-annually in arrears.

5.10 Expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue as required under IFRS.

5.11 Net asset value

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.12 Zakat

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

5.13 Dividends distribution

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

5.14 Amendments to existing standards effective 1 January 2022

The Fund has adopted the following amendments to existing standards which have been issued and effective from 1 January 2022:

Amendments to standards **Effective date**

Amendments to IFRS 3-Reference to the conceptual framework, with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. 1 January 2022

Amendments to IAS 16 - Property, plant and equipment-proceeds before intended use, regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. 1 January 2022

Amendments to IAS 37-Onerous contracts -cost of fulfilling a contract, amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. 1 January 2022

Annual improvements to IFRS Standards 2018-2020 cycle The amendments to IFRS 1, IFRS 9 and IAS 41 are effective from 1 January 2022 and the effective date for amendments to IFRS 16 Leases are not yet decided.

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

5.15 New standards, amendments and interpretations effective after 1 January 2022 and have not been early adopted

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

Standards / amendments to standards / interpretations	Effective date
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IFRS 17 and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.15 New standards, amendments and interpretations effective after 1 January 2022 and have not been early adopted (continued)

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

6 INVESTMENT PROPERTIES

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

31 December 2022

Description	Cost	Accumulated depreciation	Impairment loss (Note 6.2)	Net book value
	SR	SR	SR	SR
Tharawat Al Andalusia Hotel	381,443,226	39,371,641	31,426,685	310,644,900
Tharawat Al Taqwa Hotel	250,000,000	28,165,511	-	221,834,489
Retail Building	23,000,000	100,000	1,095,173	21,804,827
3-Star Hotel, Makkah (*)	174,035,834	-	71,992,149	102,043,685
	828,479,060	67,637,152	104,514,007	656,327,901

31 December 2021

Description	Cost	Accumulated depreciation	Impairment loss (Note 6.2)	Net book value
	SR	SR	SR	SR
Tharawat Al Andalusia Hotel	379,000,000	32,541,697	-	346,458,303
Tharawat Al Taqwa Hotel	250,000,000	23,230,123	-	226,769,877
Retail Building	23,000,000	100,000	-	22,900,000
3-Star Hotel, Makkah (*)	159,259,861	-	64,659,861	94,600,000
	811,259,861	55,871,820	64,659,861	690,728,180

*This property is under development. Refer to note 6.1.4 for further details.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

6 INVESTMENT PROPERTIES (continued)

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

	2022 SR	2021 SR
Cost		
Balance at beginning of the year	811,259,861	808,547,500
Additions during the year	17,219,199	2,712,361
Balance at end of the year	<u>828,479,060</u>	<u>811,259,861</u>
Accumulated depreciation		
Balance at beginning of the year	55,871,820	44,030,783
Depreciation charge for the year	11,765,332	11,841,037
Balance at end of the year	<u>67,637,152</u>	<u>55,871,820</u>
Accumulated impairment		
Balance at beginning of the year	64,659,861	59,826,225
Impairment loss on investment properties	39,854,146	4,833,636
Balance at end of the year	<u>104,514,007</u>	<u>64,659,861</u>
Net book value	<u>656,327,901</u>	<u>690,728,180</u>

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

All the above investment properties are built on freehold land. 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 Tharawat Al Andalusia Hotel and Tharawat Al Taqwa Hotel was partly paid in cash and partly settled through issuance of 30,000,000 units of the Fund. The consideration for the other properties was fully paid in cash.

6.1 Brief details of the investment properties:

6.1.1 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 the Holy Mosque, benefitting from a direct view over Ibrahim Al-Khalil Road.

6.1.2 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.

6.1.3 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.

6.1.4 3-Star Hotel, Makkah

A hotel tower which is currently being developed at the merged Ibrahim Al-Khalil I and Ibrahim Al-Khalil II lands after the demolition of the buildings (see note 6.1.6).

6.1.5 These investment properties have been pledged with Albilad Bank in order to secure a debt facility obtained by the SPV for the purposes of the Fund.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

6 INVESTMENT PROPERTIES (continued)

6.1.6 During 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 demolished during 2020.

6.2 Impairment of investment properties

The investment properties were tested for impairment and the management noted the carrying amounts of three properties (2021: one property) to be higher than the recoverable amount. During the year ended 31 December 2022, the management recognised an impairment of SR 39,854,146 (2021: SR 4,833,636) to adjust the value of its investment properties to their recoverable amounts based on the average fair values as of the reporting period determined by the independent evaluators as shown in Note 7.

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

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

The fair value of the investment properties is determined by two selected appraisers, i.e. Menassat and Barcode (2021: Menassat and white Cubes). As at reporting date, the valuation of investment properties is as follows:

31 December 2022	Appraiser 1 SR	Appraiser 2 SR	Average SR
Tharawat Al Andalusia Hotel	317,065,951	304,223,850	310,644,901
Tharawat Al Taqwa Hotel	242,045,688	216,046,693	229,046,190
Retail Building	21,859,654	21,750,000	21,804,827
3-Star Hotel, Makkah	95,312,310	108,775,058	102,043,684
	<u>676,283,603</u>	<u>650,795,601</u>	<u>663,539,602</u>
31 December 2021	Appraiser 1 SR	Appraiser 2 SR	Average SR
Tharawat Al Andalusia Hotel	321,500,000	412,920,000	367,210,000
Tharawat Al Taqwa Hotel	222,600,000	267,900,000	245,250,000
Retail Building	21,000,000	36,184,000	28,592,000
3-Star Hotel, Makkah	82,000,000	107,200,000	94,600,000
	<u>647,100,000</u>	<u>824,204,000</u>	<u>735,652,000</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, rent and type of property. Below is an analysis of the fair value of investment properties against cost:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

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

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

	2022 SR	2021 SR
Fair value of investments in real estate properties	663,539,602	735,652,000
Less: Carrying value of investments in real estate properties (Note 6)	656,327,901	690,728,180
Unrealised gain based on fair value evaluation	7,211,701	44,923,820
Units in issue	66,000,000	66,000,000
Per unit share in unrealised gain based on fair value evaluation	0.11	0.68

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

	2022 SR	2021 SR
Net asset value at cost, as presented in these financial statements	490,751,814	539,258,158
Unrealised gain based on real estate evaluations (Note 7.1)	7,211,701	44,923,820
Net asset based on fair value	497,963,515	584,181,978

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

	2022 SR	2021 SR
Net asset value per unit, at cost as presented in these financial statements	7.44	8.17
Impact on net asset value per unit on account of unrealised gain based on fair value evaluations (Note 7.1)	0.11	0.68
Net asset value per unit at fair value	7.55	8.85

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 SR	2021 SR
Non-current		
Investment in private real estate fund (Note 8.1)	57,800,000	57,600,000
Current		
Investment in mutual fund (Note 8.2)	-	6,346,671

19

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

8.1 Investment in real estate fund

This represents investment of 5,000,000 units (2021: 5,000,000) 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 50,000,000 (2021: SR 50,000,000).

The unrealised gain on this investment amounted to SR 200,000 for the year ended 31 December 2022 (2021: loss of SR 1,332,224).

During 2022, the Fund recognised dividend income amounting to SR 1,500,000 from its investment in real estate fund (2021: SR 2,000,000).

8.2 Investment in mutual fund

This represents the Fund's investment in Nil units (2021: 52,301.58 units) of Jadwa Saudi Riyal Murabaha Fund managed by Jadwa Investment Company, the cost of which is SR Nil (2021: SR 6,257,247).

The realised gain on this investment amounted to SR 66,076 for the year ended 31 December 2022 (2021: gain of SR 90,791).

The unrealised loss on this investment amounted to Nil for the year ended 31 December 2022 (2021: gain of SR 74,723).

9 PREPAYMENTS AND OTHER ASSETS

	2022 SR	2021 SR
VAT recoverable	837,227	601,586
Other receivables	7,475	-
	844,702	601,586

10 RENT AND RELATED RECEIVABLES

This account represents the rent receivables from the operating leases.

Following is the ageing analysis of the rent receivables:

	2022 SR	2021 SR
Less than 30 days	856,751	-
Between 31 to 120 days	10,911,440	-
More than 120 days	7,127,784	17,780,557
	18,895,975	17,780,557

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 17.

20

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

11 CASH AND CASH EQUIVALENTS

As at 31 December 2022, there are bank accounts maintained with Banque Saudi Fransi, Albilad Bank and Riyad Bank under the name of the SPV with a total balance of SR 2,513,704 (2021: SR 20,453,306).

12 LONG-TERM LOAN, NET

	2022 SR	2021 SR
Long-term loan	253,000,000	253,000,000
Less:		
Transaction costs	9,551,250	7,021,250
Amortisation of transaction costs	<u>(7,173,576)</u>	<u>(6,134,212)</u>
	<u>2,377,674</u>	<u>887,038</u>
Long-term loan, net	<u>250,622,326</u>	<u>252,112,962</u>

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

- i. On 13 September 2022, Albilad Bank extended a rollover Islamic finance facility to the SPV amounting to SR 300,000,000 for the purposes of settling the outstanding loan to Banque Saudi Fransi and partially financing the acquisition of other real estate properties. 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 the loan have a maturity period of 5 years.

The loan carries mark-up at the rate of Saudi Inter-Bank Offered Rate ("SAIBOR") plus 1.75% per annum, payable on semi-annual basis. As at 31 December 2022, the Fund has drawn SR 253,000,000 from the facility.

Transaction costs related to the loan amounting to SR 2,530,000 have been capitalised in the carrying amount of the loan and are being amortised over the period of loan facility. Amortisation for the year ended 31 December 2021 amounted to SR 152,326 which is reflected under the statement of comprehensive income.

Finance charges against the Islamic finance facility taken from the Albilad bank for the year ended 31 December 2022 amounted to SR 4,175,661 which are reflected under the statement of comprehensive income.

- ii. On 20 July 2017, Banque Saudi Fransi 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.

On 23 August 2020, Banque Saudi Fransi increased the limit of the Tawaruq from SR 500,000,000 to SR 550,000,000 and extended the availability of the loan until 31 July 2021.

The loan carries mark-up at the rate of SAIBOR plus 2% per annum, payable on semi-annual basis. The Fund has repaid the outstanding loan amount on 29 September 2022 in full.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

12 LONG-TERM LOAN, NET (continued)

Transaction costs related to the loan amounting to SR 6,521,250 (2021: SR 6,521,250) have been capitalised in the carrying amount of the loan and are being amortised over the period of loan. Amortisation for the year ended 31 December 2022 amounted to SR 887,038 (2021: SR 1,322,252) which are reflected under the statement of comprehensive income.

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.

Finance charges for the year ended 31 December 2022 amounted to SR 6,758,802 (2021: SR 6,685,518) which are reflected under the statement of comprehensive income.

- iii. On 8 May 2018, Riyad 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 was available until 7 February 2021 and the Fund has not drawn any amount from the facility.

Transaction costs related to the loan amounting to 0.25% of the loan facility has been capitalised in the carrying amount of the loan and is amortised over the period of the loan facility. Amortisation for the year ended 31 December 2022 amounted to SR Nil (2021: SR 16,880).

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

	2022 SR	2021 SR
At beginning of the year	253,000,000	233,000,000
Proceeds from loan	253,000,000	20,000,000
Repayment of loan	<u>(253,000,000)</u>	<u>-</u>
At end of the year	<u>253,000,000</u>	<u>253,000,000</u>

The movement in the transaction costs is as follows:

	2022 SR	2021 SR
At beginning of the year	887,038	2,226,170
Additions during the year	2,530,000	-
Amortisation during the year	<u>(1,039,364)</u>	<u>(1,339,132)</u>
At end of the year	<u>2,377,674</u>	<u>887,038</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

13 ACCRUED EXPENSES AND OTHER LIABILITIES

	2022 SR	2021 SR
Hotel operations payable	3,879,528	-
Advances from customers	672,018	-
Property valuation fee	136,430	67,620
Insurance fee	126,438	94,778
Custody fee	89,661	85,910
Administrator fee	59,618	28,125
Professional fee	17,594	35,094
Others	20,003	30,832
	<u>5,001,290</u>	<u>342,359</u>

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:

Related party	Nature of relationship	Nature of transaction	2022 SR	2021 SR
Jadwa Al-Khalil Real Estate Company	SPV	Finance charges	10,934,463	6,685,518
Jadwa Saudi Riyal Murabaha Fund	Affiliate	Redemption	6,257,247	11,401,344
Real Estate Investment Fund	Affiliate	Dividend income	1,500,000	2,000,000

(i) Management fees

In consideration for managing the assets of the Fund, the Fund Manager in accordance with the terms and conditions of the Fund charges the Fund management fees equal to 1.0% of the net asset market value of the Fund calculated and payable semi-annually in arrears.

For the dividends distributed to the Unitholders, please refer to Note 19.

14.2 Related party balances

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

Due to related parties

	2022 SR	2021 SR
Jadwa Al-Khalil Real Estate Company	4,175,661	717,677
Dividend payable	171,723	171,723
Jadwa Investment Company	22,342	22,342
	<u>4,369,726</u>	<u>911,742</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

14.2 Related party balances (continued)

Accrued management fees

	2022 SR	2021 SR
Jadwa Investment Company	<u>1,035,377</u>	<u>1,035,377</u>

15 GENERAL AND ADMINISTRATIVE EXPENSES

	2022 SR	2021 SR
Hotel operations expenses	4,691,533	-
Registration fee	400,000	400,000
Professional fee	169,250	78,581
Tadawul listing fee	169,847	165,151
Administrator fee	146,800	112,535
Custody fee	125,085	116,648
Property valuation fee	108,120	97,620
Audit fee	35,000	35,000
Independent board member fee (i)	20,000	20,000
Insurance	15,830	97,465
Legal fee	15,705	21,917
Others	128,000	144,511
	<u>6,025,170</u>	<u>1,289,428</u>

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

16 FAIR VALUE MEASUREMENT

16.1 Financial instruments

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

Due to the short-term nature of most of the financial instruments, their carrying 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 frequently repriced at market rate.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

16 FAIR VALUE MEASUREMENT (continued)

16.1 Financial instruments (continued)

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

31 December 2022	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets at fair value through profit or loss (Note 8)	-	57,800,000	-	57,800,000

31 December 2021	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets at fair value through profit or loss (Note 8)	-	63,946,671	-	63,946,671

The financial assets 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 2022	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Tharawat Al Andalusia Hotel	-	-	310,644,901	310,644,901
Tharawat Al Taqwa Hotel	-	-	229,046,190	229,046,190
Retail Building	-	-	21,804,827	21,804,827
3-Star Hotel, Makkah	-	-	102,043,684	102,043,684
	-	-	663,539,602	663,539,602

31 December 2021	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Tharawat Al Andalusia Hotel	-	-	367,210,000	367,210,000
Tharawat Al Taqwa Hotel	-	-	245,250,000	245,250,000
Retail Building	-	-	28,592,000	28,592,000
3-Star Hotel, Makkah	-	-	94,600,000	94,600,000
	-	-	735,652,000	735,652,000

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 capitalisation rate, property rate per square meter and profit margin.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

16 FAIR VALUE MEASUREMENT (continued)

The fair values of investment properties were assessed by Menassat and Barcode (2021: Menassat 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 key assumptions used in determining the fair values of the investment properties are as follows:

Valuation approach	Key assumptions	Range	
		2022	2021
Income capitalisation	Capitalisation rate (%)	5.00-6.50	5.50-7.50
Market comparable	Rate per square meter (SR '000)	380-400	335-400
Depreciated replacement cost	Building cost per square meter (SR)	1,800	-
	Profit margin (%)	20.00	-

17 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity 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's terms and conditions sets out its overall business strategies, its tolerance of risks and its general risk management philosophy and the Fund Manager is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

17.1 Market risk

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 2,578,639 for the year ended 31 December 2022 (2021: SR 1,888,917).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

17 FINANCIAL RISK MANAGEMENT (continued)

17.1 Market risk (continued)

17.2 Credit risk

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

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

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

As at 31 December 2022 and 2021, management considers the probability of default to be insignificant as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised as any such impairment would be wholly insignificant to the Fund.

17.3 Liquidity risk

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

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

	On demand SR	Less than 3 months SR	3 to 12 months SR	More than 12 months SR	Total SR
31 December 2022					
Due to related parties	194,065	-	4,175,661	-	4,369,726
Management fees payable	-	1,035,377	-	-	1,035,377
Other liabilities	-	5,001,290	-	-	5,001,290
Long-term loan	-	-	-	253,000,000	253,000,000
	<u>194,065</u>	<u>6,036,667</u>	<u>4,175,661</u>	<u>253,000,000</u>	<u>263,406,393</u>
31 December 2021					
Due to related parties	194,065	19,546	698,131	-	911,742
Management fees payable	-	1,035,377	-	-	1,035,377
Other liabilities	-	342,359	-	-	342,359
Long-term loan	-	-	-	253,000,000	253,000,000
	<u>194,065</u>	<u>1,397,282</u>	<u>698,131</u>	<u>253,000,000</u>	<u>255,289,478</u>

27

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

18 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.

19 DIVIDENDS DISTRIBUTION

There were no dividends distributed during the year ended 31 December 2022 (2021: SR Nil).

20 LAST VALUATION DAY

The last valuation day of the year was 29 December 2022 (2021: 30 December 2021).

21 EVENTS AFTER THE REPORTING DATE

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

22 COMPARATIVE INFORMATION

Certain prior year information have been reclassified to conform with the current year presentation.

23 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund's Board on 7 Ramadan 1444H (corresponding to 29 March 2023).

28



reit.jadwa.com

This document has been prepared specifically as part of a contractual agreement between Auronova and the client and based on the defined scope of the engagement. The document is to be read in conjunction with the scope of the engagement. The contents of this document are confidential and shall not be reproduced without the explicit consent of either Auronova or the client.
Copyright © 2023 Auronova Consulting Solutions Pvt. Ltd.