

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

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

31 DECEMBER 2023

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

FINANCIAL STATEMENTS
31 December 2023

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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 2023, and the related statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISA”) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (“the Code”) that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matter	How the key matter was addressed in the audit
<p><u>Assessing Impairment of Investment Properties</u></p> <p>The Fund owns a portfolio of investment properties comprising of land and commercial buildings being located in the Kingdom of Saudi Arabia.</p> <p>Investment properties are held for capital appreciation and/or rental yields and are stated at cost less accumulated depreciation and any impairment losses.</p> <p>As at 31 December 2023, the carrying value of investment properties was SR 659.173 million (2022: SR 656.327 million) which was net of accumulated depreciation of SR 79.049 million (2022: 67.637 million) and an accumulated impairment allowance of SR 99.173 million (2022: SR 104.514 million).</p>	<ul style="list-style-type: none"> - We have obtained an understanding of the process and controls surrounding assessment of impairment of investment properties by performing walkthrough procedures. - 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;

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 and estimates by management and the external valuers. Any input inaccuracies or unreasonable bases used in these judgements and estimates (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the Statement of Financial Position and in the Statement of Comprehensive Income.</p> <p><i>The Fund's accounting policy for investment properties is disclosed in note 5.1, the significant accounting estimates, judgement and assumptions relating to investment properties are disclosed in note 4 and related disclosures about investment properties are included in notes 6 and 7 of the accompanying financial statements.</i></p>	<ul style="list-style-type: none"> - 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 process assessment of impairment of investment properties; 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; - 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 2023 Annual Report

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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. Alluhaid
Certified Public Accountant
License No. 438

Riyadh: 17 Ramdan 1445 H
(27 March 2024)



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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 SR	2022 SR
ASSETS			
NON-CURRENT ASSETS			
Investment properties	6	659,173,840	656,327,901
Financial assets at fair value through profit or loss ("FVTPL")	8	21,758,564	57,800,000
TOTAL NON-CURRENT ASSETS		680,932,404	714,127,901
CURRENT ASSETS			
Due from related parties	14	23,576,633	-
Prepayments and other assets	9	60,135	844,702
Rent and related receivables	10	15,685,147	18,895,975
Cash and cash equivalents	11	4,499,719	17,911,955
TOTAL CURRENT ASSETS		43,821,634	37,652,632
TOTAL ASSETS		724,754,038	751,780,533
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term loan	12	214,096,977	250,622,326
CURRENT LIABILITIES			
Due to related parties	14	2,165,430	4,369,726
Management fees payable	14	1,202,527	1,035,377
Accrued expenses and other liabilities	13	2,780,676	5,001,290
TOTAL CURRENT LIABILITIES		6,148,633	10,406,393
TOTAL LIABILITIES		220,245,610	261,028,719
EQUITY			
Net assets attributable to unitholders		504,508,428	490,751,814
TOTAL LIABILITIES AND EQUITY		724,754,038	751,780,533
Units in issue (in units)		66,000,000	66,000,000
Per unit value		7.64	7.44
Per unit fair value	7	7.64	7.55

The attached notes 1 to 23 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 2023

	<i>Notes</i>	2023 SR	2022 SR
Income			
Rental income from investment properties		28,884,378	19,339,555
Income from financial assets at FVTPL	8.1, 8.2	11,327,654	266,076
Dividend income	8	6,000,000	1,500,000
Other income		-	6,500
		<u>46,212,032</u>	<u>21,112,131</u>
Expenses			
Depreciation	6	(11,412,724)	(11,765,332)
Management fee	14	(1,202,527)	-
General and administrative expenses	15	(6,450,264)	(6,025,170)
Amortisation of transaction costs	12	(505,446)	(1,039,364)
		<u>(19,570,961)</u>	<u>(18,829,866)</u>
Operating profit		26,641,071	2,282,265
Finance charges	12	(18,225,433)	(10,934,463)
Profit (loss) for the year before impairment		8,415,638	(8,652,198)
Reversal (charge) of impairment loss on investment properties	6	5,340,976	(39,854,146)
Net profit (loss) for the year		13,756,614	(48,506,344)
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		<u>13,756,614</u>	<u>(48,506,344)</u>

The attached notes 1 to 23 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 2023

	<i>Notes</i>	2023 SR	2022 SR
OPERATING ACTIVITIES			
Net profit (loss) for the year		13,756,614	(48,506,344)
Adjustments to reconcile net gain (loss) to net cash flows:			
Depreciation	6	11,412,724	11,765,332
Finance charges	12	18,225,433	10,934,463
(Reversal) charge of Impairment loss on investment properties	6	(5,340,976)	39,854,146
Income from financial assets at FVTPL	8	(11,327,654)	(266,076)
Amortisation of transaction costs	12	505,446	1,039,364
		27,231,585	14,820,885
Changes in operating assets and liabilities:			
Increase in due from related parties		(23,576,633)	-
Decrease (increase) in rent and related receivables		3,210,828	(1,115,418)
Decrease (increase) in prepayments and other assets		784,567	(243,116)
(Decrease) increase in accrued expenses and other liabilities		(2,220,614)	4,658,931
Increase in accrued management fee payable		167,150	-
		5,596,885	18,121,282
Finance charges paid		(20,429,729)	(7,476,479)
Net cash flows (used in) from operating activities		(14,832,844)	10,644,803
INVESTING ACTIVITIES			
Addition to financial assets at FVTPL	8.2	(63,000,000)	-
Disposal of financial assets at FVTPL	8.1,8.2	110,369,090	6,412,747
Addition to investment properties	6	(8,917,687)	(17,219,199)
Net cash flows from (used in) investing activities		38,451,403	(10,806,452)
FINANCING ACTIVITIES			
Proceeds from long-term loan	12	253,000,000	253,000,000
Repayment of long-term loan	12	(290,030,795)	(253,000,000)
Transaction cost	12	-	(2,530,000)
Net cash flows used in financing activities		(37,030,795)	(2,530,000)
Net decrease in cash and cash equivalents		(13,412,236)	(2,691,649)
Cash and cash equivalents at beginning of the year		17,911,955	20,603,604
Cash and cash equivalents at the end of the year		4,499,719	17,911,955

The attached notes 1 to 23 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 2023

	2023	2022
	SR	SR
Equity attributed to the Unitholders at beginning of the year	490,751,814	539,258,158
Comprehensive income (loss)		
Net profit (loss) for the year	13,756,614	(48,506,344)
Other comprehensive income for the year	-	-
Total comprehensive income (loss) for the year	13,756,614	(48,506,344)
Equity attributed to the Unitholders at end of the year	504,508,428	490,751,814

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

	2023	2022
	Units	Units
Units at the beginning and end of the year	66,000,000	66,000,000

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

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.

During 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 and Tharawat Al Taqwa Hotel. The contract also includes the responsibilities of marketing, maintenance and supervision of the property. The operator 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 Organization for Chartered and Professional Accountants ("SOCPA").

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

3 BASIS OF PREPARATION (continued)

3.2 Basis of measurement

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

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

3.3 Functional and presentation currency

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Going concern

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

Useful lives of investment properties

The management determines the estimated useful lives of investment properties for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods. The estimated useful lives of the investment properties are disclosed in Note 6.

Impairment of investment properties

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

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

31 December 2023

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Impairment of investment properties (continued)

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

Impairment of financial assets held at amortised cost

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

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

Fair value measurement

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

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

5 MATERIAL ACCOUNTING POLICY INFORMATION

The summary of material accounting policy information 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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

5.2 Impairment of non-financial assets

The carrying values of non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset or cash generating unit ("CGU") exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other asset's. When the carrying amount of an asset's 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:

- 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
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

5.4 Financial instruments (continued)

5.4.3 Impairment of financial assets

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

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

5.4.4 Financial liabilities – subsequent classification and measurement

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

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

5.6 Fair value measurement (continued)

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 Trade date accounting

All regular way purchases and sales of financial assets are initially recognized and derecognized on the trade date (i.e., the date of on which the Group becomes a party to the contractual provision of the instrument). Regular way purchases or sales of the financial instruments require delivery of those assets within the time frame generally established by regulation or convention in the market-place. All other financial assets and liabilities are also initially recognized on the trade date at which the Group becomes a party to the contractual provision in the market-place.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

5.8 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.

5.9 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, contract asset is recognised. If the payments exceed the services rendered, contract liability is recognised.

5.10 Management fees

Management fees are charged by the Fund Manager according to the following rate: (a) 0.5% annually of the Fund's Net Asset Value, and (b) 5% of the Fund's total annual revenue, paid semi-annually and calculated based on the performance of each year separately, provided that the total Management Fees does not exceed 0.75% of the Fund's Net Asset Value, for the purposes of calculation of Management Fees, "Fund's total revenue" means gross income from rentals of real estate assets, not including any capital gains.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

5.11 Expenses

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

5.12 Net asset value

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

5.13 Zakat

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

5.14 Dividends distribution

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

5.15 Amendments to existing standards effective 1 January 2023

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

IFRS 17 Insurance Contracts

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

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

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

Definition of Accounting Estimates - Amendments to IAS 8

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

6 INVESTMENT PROPERTIES

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

31 December 2023

<i>Description</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Impairment loss (Note 6.2)</i>	<i>Net book value</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Tharawat Al Andalusia Hotel	381,443,227	45,792,752	26,373,131	309,277,344
Tharawat Al Taqwa Hotel	250,000,000	32,828,263	11,743,891	205,427,846
Retail Building	23,000,000	100,000	400,000	22,500,000
3-Star Hotel, Makkah	182,953,520	328,861	60,656,009	121,968,650
	<u>837,396,747</u>	<u>79,049,876</u>	<u>99,173,031</u>	<u>659,173,840</u>

31 December 2022

<i>Description</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Impairment loss (Note 6.2)</i>	<i>Net book value</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
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
	<u>828,479,060</u>	<u>67,637,152</u>	<u>104,514,007</u>	<u>656,327,901</u>

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

	2023	2022
	SR	SR
Cost		
Balance at beginning of the year	828,479,060	811,259,861
Additions during the year	8,917,687	17,219,199
Balance at end of the year	<u>837,396,747</u>	<u>828,479,060</u>
Accumulated depreciation		
Balance at beginning of the year	67,637,152	55,871,820
Depreciation charge for the year	11,412,724	11,765,332
Balance at end of the year	<u>79,049,876</u>	<u>67,637,152</u>
Accumulated impairment		
Balance at beginning of the year	104,514,007	64,659,861
(Reversal) charge of impairment loss on investment properties	(5,340,976)	39,854,146
Balance at end of the year	<u>99,173,031</u>	<u>104,514,007</u>
Net book value	<u>659,173,840</u>	<u>656,327,901</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

6 INVESTMENT PROPERTIES (continued)

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

During the year ended 31 December 2023, the Fund recognised depreciation amounting to SR 11,412,724 (2022: SR 11,765,332).

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 meters of land (2022: 3,227.2 square meters of land).

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

The hotel tower is located in Al Misfalah District. The redevelopment of the hotel tower was completed and operation of the hotel commenced during the year

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.

6.2 Impairment of investment properties

The investment properties were tested for impairment and the management noted the carrying amounts of three properties (2022: Nil) to be lower than the recoverable amount and carrying amounts of one property (2022: three properties) to be more than the recoverable amount. Accordingly, during the year ended 31 December 2023, the management recognised a net reversal of impairment of SR 5,340,977 (2022: impairment loss of SR 39,854,146) 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)

31 December 2023

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, 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. Esnad and Barcode (2022: Menassat and Barcode). As at reporting date, the valuation of investment properties is as follows:

31 December 2023	Appraiser 1 SR	Appraiser 2 SR	Average SR
Tharawat Al Andalusia Hotel	311,825,000	306,729,685	309,277,343
Tharawat Al Taqwa Hotel	194,809,000	216,046,693	205,427,847
Retail Building	22,500,000	22,500,000	22,500,000
3-Star Hotel, Makkah	134,626,000	109,311,300	121,968,650
	<u>663,760,000</u>	<u>654,587,678</u>	<u>659,173,840</u>
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>

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:

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

	2023 SR	2022 SR
Fair value of investments in real estate properties	659,173,840	663,539,602
Less: Carrying value of investments properties (Note 6)	659,173,840	656,327,901
	<u>-</u>	<u>7,211,701</u>
Unrealised gain based on fair value evaluation	-	7,211,701
Units in issue	66,000,000	66,000,000
	<u>-</u>	<u>0.11</u>
Per unit share in unrealised gain based on fair value evaluation	-	0.11

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

7 EFFECTS 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:

	2023 SR	2022 SR
Net asset value at cost, as presented in these financial statements	504,508,428	490,751,814
Unrealised gain based on real estate evaluations (Note 7.1)	-	7,211,701
Net asset based on fair value	<u>504,508,428</u>	<u>497,963,515</u>

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

	2023 SR	2022 SR
Net asset value per unit, at cost as presented in these financial statements	7.64	7.44
Impact on net asset value per unit on account of unrealised gain based on fair value evaluations (Note 7.1)	-	0.11
Net asset value per unit at fair value	<u>7.64</u>	<u>7.55</u>

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 SR	2022 SR
Non-current		
Investment in private real estate fund (Note 8.1)	<u>21,758,564</u>	<u>57,800,000</u>

8.1 Investment in real estate fund

This represents investment of 1,412,578 units (2022: 5,000,000 units) 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 14,125,783 (2022: SR 50,000,000).

As at 31 December 2023, the Fund holds 3.12% of Real Estate Investment Fund (2022: 3.12%).

The unrealised gain on this investment amounted to SR 5,429,164 for the year ended 31 December 2023 (2022: gain of SR 200,000).

During the year ended 31 December 2023, the Fund redeemed 3,587,422 units of Real Estate Investment Fund for SR 46,792,457. The carrying value of this investment at the time of redemption was SR 41,470,599, as a result, the Fund recognised a realised gain of SR 5,321,858 (2022: SR Nil).

During 2023, the Fund recognised dividend income amounting to SR 6,000,000 from its investment in real estate fund (2022: SR 1,500,000).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

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

8.2 Investment in mutual fund

As at 31 December 2023 and 2022, the Fund does not hold any units of investment in Jadwa Saudi Riyal Murabaha Fund managed by Jadwa Investment Company.

During the year ended 31 December 2023, the Fund acquired 570,870.69 units (2022: 52,301.58 units) of Jadwa Saudi Riyal Murabaha Fund managed by the Fund Manager, at a total cost of SR 63,000,000 (2022: SR 6,346,676). Additionally, the Fund redeemed all the units during the same year amounted to SR 63,576,633 (2022: SR 6,412,747), as a result, the Fund recognised a realised gain on this investment amounted to SR 576,633 (2022: SR 66,076).

9 PREPAYMENTS AND OTHER ASSETS

	2023	2022
	SR	SR
Prepaid Insurance	43,741	-
VAT recoverable	12,369	837,227
Other receivables	4,025	7,475
	<u>60,135</u>	<u>844,702</u>

10 RENT AND RELATED RECEIVABLES

This account represents the rent receivables from the operating leases.

Following is the ageing analysis of the rent receivables:

	2023	2022
	SR	SR
Less than 30 days	2,345,472	856,751
Between 31 to 120 days	6,318,401	10,911,440
More than 120 days	7,021,274	7,127,784
	<u>15,685,147</u>	<u>18,895,975</u>

The rent receivables are secured by promissory notes.

Impairment and risk exposure

Information about the impairment of rent receivables and the Fund's exposure to credit risk can be found in Note 17.

11 CASH AND CASH EQUIVALENTS

As at 31 December 2023, there are bank accounts are maintained with Banque Saudi Fransi, Albilad Bank and Riyadh Bank under the name of the SPV with a total balance of SR 84,238 (2022: SR 2,513,704).

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

31 December 2023

12 LONG-TERM LOAN, NET

	2023 SR	2022 SR
Long-term loan	215,969,205	253,000,000
Less:		
Transaction costs	9,551,250	9,551,250
Amortisation of transaction costs	(7,679,022)	(7,173,576)
	<u>1,872,228</u>	<u>2,377,674</u>
Long-term loan, net	<u>214,096,977</u>	<u>250,622,326</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 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 2023, the Fund has drawn SR 215,969,205 (2022: SR 253,000,000) from the facility.

Transaction costs related to the loan amounting to SR 2,530,000 (2022: SR 2,530,000) have been amortised over the period of loan facility. Amortisation for the year ended 31 December 2023 amounted to SR 505,446 (2022: SR 152,326) which is reflected under the statement of comprehensive income.

The facility is secured by promissory notes and pledge of investment properties of the Fund.

Finance charges against the said facility from the Albilad bank for the year ended 31 December 2023 amounted to SR 18,225,433 (2022: 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 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 carried mark-up at the rate of SAIBOR plus 2% per annum, payable on semi-annual basis. The Fund settled the outstanding loan in full on 29 September 2022.

Transaction costs related to the loan amounting to SR Nil (2022: SR 6,521,250). Amortisation for the year ended 31 December 2023 amounted to SR Nil (2022: SR 887,038) which were reflected under the statement of comprehensive income.

Finance charges for the year ended 31 December 2023 amounted to SR Nil (2022: SR 6,758,802) which were reflected under the statement of comprehensive income.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

12 LONG-TERM LOAN, NET (continued)

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

	2023 SR	2022 SR
At beginning of the year	253,000,000	253,000,000
Proceeds from loan	253,000,000	253,000,000
Repayment of loan	(290,030,795)	(253,000,000)
At end of the year	215,969,205	253,000,000

The movement in the transaction costs is as follows:

	2023 SR	2022 SR
At beginning of the year	2,377,674	887,038
Additions during the year	-	2,530,000
Amortisation during the year	(505,446)	(1,039,364)
At end of the year	1,872,228	2,377,674

13 ACCRUED EXPENSES AND OTHER LIABILITIES

	2023 SR	2022 SR
Payable to operator	1,797,344	3,879,528
Contract liability	559,318	672,018
Property valuation fee	140,525	136,430
Insurance fee	126,438	126,438
Custody fee	68,831	89,661
Professional fee	13,219	17,594
Administrator fee	-	59,618
Others	75,001	20,003
	2,780,676	5,001,290

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

31 December 2023

14 RELATED PARTY TRANSACTIONS AND BALANCES

14.1 Related party transactions

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

<i>Related party</i>	<i>Nature of relationship</i>	<i>Nature of transaction</i>	2023 SR	2022 SR
Jadwa Al-Khalil Real Estate Company	SPV	Finance charges	18,225,433	10,934,463
Jadwa Investment Company	Fund Manager	Management fee	1,202,527	-
Jadwa Saudi Riyal Murabaha Fund	Affiliate	Investment in mutual fund Redemption	63,000,000 63,576,633	- 6,257,247
Real Estate Investment Fund	Affiliate	Dividend income Redemption	6,000,000 46,792,457	1,500,000 -

(i) Management fees

In consideration for managing the assets of the Fund, the Fund Manager in accordance with the term and condition of the Fund, the Fund charges Management Fees according to the following: (a) 0.5% annually of the Fund's Net Asset Value, and (b) 5% of the Fund's total annual revenue, paid semi-annually and calculated based on the performance of each year separately, provided that the total Management Fees does not exceed 0.75% of the Fund's Net Asset Value, for the purposes of Management Fees, "Fund's total revenue" means gross income from rentals of real estate assets, not including any capital gains.

14.2 Related party balances

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

Due to related parties

	2023 SR	2022 SR
Jadwa Al-Khalil Real Estate Company	1,971,365	4,175,661
Dividend payable	171,723	171,723
Jadwa Investment Company	22,342	22,342
	<u>2,165,430</u>	<u>4,369,726</u>

Due from related parties

	2023 SR	2022 SR
Jadwa Saudi Riyal Murabaha Fund	<u>23,576,633</u>	<u>-</u>

Accrued management fees

	2023 SR	2022 SR
Jadwa Investment Company	<u>1,202,527</u>	<u>1,035,377</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2023

15 GENERAL AND ADMINISTRATIVE EXPENSES

	2023 SR	2022 SR
Property management fee (i)	2,696,259	-
Value added tax (VAT) expense	1,437,464	7,315
Professional fee	523,476	169,250
Registration fee	400,000	400,000
Administrator fee	254,608	146,800
Property operating cost	244,528	4,691,533
Property valuation fee	208,695	108,120
Insurance	172,284	15,830
Tadawul listing fee	143,993	169,847
Custody fee	126,159	125,085
Audit fee	60,000	35,000
Legal fee	29,250	15,705
Independent board member fee (ii)	20,000	20,000
Others	133,548	120,685
	<u>6,450,264</u>	<u>6,025,170</u>

(i) This pertains to fees paid to the property manager for the operation and maintenance of Tharawat Al Andalusia Hotel and Tharawat Al Taqwa Hotel. In the prior period, the hotels were operated by the Fund and no property management fees were charged to the Fund.

(ii) 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.

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

	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
31 December 2023				
Financial assets at fair value through profit or loss (Note 8)	-	21,758,564	-	21,758,564
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
31 December 2022				
Financial assets at fair value through profit or loss (Note 8)	-	57,800,000	-	57,800,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

31 December 2023

16 FAIR VALUE MEASUREMENT (continued)

16.1 Financial instruments (continued)

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 2023	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Tharawat Al Andalusia Hotel	-	-	309,277,343	309,277,343
Tharawat Al Taqwa Hotel	-	-	205,427,847	205,427,847
Retail Building	-	-	22,500,000	22,500,000
3-Star Hotel, Makkah	-	-	121,968,650	121,968,650
	-	-	659,173,840	659,173,840
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

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.

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

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

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

31 December 2023

16 FAIR VALUE MEASUREMENT (continued)

The key assumptions used in determining the fair values of the investment properties are as follows:

<i>Valuation approach</i>	<i>Key assumptions</i>	<i>Range</i>	
		<i>2023</i>	<i>2022</i>
Income approach	Capitalisation rate (%)	5.00-8.00	5.00-6.50
	Discount rate (%)	8.50	-
Market comparable	Rate per square meter (SR '000)	250	380-400

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 managing 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 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 2,521,936 for the year ended 31 December 2023 (2022: SR 2,578,639).

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 2023 and 2022, 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.

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

31 December 2023

17 FINANCIAL RISK MANAGEMENT (continued)

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:

	<i>On demand SR</i>	<i>Less than 3 months SR</i>	<i>3 to 12 months SR</i>	<i>More than 12 months SR</i>	<i>Total SR</i>
31 December 2023					
Due to related parties	194,065	-	-	-	194,065
Management fees payable	-	1,202,527	-	-	1,202,527
Other liabilities	-	2,780,676	-	-	2,780,676
Long-term loan	-	-	-	217,940,570	217,940,570
	<u>194,065</u>	<u>3,983,203</u>	<u>-</u>	<u>217,940,570</u>	<u>222,117,838</u>
31 December 2022					
Due to related parties	194,065	-	-	-	194,065
Management fees payable	-	1,035,377	-	-	1,035,377
Other liabilities	-	5,001,290	-	-	5,001,290
Long-term loan	-	-	-	261,351,322	261,351,322
	<u>194,065</u>	<u>6,036,667</u>	<u>-</u>	<u>261,351,322</u>	<u>267,582,054</u>

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 2023 (2022: SR Nil).

20 LAST VALUATION DAY

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

21 ZAKAT AND INCOME TAX

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

22 EVENTS AFTER THE REPORTING DATE

On 20 February 2024, the Fund Manager approved to distribute dividends to the Unitholders for the period from 1 January 2023 to 31 December 2023 for an amount of SR 8,580,000 in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.

23 APPROVAL OF FINANCIAL STATEMENTS

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