

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

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

**31 DECEMBER 2021**

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

FINANCIAL STATEMENTS

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31 December 2021

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**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 accompanying 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 2021, 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 2021, 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.

**Material Uncertainty Related to Going Concern**

We draw attention to note 1 to the accompanying financial statements, which indicates that the Fund has not recognised rental income from investment properties for the year ended 31 December 2021, due to the suspension and termination of lease contracts with tenants. This condition indicates that a material uncertainty exists that may cast significant doubt on the Fund's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Key Audit Matters**

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



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

**Key Audit Matters (continued)**

<b>Key Audit Matter</b>	<b>How the key matter was addressed in the audit</b>
<p><b><u>Assessing Impairment of investment properties</u></b></p> <p>The Fund owns a portfolio of investment properties comprising of land and commercial buildings being located in the Kingdom of Saudi Arabia.</p> <p>Investment properties are held for capital appreciation and/or rental yields and are stated at cost less accumulated depreciation and any impairment losses.</p> <p>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>As at 31 December 2021, the carrying value of investment properties was SR 691 million (2020: SR 705 million) which was net of accumulated depreciation of SR 56 million (2020: 44 million) and an accumulated impairment allowance of SR 65 million (2020: SR 60 million).</p> <p>We considered this as a key audit matter since the impairment assessment of investment properties requires significant judgement and estimates by management and the external valuers. Any input inaccuracies or unreasonable bases used in these judgements and estimates (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the Statement of Financial Position and in the Statement of Comprehensive Income.</p> <p><i>The Fund's accounting policy for investment properties is disclosed in note 5.1, the significant accounting estimates, judgement and assumptions relating to investment properties are disclosed in note 4 and related disclosures about investment properties are included in notes 6 and 7 of the accompanying financial statements.</i></p>	<p>We have carried out the following audit procedures, among others:</p> <ul style="list-style-type: none"><li>- We obtained the information about professional qualification, competence and expertise of the Fund's independent valuers and noted that the valuers are certified by the Saudi Authority for Accredited Valuers (TAQEEM);</li><li>- We performed review of investment properties valuation which included:<ul style="list-style-type: none"><li>o A review of the assumptions used by independent valuers in undertaking their valuation and an assessment of methodologies adopted;</li><li>o A detailed assessment of sample of the individual property valuation examining key valuation inputs and assumption applied.</li></ul></li><li>- We agreed the value of all properties held at the year end to the valuation included in the valuation report of independent valuers.</li><li>- We checked the accuracy of impairment loss recognized in the statement of comprehensive income during the year; and</li><li>- We ensured that the financial statement contain adequate disclosure related to the investment properties.</li></ul>



**INDEPENDENT AUDITOR'S REPORT (continued)**  
**To the Unitholders of Jadwa REIT Al Haramain Fund**  
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**Other Information included in the Fund's 2021 Annual Report**

Management is responsible for the other information. The other information comprises the information included in the Fund's 2021 annual report other than the financial statements and our auditor's report thereon. The Fund's 2021 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 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**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.

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.



**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)**

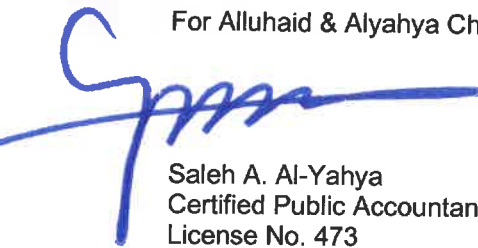
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies 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.
- 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

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

Riyadh: 28 Shaban 1443 H  
(31 March 2022)





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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	<b>2021 SR</b>	<b>2020 SR</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investment properties	6	<b>690,728,180</b>	704,690,492
Financial assets at fair value through profit or loss ("FVTPL")	8	<b>57,600,000</b>	58,932,224
Other assets	9	-	337,925
<b>TOTAL NON-CURRENT ASSETS</b>		<b>748,328,180</b>	<b>763,960,641</b>
<b>CURRENT ASSETS</b>			
Financial assets at FVTPL	8	<b>6,346,671</b>	17,711,157
Other assets	9	<b>1,089,146</b>	935,961
Rent receivables	10	<b>17,780,557</b>	6,106,058
Cash and cash equivalents	11	<b>20,603,604</b>	644,157
<b>TOTAL CURRENT ASSETS</b>		<b>45,819,978</b>	<b>25,397,333</b>
<b>TOTAL ASSETS</b>		<b>794,148,158</b>	<b>789,357,974</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long-term loan	12	-	232,010,613
<b>CURRENT LIABILITIES</b>			
Long-term loan – current portion	12	<b>252,600,522</b>	-
Due to related parties	14	<b>911,742</b>	7,531,365
Management fees payable	14	<b>1,035,377</b>	1,035,377
Accrued expenses and other liabilities	13	<b>342,359</b>	367,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>254,890,000</b>	<b>8,933,742</b>
<b>TOTAL LIABILITIES</b>		<b>254,890,000</b>	<b>240,944,355</b>
<b>EQUITY</b>			
Net assets attributable to unitholders		<b>539,258,158</b>	548,413,619
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>794,148,158</b>	<b>789,357,974</b>
Units in issue (in units)		<b>66,000,000</b>	66,000,000
Per unit value		<b>8.17</b>	8.31
Per unit fair value	7	<b>8.85</b>	9.57

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

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 SR	2020 SR
<b>INCOME</b>			
Rental income from investment properties		-	8,067,772
Unrealised (loss) / gain on financial assets at FVTPL	8	(1,257,501)	8,984,790
Realised gain on financial assets at FVTPL	8	90,791	-
Dividend income	8	2,000,000	-
Lease termination fee income	21	16,000,000	-
		<u>16,833,290</u>	<u>17,052,562</u>
<b>EXPENSES</b>			
Depreciation	6	(11,841,037)	(11,923,575)
General and administrative expenses	15	(1,289,428)	(1,480,329)
Management fees	14	-	(1,035,377)
Amortisation of transaction costs	12	(1,339,132)	(1,489,323)
		<u>(14,469,597)</u>	<u>(15,928,604)</u>
<b>OPERATING PROFIT</b>		<b>2,363,693</b>	<b>1,123,958</b>
Finance charges	12	(6,685,518)	(5,778,581)
Loss on disposal of investment properties		-	(3,563,957)
<b>LOSS FOR THE YEAR BEFORE IMPAIRMENT</b>		<b>(4,321,825)</b>	<b>(8,218,580)</b>
Impairment loss on investment properties	6	(4,833,636)	(59,826,225)
<b>NET LOSS FOR THE YEAR</b>		<b>(9,155,461)</b>	<b>(68,044,805)</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(9,155,461)</b>	<b>(68,044,805)</b>

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



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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 SR	2020 SR
<b>OPERATING ACTIVITIES</b>			
Net loss for the year		(9,155,461)	(68,044,805)
Adjustments to reconcile net loss to net cash flows:			
Depreciation	6	11,841,037	11,923,575
Finance charges	12	6,685,518	5,778,581
Impairment loss on investment properties	6	4,833,636	59,826,225
Unrealised loss (gain) on financial assets at FVTPL	8	1,257,501	(8,984,790)
Realised loss (gain) on financial assets at FVTPL	8	(90,791)	-
Amortisation of transaction costs	12	1,339,132	1,489,323
Loss on disposal of investment properties		-	3,563,957
		<b>16,710,572</b>	<b>5,552,066</b>
Changes in operating assets and liabilities:			
(Increase) decrease in rent receivables		(11,674,499)	15,450,209
Decrease in accrued rental income		-	2,824,883
(Increase) decrease in other assets		(564,482)	16,413
Increase in due to related parties		-	117,441
Decrease in management fees payable		-	(2,553,091)
Decrease in accrued expenses and other liabilities		(24,641)	(728,863)
		<b>4,446,950</b>	<b>20,679,058</b>
Finance charges paid		(13,305,141)	(111,355)
Net cash flow (used in) from operating activities		<b>(8,858,191)</b>	<b>20,567,703</b>
<b>INVESTING ACTIVITIES</b>			
Disposal of financial assets at FVTPL		11,530,000	-
Addition to investment properties	6	(2,712,361)	(156,000)
Acquisition of financial assets at FVTPL	8	-	(67,658,591)
Demolition costs	6	-	(334,191)
Net cash flow from (used in) investing activities		<b>8,817,639</b>	<b>(68,148,782)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from long-term loan	12	20,000,000	50,000,000
Distribution	20	-	(13,200,000)
Net cash flow from financing activities		<b>20,000,000</b>	<b>36,800,000</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>19,959,447</b>	<b>(10,781,079)</b>
Cash and cash equivalents at beginning of the year		644,157	11,425,236
<b>Cash and cash equivalents at end of the year</b>	11	<b>20,603,604</b>	<b>644,157</b>

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

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	<i>Notes</i>	<b>2021 SR</b>	<b>2020 SR</b>
<b>Equity attributed to the Unitholders at beginning of the year</b>		<b>548,413,619</b>	<b>629,658,424</b>
<b>Comprehensive loss</b>			
Net loss for the year		<b>(9,155,461)</b>	<b>(68,044,805)</b>
Other comprehensive income for the year		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the year</b>		<b>(9,155,461)</b>	<b>(68,044,805)</b>
Distribution	<i>20</i>	<b>-</b>	<b>(13,200,000)</b>
<b>Equity attributed to the Unitholders at end of the year</b>		<b>539,258,158</b>	<b>548,413,619</b>

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

	<i>Note</i>	<b>2021 Units</b>	<b>2020 Units</b>
<b>Units at the beginning and end of the year</b>	<i>16</i>	<b>66,000,000</b>	<b>66,000,000</b>
<b>Net assets value per unit at the end of the year</b>	<i>8</i>	<b>8.17</b>	<b>8.31</b>

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 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 properties of the Fund and its contractual obligations.

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.

The Fund has not recognised rental income from investment properties for the year ended 31 December 2021, due to the suspension and termination of its lease contracts with customers. This condition indicates that a material uncertainty exists that may cast significant doubt on the Fund's ability to continue as a going concern (note 21).

### 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 and the going concern concept, except for financial assets at fair value through profit or loss ("FVTPL") which are recorded at fair value.

#### 3.3 *Functional and presentation currency*

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

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

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

The estimated useful lives of the buildings range from 3 to 32 years.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended 31 December 2021

**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 of Funds of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The value in use is based on a discounted cash flow ("DCF") model, whereby the future expected cash flows are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the asset. Impairment losses are recognised in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been 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:

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

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

The Fund's financial assets include cash and cash equivalents and rent receivables.

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

The Fund has no financial assets measured at FVOCI.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

**5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.4 Financial instruments (continued)**

**5.4.3 Impairment of financial assets**

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

As at the year end, the Fund has 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 recognizes a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The information about the ECLs on the Fund's rent receivables is disclosed in note 10 and note 18 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.

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

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

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

The Fund's financial liabilities include long-term loan, due to related parties, 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.

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.

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

For the year ended 31 December 2021

**5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.4 Financial instruments (continued)**

**5.4.5 Offsetting of financial instruments**

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

**5.5 Current versus non-current classification**

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

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

All other assets are classified as non-current

A liability is current when:

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

The Fund classifies all other liabilities as non-current

**5.6 Fair value measurement**

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

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

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

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

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

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

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



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

For the year ended 31 December 2021

**5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.6 Fair value measurement (continued)**

For assets and liabilities that are recognized 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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year. The Fund determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

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

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

**5.7 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.

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

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

**5.9 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 sales 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)

For the year ended 31 December 2021

**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 2021**

The Fund has adopted the following amendments to existing standards which have been issued and effective from 1 January 2021:

**Amendments to standards**

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

**Effective date**

1 January 2021

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 2021 and have not been early adopted**

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

**Standards / amendments to standards**

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

**Effective date**

1 January 2022

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

1 January 2022

Reference to the Conceptual Framework (Amendments to IFRS 3)

1 January 2022

Leases: COVID-19-Related rent concessions (Amendments to IFRS 16)

1 January 2022

Annual Improvements to IFRS Standards 2018 — 2020

1 January 2022

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

1 January 2023

Accounting Policies, Changes in Accounting Estimates and Errors: Definitions of accounting estimates (Amendments to IAS 8)

1 January 2023

Income Taxes: Deferred tax related to assets and liabilities arising from single transaction (Amendments to IAS 12)

1 January 2023

IFRS 17 — Insurance Contracts

1 January 2023

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.

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

For the year ended 31 December 2021

**6 INVESTMENT PROPERTIES**

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

**31 December 2021**

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Impairment loss (Note 6.2) SR</i>	<i>Net book value SR</i>
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
	<b>811,259,861</b>	<b>55,871,820</b>	<b>64,659,861</b>	<b>690,728,180</b>

**31 December 2020**

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Impairment loss (Note 6.2) SR</i>	<i>Net book value SR</i>
Tharawat Al Andalusia Hotel	379,000,000	25,636,046	-	353,363,954
Tharawat Al Taqwa Hotel	250,000,000	18,294,737	-	231,705,263
Retail Building	23,000,000	100,000	-	22,900,000
3-Star Hotel, Makkah (*)	156,547,500	-	59,826,225	96,721,275
	<b>808,547,500</b>	<b>44,030,783</b>	<b>59,826,225</b>	<b>704,690,492</b>

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

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

	<b>2021 SR</b>	<b>2020 SR</b>
<b>Cost</b>		
Balance at beginning of the year	808,547,500	812,000,000
Additions during the year	2,712,361	156,000
Disposals during the year	-	(3,608,500)
Balance at end of the year	<b>811,259,861</b>	<b>808,547,500</b>
<b>Accumulated depreciation</b>		
Balance at beginning of the year	44,030,783	32,485,942
Depreciation charge for the year	11,841,037	11,923,575
Related to disposals	-	(378,734)
Balance at end of the year	<b>55,871,820</b>	<b>44,030,783</b>
<b>Accumulated impairment</b>		
Balance at beginning of the year	59,826,225	-
Impairment loss of investment properties	4,833,636	59,826,225
Balance at end of the year	<b>64,659,861</b>	<b>59,826,225</b>
<b>Net book value</b>	<b>690,728,180</b>	<b>704,690,492</b>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

**6 INVESTMENT PROPERTIES (continued)**

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 in 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 Banque Saudi Fransi ("BSF") in order to secure a debt facility obtained by the SPV for the purposes of the Fund.

**6.1.6** On 4 February 2020, the Fund Board approved the redevelopment plan to merge Ibrahim Al-Khalil I and Ibrahim Al-Khalil II and redevelop them into a hotel tower. Accordingly, the buildings in these properties with carrying amounts of SR 3,047,595 and SR 182,171, respectively, were demolished during 2020. The demolition costs amounting to SR 300,771 during the year ended 31 December 2020 were recorded under 'Loss on disposal of investment properties' in the statement of comprehensive income.

**6.2 Impairment of investment properties**

The investment properties were tested for impairment and the management noted the carrying amounts of three (2020: two) properties to be higher than the recoverable amount. During the year ended 31 December 2021, the management recognised an impairment of SR 64,596,500 (2020: SR 59,826,225) to adjust the value of its investment properties to their recoverable amounts based on the average fair values as of the reporting period determined by the independent evaluators as shown in Note 7.

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2021

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

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

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

<b>31 December 2021</b>	<b>Appraiser 1 SR</b>	<b>Appraiser 2 SR</b>	<b>Average SR</b>
Tharawat Al Andalusia Hotel	321,500,000	412,920,000	<b>367,210,000</b>
Tharawat Al Taqwa Hotel	222,600,000	267,900,000	<b>245,250,000</b>
Retail Building	21,000,000	36,184,000	<b>28,592,000</b>
3-Star Hotel, Makkah	82,000,000	107,200,000	<b>94,600,000</b>
	<u>647,100,000</u>	<u>824,204,000</u>	<u><b>735,652,000</b></u>
<b>31 December 2020</b>	<b>Appraiser 1 SR</b>	<b>Appraiser 2 SR</b>	<b>Average SR</b>
Tharawat Al Andalusia Hotel	400,000,000	408,330,000	404,165,000
Tharawat Al Taqwa Hotel	260,000,000	264,000,000	262,000,000
Retail Building	25,000,000	25,000,000	25,000,000
3-Star Hotel, Makkah	91,340,550	101,790,000	96,565,275
	<u>776,340,550</u>	<u>799,120,000</u>	<u>787,730,275</u>

Management has used the average of the two valuations for the purposes of disclosing the fair value of the investment properties. The investment properties were valued taking into consideration number of factors, including the area and type of property. Below is an analysis of the fair value of investment properties against cost:

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

	<b>2021 SR</b>	<b>2020 SR</b>
Fair value of investments in real estate properties	<b>735,652,000</b>	787,730,275
Less: Carrying value of investments in real estate properties (Note 6)	<b>690,728,180</b>	704,690,492
Unrealised gain based on fair value evaluation	<b>44,923,820</b>	83,039,783
Units in issue	<b>66,000,000</b>	66,000,000
Per unit share in unrealised gain based on fair value evaluation	<b>0.68</b>	1.26

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2021

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

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

	<b>2021 SR</b>	<b>2020 SR</b>
Net asset value at cost, as presented in these financial statements	<b>539,258,158</b>	548,413,619
Unrealised gain based on real estate evaluations (Note 7.1)	<b>44,923,820</b>	83,039,783
Net asset based on fair value	<b>584,181,978</b>	631,453,402

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

	<b>2021 SR</b>	<b>2020 SR</b>
Net asset value per unit, at cost as presented in these financial statements	<b>8.17</b>	8.31
Impact on net asset value per unit on account of unrealised gain based on fair value evaluations (Note 7.1)	<b>0.68</b>	1.26
Net asset value per unit at fair value	<b>8.85</b>	9.57

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

	<b>2021 SR</b>	<b>2020 SR</b>
<b>Non-current</b>		
Investment in private real estate fund (Note 8.1)	<b>57,600,000</b>	58,932,224
<b>Current</b>		
Investment in mutual fund (Note 8.2)	<b>6,346,671</b>	17,711,157

**8.1 Investment in real estate fund**

This represents investment of 5,000,000 units (2020: 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 (2020: SR 50,000,000).

The unrealised loss on this investment amounted to SR 1,332,224 for the year ended 31 December 2021 (2020: gain of SR 8,932,224).

During 2021, the Fund recognised dividend income amounting to SR 2,000,000 from its investment in real estate fund (2020: SR Nil).

**8.2 Investment in mutual fund**

This represents the Fund's investment in 52,301.58 units (2020: 174,721.72 units) of Jadwa Saudi Riyal Murabaha Fund managed by Jadwa Investment Company, the cost of which is SR 6,257,247 (2020: SR 17,658,591) and is current in nature.

The realised gain on the redemption of investment amounted to SR 90,791 for the year ended 31 December 2021 (2020: SR Nil).

The unrealised gain on this investment amounted to SR 74,723 for the year ended 31 December 2021 (2020: SR 52,566).

Jadwa REIT Al Haramain Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended 31 December 2021

**9 OTHER ASSETS**

	<b>2021</b> <b>SR</b>	<b>2020</b> <b>SR</b>
<b>Current</b>		
VAT recoverable	<b>601,586</b>	37,103
Deferred transaction costs (note 12)	<b>487,560</b>	898,858
	<b>1,089,146</b>	935,961
<b>Non-current</b>		
Deferred transaction costs (note 12)	-	337,925

**10 RENT RECEIVABLES**

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

Following is the ageing analysis of the rent receivables:

	<b>2021</b> <b>SR</b>	<b>2020</b> <b>SR</b>
More than 120 days	<b>17,780,557</b>	6,106,058
	<b>17,780,557</b>	6,106,058

The rent receivables are secured by promissory notes.

***Impairment and risk exposure***

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

**11 CASH AND CASH EQUIVALENTS**

As at 31 December 2021, four of the nine bank accounts are maintained with BSF and Riyadh Bank under the name of the SPV with a total balance of SR 20,453,306 (2020: four of the nine bank accounts with a total balance of SR 22,400).

**12 LONG-TERM LOAN, NET**

	<b>2021</b> <b>SR</b>	<b>2020</b> <b>SR</b>
Long-term loan	<b>253,000,000</b>	233,000,000
Less:		
Transaction costs	<b>2,771,250</b>	2,771,250
Amortisation of transaction costs	<b>(2,371,772)</b>	(1,781,863)
	<b>399,478</b>	989,387
Long-term loan, net	<b>252,600,522</b>	232,010,613



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

For the year ended 31 December 2021

**12 LONG-TERM LOAN, NET (continued)**

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

- i. On 20 July 2017, BSF extended an Islamic financing facility ("Tawaruq") to the SPV amounting to SR 500,000,000 for the purposes of financing the real estate investments of the Fund. The SPV has made an arrangement with the Fund under a long-term loan agreement to lend all the loan proceeds availed by it under the facility to the Fund on terms and conditions same as that of the facility. The facility was available till 20 July 2020 and is repayable in full on 31 August 2022.

On 23 August 2020, BSF 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 Saudi Inter-Bank Offered Rate ("SAIBOR") plus 2% per annum, payable on semi-annual basis. During the year ended 31 December 2021, the Fund has drawn additional SR 20,000,000 loan (2020: SR 50,000,000) from the facility.

As at 31 December 2021, transaction cost related to the loan amounting to SR 2,771,250 (2020: SR 2,771,250) have been paid which is being amortised over the period of the loan.

The facility is secured by promissory notes and requires compliance with 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 2021 amounted to SR 6,685,518 (2020: SR 5,778,581) which are reflected under the statement of comprehensive income.

Fees charged by BSF for loan servicing amounting to SR 3,750,000 are capitalised as 'Deferred transaction costs' under 'Other assets' in the statement of financial position and amortised over the period of the loan facility. Amortisation for the year ended 31 December 2021 amounted to SR 732,343 (2020: SR 734,350) which is reflected under the statement of comprehensive income.

- ii. On 8 May 2018, Riyadh Bank has extended an Islamic finance facility to 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 was repayable in full on 7 February 2021. As at 31 December 2020, the Fund has not drawn any amount from the facility.

Fees charged by Riyadh Bank for loan servicing amounting to 0.25% of the loan facility has been capitalised as 'Deferred transaction costs' under 'Other assets' in the statement of financial position and is amortised over the period of the loan facility. Amortisation for the year ended 31 December 2021 amounted to SR 16,880 (2020: SR 166,971).

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

	<b>2021</b>	<b>2020</b>
	<b>SR</b>	<b>SR</b>
At beginning of the year	<b>233,000,000</b>	183,000,000
Proceeds from loan	<b>20,000,000</b>	50,000,000
At end of the year	<b>253,000,000</b>	233,000,000

Jadwa REIT Al Haramain Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended 31 December 2021

**12 LONG-TERM LOAN, NET (continued)**

The movement in the Deferred transaction costs is as follows:

	2021 SR	2020 SR
At beginning of the year	1,236,783	2,138,104
Amortisation during the year	(749,223)	(901,321)
At end of the year	<u>487,560</u>	<u>1,236,783</u>

Deferred transaction costs are presented in the statement of financial position under 'Other assets' as follows:

	2021 SR	2020 SR
Non-current portion	-	337,925
Current portion	487,560	898,858
	<u>487,560</u>	<u>1,236,783</u>

**13 ACCRUED EXPENSES AND OTHER LIABILITIES**

	2021 SR	2020 SR
Insurance fee	94,778	126,438
Custody fee	85,910	160,000
Property valuation fee	67,620	44,810
Professional fee	35,094	30,719
Administrator fee	28,125	-
Others	30,832	5,033
	<u>342,359</u>	<u>367,000</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:

<i>Related party</i>	<i>Nature of relationship</i>	<i>Nature of transaction</i>	2021 SR	2020 SR
Jadwa Investment Company	Fund Manager	Management fees (i)	-	1,035,377
		Expenses paid on behalf of the Fund	-	20,342
Jadwa Al-Khalil Real Estate Company	SPV	Finance charges	6,685,518	5,778,581
Jadwa Saudi Riyal Murabaha Fund	Affiliate	Investment in mutual fund	-	17,658,591
		Redemption	11,401,344	-
		Unrealised gain	74,723	52,566
		Realised gain	90,791	-
Real Estate Investment Fund	Affiliate	Investment in private real estate investment fund	-	50,000,000
		Unrealised (loss) / gain	(1,332,224)	8,932,224

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

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended 31 December 2021

**14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**14.1 Related party transactions (continued)**

**(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.

Due to the direct impact of the Covid-19 outbreak on the Fund's investment properties, the Fund Manager announced temporary suspension of charging management fees on the Fund from 1 March 2020 until the Fund's properties are reoccupied and the Fund resumes collection of rental income.

For the dividends distributed to the Unitholders, please refer to Note 20.

**14.2 Related party balances**

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

**Due to related parties**

	2021 SR	2020 SR
Jadwa Al-Khalil Real Estate Company	717,677	7,337,300
Dividend payable	171,723	171,723
Jadwa Investment Company	22,342	22,342
	<u>911,742</u>	<u>7,531,365</u>

**Accrued management fees**

	2021 SR	2020 SR
Jadwa Investment Company	1,035,377	1,035,377
	<u>1,035,377</u>	<u>1,035,377</u>

**15 GENERAL AND ADMINISTRATIVE EXPENSES**

	2021 SR	2020 SR
Registration fee	400,000	400,000
Tadawul listing fee	165,151	144,320
Professional fee	113,581	182,895
Administrator fee	112,535	136,856
Custody fee	116,648	161,899
Property valuation fee	97,620	100,117
Insurance	97,465	126,442
Legal fee	21,917	163,610
Independent board member fee (i)	20,000	20,000
Others	144,511	44,190
	<u>1,289,428</u>	<u>1,480,329</u>

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

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

For the year ended 31 December 2021

**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 close to current market.

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

<b>31 December 2021</b>	<b>Level 1 SR</b>	<b>Level 2 SR</b>	<b>Level 3 SR</b>	<b>Total SR</b>
Financial assets at fair value through profit or loss (Note 8)	-	<b>63,946,671</b>	-	<b>63,946,671</b>
	<i>Level 1 SR</i>	<i>Level 2 SR</i>	<i>Level 3 SR</i>	<i>Total SR</i>
<b>31 December 2020</b>				
Financial assets at fair value through profit or loss (Note 8)	-	<b>76,643,381</b>	-	<b>76,643,381</b>

The financial assets at FVTPL are 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:

<b>31 December 2021</b>	<b>Level 1 SR</b>	<b>Level 2 SR</b>	<b>Level 3 SR</b>	<b>Total SR</b>
Tharawat Al Andalusia Hotel	-	-	367,210,000	<b>367,210,000</b>
Tharawat Al Taqwa Hotel	-	-	245,250,000	<b>245,250,000</b>
Retail Building	-	-	28,592,000	<b>28,592,000</b>
3-Star Hotel, Makkah	-	-	94,600,000	<b>94,600,000</b>
	-	-	<b>735,652,000</b>	<b>735,652,000</b>
	<i>Level 1 SR</i>	<i>Level 2 SR</i>	<i>Level 3 SR</i>	<i>Total SR</i>
<b>31 December 2020</b>				
Tharawat Al Andalusia Hotel	-	-	404,165,000	404,165,000
Tharawat Al Taqwa Hotel	-	-	262,000,000	262,000,000
Retail Building	-	-	25,000,000	25,000,000
3-Star Hotel, Makkah	-	-	96,565,275	96,565,275
	-	-	<b>787,730,275</b>	<b>787,730,275</b>

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 December 2021

**16 FAIR VALUE MEASUREMENT (continued)**

When the fair value of items disclosed in these financial statements cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as credit risk, correlation and volatility.

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

The fair values of investment properties were assessed by Menassat (TAQEEM license number: 1210000163) and White Cubes (TAQEEM license number: 1210000474) 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:

**31 December 2021**

<u>Description</u>	<u>Valuation approach</u>	<u>Key assumptions</u>	<u>Range</u>
Tharawat Al Andalusia Hotel	Income capitalisation	Capitalisation rate (%)	5.50-6.00
Tharawat Al Taqwa Hotel	Income capitalisation	Operational expenses (%)	15.00-55.00
		Capitalisation rate (%)	6.25-7.50
Retail Building	Income capitalisation	Operational expenses (%)	10-75.50
		Capitalisation rate (%)	7.00
3-Star Hotel, Makkah	Market comparable	Operational expenses (%)	10.00-30.00
		Land value per square metre (SAR '000)	335
3-Star Hotel, Makkah	Income capitalisation	Capitalisation rate (%)	6.00
		Discount rate (%)	8.50
3-Star Hotel, Makkah	Market comparable	Operational expenses (%)	35.00
		Rate per square metre (SAR '000)	400

**31 December 2020**

<u>Description</u>	<u>Valuation approach</u>	<u>Key assumptions</u>	<u>Range</u>
Tharawat Al Andalusia Hotel	Discounted cash flow	Exit yield	6.50
		Discount rate	8.00
Tharawat Al Taqwa Hotel	Discounted cash flow	Capitalisation rate	6.00-6.25
		Exit yield	6.50
Retail Building	Income capitalisation	Discount rate	8.50
3-Star Hotel, Makkah		Capitalisation rate	6.00
3-Star Hotel, Makkah	Market comparable	Rate per square metre (SAR '000)	315-390

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

For the year ended 31 December 2021

**17 LEASE COMMITMENTS**

Future minimum rent receivables under the leases are as follows:

	<b>2021</b>	<b>2020</b>
	<b>SR</b>	<b>SR</b>
Less than one year	-	20,608,757
	-	20,608,757

During 2020, the Fund received notices from the tenant of Tharawat Al Andalusia and Tharawat Al Taqwa Hotel to terminate the respective lease agreement in accordance with the lease terms and conditions, accordingly, the contracts were terminated. Considering none of the investment properties were occupied during the year ended 31 December 2021, the Fund has not recognized any rental revenue in 2021.

**18 FINANCIAL RISK MANAGEMENT**

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

**18.1 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 1,888,917 for the year ended 31 December 2021 (2020: SR 1,904,944).

**18.2 Credit risk**

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. As at year end, the Fund has cash and cash equivalents and 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 2021 and 2020, management considers the probability of default to be close to zero 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

**18 FINANCIAL RISK MANAGEMENT (continued)**

**18.3 Liquidity risk**

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

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

	<i>On demand SR</i>	<i>Less than 3 months SR</i>	<i>3 to 12 months SR</i>	<i>More than 12 months SR</i>	<i>Total SR</i>
<b>31 December 2021</b>					
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>
<b>31 December 2020</b>					
Due to related parties	194,065	6,372,457	964,843	-	7,531,365
Management fees payable	-	1,035,377	-	-	1,035,377
Other liabilities	-	367,000	-	-	367,000
Long-term loan	-	-	-	233,000,000	233,000,000
	<u>194,065</u>	<u>7,774,834</u>	<u>964,843</u>	<u>233,000,000</u>	<u>241,933,742</u>

**19 OPERATING SEGMENT**

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

**20 DIVIDENDS DISTRIBUTION**

There were no dividends distributed during the year ended 31 December 2021 (2020: SR 13,200,000).



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

For the year ended 31 December 2021

**21 IMPACT OF COVID-19 AND MATERIAL UNCERTAINTY**

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

On 9 March 2020, the Fund received a notice to suspend the lease contract for Tharawat Al Andalusia Hotel due to temporary suspension of Umrah due to the Covid-19 outbreak. The Fund received another notice from the tenant of Tharawat Al Andalusia Hotel that the lease contract shall be terminated due to changing conditions in the hospitality sector in Makkah Al-Mukarramah. Accordingly, the end of the contract term was on 13 Rajab 1442H (corresponding to 25 February 2021) which was equivalent to a period of Hijri twelve months from the date of notice. During the year ended 31 December 2021, the Fund recognised income amounting to SR 8,000,000 for the termination of the lease contract before the expiry date. This was recorded under 'Lease termination fee income' in the statement of comprehensive income.

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

On 28 Dhu al-Hijjah 1441H (corresponding to 18 August 2020), the Fund Manager received a notice from the tenant of Tharawat Al Taqwa Hotel to terminate the lease contract in accordance with the lease contract terms and conditions. Accordingly, the end of the contract period was on 1 Jumada Al-Awwal 1443 H (corresponding to 5 December 2021), which is four Hijri years from the beginning of the lease term. During the year ended 31 December 2021, the Fund recognised additional income amounting to SR 8,000,000 for the termination of the lease contract before the expiry date. This was recorded under 'Lease termination fee income' in the statement of comprehensive income.

During the year ended 31 December 2021, the Fund has not recognised any rental revenue as a result of termination of lease contracts.

It is worth noting that the Kingdom of Saudi Arabia (the "Kingdom") has administered more than 59 million Covid-19 vaccine doses so far, and close to 24 million (around 70 percent) of the population have been fully vaccinated. It is for this reason that the Omicron-induced rise in daily cases has resulted in an extremely low number of deaths. It is also the reason why the management remains confident that pandemic-related disruptions, such as suspension of recreational activities seen at the beginning of 2020, are unlikely to occur again. As a result, the Kingdom start easing Covid restrictions and the management sees Covid-19 presents limited risks to the Saudi economy going forward.

Subsequent to the year end, the Kingdom announced that it was lifting based on the follow-up to the epidemiological situation of the Corona virus pandemic, and what the competent health authorities have submitted, and the gains made in combating the pandemic and effective national efforts from all sides, and progress in the national vaccination program and the high rates of immunization and immunity against the virus in the community.

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

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

#### 21 IMPACT OF COVID-19 AND MATERIAL UNCERTAINTY (continued)

In March 2022, it was decided by the Government to end the precautionary and preventive measures related to combating the Corona pandemic, according to the following:

1. Suspend the implementation of social distancing measures in the Holy Mosque, the Prophet's Mosque, Jaame Masjid and mosques, while continuing to obligate the wearing of mask in it.
2. Suspend the implementation of social distancing measures in all places (closed and open), activities and events.
3. Not requiring to wear mask in open places, while continuing to be obligated to wear it in closed places.
4. Not requiring to submit a negative result for an approved PCR test or for an approved Rapid Antigen Test before coming to the Kingdom.
5. Coming to the Kingdom on visit visas of all kinds required to have insurance to cover the costs of treatment from the Coronavirus (Covid-19) infection during the stayed period in the Kingdom
6. Canceling the application of institutional quarantine and home quarantine for the purpose of combating the pandemic on those coming to the Kingdom.
7. Stop the suspension of direct arrival to the Kingdom and stop the suspension of all flights coming to and departing from the Kingdom from various countries.

The Fund Manager is in the process of engaging with a number of property managers in order to lease out the investment properties whose contracts have been terminated. Considering majority of the restrictions have been lifted especially pilgrims from inside and outside Saudi Arabia can visit holy mosque without any restrictions, the Fund Manager expects that the investment properties are expected to be leased out in 2022.

The Fund Manager is also in discussion with banks to rollover/restructure its existing facilities which are expected to take effect during 2022.

The Fund Manager announced temporary suspension of management fees charge on the Fund, due to the direct impact of the COVID-19 outbreak on the Fund's investment properties. Specifically, the precautionary Covid-19 measures included the suspension of Umrah, which led to termination of lease contract of the investment properties and. The suspension of management fees was effective from the date of rent suspension request from tenants (corresponding to 1 March 2020) and it will remain suspended until the Fund's properties are reoccupied and the Fund resumes generating rental income.

Considering the measures taken by the Fund Manager and development highlighted above, the financial statements have been prepared on going concern basis.

#### 22 LAST VALUATION DAY

The last valuation day of the year was 30 December 2021 (2020: 31 December 2020)

#### 23 EVENTS AFTER THE REPORTING DATE

On 20 January 2022, the Fund announced change in the membership of the Fund's Board of Directors due to the resignation of Dr. Waleed Saleh Al Numay and appointment of Nader Hassan Al Amri.

On 28 March 2022, the Fund Manager signed 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.

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

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For the year ended 31 December 2021

**24 COMPARATIVE INFORMATION**

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

**25 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Fund's Board on 28 Shaban 1443H (corresponding to 31 March 2022).