

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

**FINANCIAL STATEMENTS**

**31 DECEMBER 2019**



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

**Opinion**

We have audited the accompanying financial statements of Jadwa REIT Al Haramain Fund (the "Fund") being managed by Jadwa Investment Company, which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of cash flows and statement of changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements taken as a whole, present fairly, in all material respects, the financial position of the Fund as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

**Basis for Unqualified Opinion**

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

**Key Audit Matters**

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





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

**Key Audit Matters (continued)**

Key Audit Matter	How the key matter was addressed in the audit
<p>The Fund owns a portfolio of investment properties comprising of commercial buildings being located in the Kingdom of Saudi Arabia.</p> <p>Investment properties, being held for capital appreciation and/or rental yields, are stated at cost less accumulated depreciation and any impairment losses.</p> <p>Investment properties are re-measured for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.</p> <p>For assessing the impairment of investment properties, the fund 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 semiannual basis.</p> <p>We considered this as a key audit matter since the assessment of impairment requires significant judgment by management and the potential impact of impairment could be material to the financial statements.</p>	<p>For impairment of investment properties, we have carried out the following audit procedures:</p> <ul style="list-style-type: none"> <li>- We assessed the independence of the external valuers and read their terms of engagement with the fund to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;</li> <li>- We reviewed the methodology applied by the external valuers to ensure it is appropriate;</li> <li>- We obtained two valuation reports from two different / independent real estate valuers for all investment properties as at 31 December 2019 and confirmed that the valuation approaches are suitable for use in determining the carrying values as at the reporting date;</li> <li>- Based on the average fair value of the related investment properties as per the above-mentioned valuation reports, we have determined that the average fair value is higher than the carrying amount of the same; and</li> <li>- We reconciled the average fair value of the investment properties as per note 7 to the external valuers' reports.</li> </ul>



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

**Other Information**

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

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

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

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

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and for such internal control as management 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, management 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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Fund's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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



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

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

As part of an audit in accordance with ISA as 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 management.
- Conclude on the appropriateness of management'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.

for Alluhaid & Alyahya Chartered Accountants

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

Riyadh: 2 Shaban 1441 H  
(26 March 2020)





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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		31 December 2019	31 December 2018 Restated (note 21)	1 January 2018 Restated (note 21)
	Notes	SR	SR	SR
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Investment properties	6	779,514,058	791,569,234	768,620,861
Deferred charges	12	2,138,104	2,686,597	3,418,940
<b>TOTAL NON-CURRENT ASSETS</b>		<b>781,652,162</b>	<b>794,255,831</b>	<b>772,039,801</b>
<b>CURRENT ASSETS</b>				
Rent receivables	8	21,556,267	1,408,954	187,853
Accrued rental income		2,824,883	22,050,328	11,714,286
Prepayments and other assets	9	53,516	372,264	35,827
Short-term deposit	10	-	7,000,000	-
Cash and cash equivalents	11	11,425,236	7,818,401	66,642,735
<b>TOTAL CURRENT ASSETS</b>		<b>35,859,902</b>	<b>38,649,947</b>	<b>78,580,701</b>
<b>TOTAL ASSETS</b>		<b>817,512,064</b>	<b>832,905,778</b>	<b>850,620,502</b>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
Long-term loan	12	181,422,611	180,836,508	180,794,385
<b>CURRENT LIABILITIES</b>				
Due to related parties	14	1,746,698	1,849,663	6,179,398
Accrued management fee	14	3,588,469	3,612,721	5,036,419
Accrued expenses and other liabilities	13	1,095,862	282,204	297,964
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,431,029</b>	<b>5,744,588</b>	<b>11,513,781</b>
<b>TOTAL LIABILITIES</b>		<b>187,853,640</b>	<b>186,581,096</b>	<b>192,308,166</b>
<b>NET ASSETS</b>		<b>629,658,424</b>	<b>646,324,682</b>	<b>658,312,336</b>
Units in issue		66,000,000	66,000,000	66,000,000
Per unit value		9.54	9.79	9.97
Per unit fair value	7	10.79	10.86	10.85

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 2019

			2018 Restated (note 21) SR
	Notes	2019 SR	
<b>INCOME</b>			
Rental income from investment properties	17	52,565,599	53,984,261
Finance income		107,829	101,715
		<u>52,673,428</u>	<u>54,085,976</u>
<b>EXPENSES</b>			
Depreciation	6	(12,055,176)	(12,051,627)
Management fees	14	(7,144,785)	(7,204,393)
General and administrative expenses	15	(2,436,304)	(1,629,640)
Amortisation of transaction costs	12	(586,103)	(593,373)
Amortisation of deferred charges	12	(1,048,493)	(732,343)
		<u>(23,270,861)</u>	<u>(22,211,376)</u>
<b>OPERATING PROFIT</b>		<b>29,402,567</b>	<b>31,874,600</b>
Finance charges	12	(10,428,825)	(8,222,254)
<b>NET INCOME FOR THE YEAR</b>		<b>18,973,742</b>	<b>23,652,346</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>18,973,742</u></b>	<b><u>23,652,346</u></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 2019

	Notes	2019 SR	2018 Restated SR
<b>OPERATING ACTIVITIES</b>			
Net income for the year		18,973,742	23,652,346
Adjustments for non-cash and other items:			
Depreciation	6	12,055,176	12,051,627
Finance charges	12	10,428,825	8,222,254
Amortisation of deferred charges	12	1,048,493	732,343
Amortisation of transaction costs	12	586,103	593,373
Finance income		(107,829)	(101,715)
		42,984,510	45,150,228
Changes in operating assets and liabilities:			
Rent receivables		(20,147,313)	(1,221,101)
Accrued rental income		19,225,445	(10,336,042)
Prepayments and other assets		282,900	(300,589)
Due to related parties		64,155	(5,910,709)
Accrued management fee		(24,252)	(1,423,698)
Accrued expenses and other liabilities		813,658	(15,760)
		43,199,103	25,942,329
Finance charges paid		(10,595,945)	(6,641,280)
Finance income received		143,677	65,867
Net cash from operating activities		32,746,835	19,366,916
<b>INVESTING ACTIVITIES</b>			
Proceeds from short-term deposits	10	7,000,000	-
Payment for short term deposits	10	-	(7,000,000)
Purchase of investment properties	6	-	(35,000,000)
Net cash from (used in) investing activities		7,000,000	(42,000,000)
<b>FINANCING ACTIVITIES</b>			
Dividends distributed	20	(35,640,000)	(35,640,000)
Deferred charges	12	(500,000)	-
Debt structuring fee	14	-	(551,250)
Net cash used in financing activities		(36,140,000)	(36,191,250)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,606,835</b>	<b>(58,824,334)</b>
Cash and cash equivalents at the beginning of the year	11	7,818,401	66,642,735
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>11</b>	<b>11,425,236</b>	<b>7,818,401</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 NET ASSETS

For the year ended 31 December 2019

	Notes	2019 SR	2018 SR
<b>Net asset value attributed to the unitholders at beginning of the year, as previously reported</b>		<b>646,324,682</b>	658,603,806
Restatement	21	-	(291,470)
<b>Net asset value attributed to the unitholders at beginning of the year, as restated</b>		<b>646,324,682</b>	658,312,336
<b>Comprehensive income</b>			
Net income for the year, as previously reported	21	<b>18,973,742</b>	23,612,661
Restatement		-	39,685
Net income for the year, as restated		<b>18,973,742</b>	23,652,346
Other comprehensive income for the year		-	-
Comprehensive income for the year		<b>18,973,742</b>	23,652,346
Dividend distribution	20	<b>(35,640,000)</b>	(35,640,000)
<b>Net asset value attributed to the unitholders at end of the year</b>		<b>629,658,424</b>	646,324,682

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 STATEMENT OF FINANCIAL POSITION

31 December 2019

### 1 GENERAL

Jadwa REIT Al Haramain Fund (the "Fund") is a closed-ended Shariah compliant real estate investment traded fund. The Fund operates in accordance with Real Estate Investment Fund Regulations ("REIFR") and Real Estate Investment Traded Funds ("REITF") Instructions issued by the Capital Market Authority ("CMA"). The Fund is listed on Saudi Stock Exchange ("Tadawul") and the units of the Fund started to be traded on Tadawul in accordance with its rules and regulations. The Capital of the Fund is SR 660,000,000 divided into 66,000,000 units of SR 10 each. The Fund has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of the CMA.

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

Jadwa Al Khalil Real Estate Company, a Limited Liability Company with commercial registration number 101049553, has been established and approved by the CMA as a special purpose vehicle (the "SPV") for the beneficial interest of the Fund. The SPV owns all the assets of the Fund and its contractual obligations. The SPV has not been consolidated in these financial statements as the same is being consolidated with the ultimate parent in which the unitholders of the Fund are the owners.

The primary investment objective of the Fund is to provide its investors with regular income by investing in income-generating real estate assets in Saudi Arabia, with a focus on the Holy Cities of Makkah and Medina.

While the Fund will primarily invest in developed real estate assets which are ready for use, it may also opportunistically invest in real estate development projects in a value not exceeding 25% of the Fund's total asset value with the aim of achieving an increase in value per unit; provided that (i) at least 75% of the Fund's total assets are invested in developed real estate assets which generate periodic income and (ii) the Fund shall not invest in White Land.

### 2 REGULATING AUTHORITY

The Fund is governed by the REIFR published by the CMA in the Kingdom of Saudi Arabia on 19 Jumada II 1427 H (corresponding to 15 July 2006) and REITF instructions published by CMA on 23 Muharram 1438 H (corresponding to 24 October 2016), detailing requirements for all real estate funds operating within the Kingdom of Saudi Arabia.

### 3 BASIS OF PREPARATION

#### 3.1 *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public 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.

#### 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 JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

##### 4.1 *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.

##### 4.2 *Impairment of investment properties*

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

##### 4.3 *Impairment of financial assets held at amortised cost*

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

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

#### 5 SIGNIFICANT ACCOUNTING POLICIES

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

##### 5.1 *Investment properties*

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

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

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

##### 5.2 *Impairment of non-financial assets*

The carrying values of non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.



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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

**5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 fair value through profit or loss ("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 has no financial assets measured at FVTPL and 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.

**5.4.3 Impairment of financial assets**

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

As at yearend, the Fund has cash and cash equivalents, rent receivables, accrued interest receivable and short-term deposit as financial assets carried at amortised cost.

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

With respect to receivables, these are short-term receivables which are current and are settled within a very short period of time. No provision has been booked on the rent receivables as the management expects the receivable to be fully recoverable.



**5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.4 Financial instruments (continued)**

**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 due to related parties, accrued management fee and accrued expenses.

**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 Provision**

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**5.6 Revenue recognition**

Revenue includes rental income from investment properties.

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Fund provides incentives to its tenants, the cost of the incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

The contracts include fixed price and the customer pays the fixed amount based on a payment schedule. If the services rendered by the Fund exceed the payment, accrued rental income is recognised. If the payments exceed the services rendered, unearned rental income is recognised.

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

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

**5.7 Management fees**

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

**5.8 Expenses**

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

**5.9 Net assets value**

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



**5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.10 Zakat**

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

**5.11 Dividend distribution**

The Fund has a policy of distributing and paying at least 90% of its net profit, not including profit resulting from the sale of the underlying real estate assets and other investments.

**5.12 Standards effective 1 January 2019**

The Fund has adopted the following new standards which have been issued and effective from 1 January 2019:

**5.12.1 IFRS 16, Leases**

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard IAS 17 – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including 'IAS 17 Leases', 'IFRIC 4 Determining whether an Arrangement contains a Lease', 'SIC 15 Operating Leases – Incentives' and 'SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The application of this standard did not have an impact on the amounts presented in these financial statements.

**5.13 Standards and interpretations issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these standards, if applicable, when they become effective.

**5.13.1 IFRS 17, Insurance Contracts**

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The standard is effective for annual periods beginning on or after 1 January 2021 and earlier adoption is permitted.

The Fund is still assessing the potential impact of adopting the new standard on the financial statements.

**5.13.2 Other Amendments**

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

- Amendments to IFRS 3 – *Definition of a Business*
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8 – *Definition of Material*
- Amendments to IFRS 9 and IAS 7 – *Interest Rate Benchmark Reform*
- Amendments to IAS 1 – *Classification of Liabilities as Current or Non-Current*



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31 December 2019

**6 INVESTMENT PROPERTIES**

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

**31 December 2019**

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

**31 December 2018**

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Net book value SR</i>
Land	498,291,500	-	498,291,500
Tharawat Al Andalusia Hotel	152,000,000	11,805,824	140,194,176
Tharawat Al Taqwa Hotel	158,000,000	8,410,441	149,589,559
Ibrahim Al-Khalil I	3,408,500	173,908	3,234,592
Pharmacy Building	100,000	33,942	66,058
Ibrahim Al-Khalil II	200,000	6,651	193,349
	<b>812,000,000</b>	<b>20,430,766</b>	<b>791,569,234</b>

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

	<b>2019 SR</b>	<b>2018 SR</b>
<b>Cost</b>		
Balance at beginning of the year	<b>812,000,000</b>	777,000,000
Additions during the year	-	35,000,000
Balance at end of the year	<b>812,000,000</b>	812,000,000
<b>Accumulated depreciation</b>		
Balance at beginning of the year	<b>20,430,766</b>	8,379,139
Depreciation charge for the year	<b>12,055,176</b>	12,051,627
Balance at end of the year	<b>32,485,942</b>	20,430,766
<b>Net book value</b>	<b>779,514,058</b>	791,569,234



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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 December 2019**

**6 INVESTMENT PROPERTIES (continued)**

**6.1** The useful lives of the investment properties as estimated by an independent valuator range from 22 to 32 years.

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

**6.3** Brief details of the investment properties follow:

**6.3.1 *Tharawat Al Andalusia Hotel***

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

**6.3.2 *Tharawat Al Taqwa Hotel***

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

**6.3.3 *Ibrahim Al-Khalil I***

This property is a fully constructed hospitality tower located in Al Misfalah District, with a direct view on Ibrahim Al-Khalil Road, and is 350m away from the Holy Mosque.

**6.3.4 *Pharmacy Building***

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

**6.3.5 *Ibrahim Al-Khalil II***

The property is a fully constructed retail building located in Al Misfalah District, with a direct view on Ibrahim Al-Khalil Road, and is 350 m away from the Holy Mosque.

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

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

In accordance with Article 21 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 in the Kingdom of Saudi Arabia, investment in real estate properties are carried at cost less depreciation and impairment, if any, in these financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's books.

The fair value of the investment properties is determined by two selected appraisers, i.e. ValuStrat and White Cubes. As at year/period end, the valuation of investment properties are as follows:

<b>31 December 2019</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	270,000,000	264,000,000	267,000,000
Ibrahim Al-Khalil I	133,000,000	125,000,000	129,000,000
Pharmacy Building	25,000,000	25,000,000	25,000,000
Ibrahim Al-Khalil II	37,000,000	36,670,000	36,835,000
	<b>865,000,000</b>	<b>859,000,000</b>	<b>862,000,000</b>



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31 December 2019

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

31 December 2018	Appraiser 1 SR	Appraiser 2 SR	Average SR
Tharawat Al Andalusia Hotel	400,000,000	408,300,000	404,150,000
Tharawat Al Taqwa Hotel	270,000,000	264,000,000	267,000,000
Ibrahim Al-Khalil I	133,000,000	125,000,000	129,000,000
Pharmacy Building	25,000,000	25,000,000	25,000,000
Ibrahim Al-Khalil II	37,000,000	36,600,000	36,800,000
	<u>865,000,000</u>	<u>858,900,000</u>	<u>861,950,000</u>

Management has used the average of the two valuations for the purposes of disclosing the fair value of the investment properties.

The investment properties were valued taking into consideration number of factors, including the area and type of property. Below is an analysis of the investment properties' fair value against cost:

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

	2019 SR	2018 SR
Fair value of investments in real estate properties	<b>862,000,000</b>	861,950,000
Less: Carrying value of investments in real estate properties (note 6)	<b>779,514,058</b>	791,569,234
Unrealised gain based on fair value evaluation	<u><b>82,485,942</b></u>	<u>70,380,766</u>
Units in issue	<u><b>66,000,000</b></u>	<u>66,000,000</u>
Per unit share in unrealised gain based on fair value evaluation	<u><b>1.25</b></u>	<u>1.07</u>

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

	2019 SR	2018 SR
Net asset value at cost, as presented in these financial statements	<b>629,658,424</b>	646,576,467
Unrealised gain based on real estate evaluations (note 7.i.)	<u><b>82,485,942</b></u>	<u>70,380,766</u>
Net asset based on fair value	<u><b>712,144,366</b></u>	<u>716,957,233</u>

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

	2019 SR	2018 SR
Net asset value per unit, at cost as presented in these financial statements	<b>9.54</b>	9.79
Impact on net asset value per unit on account of unrealised gain based on fair value evaluations (note 7.i.)	<u><b>1.25</b></u>	<u>1.07</u>
Net asset value per unit at fair value	<u><b>10.79</b></u>	<u>10.86</u>



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

This account represents the rent receivable from the operating leases (see note 19).

Following is the ageing analysis of the receivables:

	<b>2019 SR</b>	<b>2018 SR</b>
Less than 30 days	<b>21,525,000</b>	-
Between 31 to 60 days	-	-
Between 61 to 90 days	-	1,408,954
Between 91 to 120 days	-	-
More than 120 days	<b>31,267</b>	-
	<b>21,556,267</b>	<b>1,408,954</b>

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.

**9 PREPAID EXPENSES AND OTHER ASSETS**

	<b>2019 SR</b>	<b>2018 SR</b>
Prepaid insurance	<b>53,516</b>	108,090
Input value-added tax ("VAT")	-	228,326
Accrued interest receivable	-	35,848
	<b>53,516</b>	<b>372,264</b>

**10 SHORT-TERM DEPOSIT**

Short-term deposit represents the amount invested by the Fund in a Murabaha with BSF which has an original maturity period of more than three months but less than one year.

As at 31 December 2019, the Fund's short-term deposit amounted to SR nil (2018: SR 7,000,000) and yield finance income at a rate of 2.85%.

**11 CASH AND CASH EQUIVALENTS**

	<b>2019 SR</b>	<b>2018 SR</b>
Cash in banks	<b>11,425,236</b>	2,818,401
Murabaha deposit	-	5,000,000
	<b>11,425,236</b>	<b>7,818,401</b>

As at 31 December 2019, four of the five bank accounts (2018: two of the four bank accounts) are maintained with Banque Saudi Fransi ("BSF") and Riyadh Bank under the name of the SPV with a total balance of SR 10,756,887 (2018: SR 162,703).

Murabaha deposit is held by BSF and yields finance income at a rate of 2.63%.



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

31 December 2019

**12 LONG-TERM LOAN**

	<b>2019 SR</b>	<i>2018 Restated SR</i>
Long-term loan	<b>183,000,000</b>	183,000,000
Less:		
Transaction cost	<b>2,771,250</b>	2,771,250
Amortisation of transaction costs	<b>(1,193,861)</b>	(607,758)
	<b>1,577,389</b>	2,163,492
Long-term loan	<b>181,422,611</b>	180,836,508

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

- i. On 20 July 2017, BSF has extended an Islamic finance facility (Tawaruq) to the SPV amounting to SR 500,000,000 for the purposes of financing the real estate investments of the Fund. The SPV has made an arrangement with the Fund under a long-term loan agreement to lend all the loan proceeds availed by it under the Facility to the Fund on terms and conditions same as that of the facility.

The facility and correspondingly the loan is available till 20 July 2020 and is repayable in full on 31 August 2022.

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

Transaction costs related to the loan amounting to SR 2,771,250 as of 31 December 2019 and 2018 have been capitalized in the carrying amount of the loan and are being amortized over the period of the loan.

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

Finance charges for the year ended 31 December 2019 amounted to SR 10,428,825 (2018: SR 8,222,254) which are reflected under the statement of comprehensive income.

Fees charged by BSF for loan servicing amounting to SR 3,750,000 has been capitalised as 'Deferred charges' in the statement of financial position and is amortised over the period of the loan facility. Amortisation of deferred charges for the years ended 31 December 2019 and 2018 amounted to SR 732,343 which are reflected under the statement of comprehensive income.

- ii. On 8 May 2018, Riyadh Bank has extended an Islamic finance facility to the SPV amounting to SR 200,000,000 for the purposes of financing the real estate investments of the Fund. The SPV has made an arrangement with the Fund under a long-term loan agreement to lend all the loan proceeds availed by it under the facility to the Fund on terms and conditions same as that of the facility.

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

Fees charged by Riyadh Bank for loan servicing amounting to 0.25% of the loan facility has been capitalised as 'Deferred charges' in the statement of financial position and is amortised over the period of the loan facility. Amortisation of deferred charges for the year ended 31 December 2019 amounted to SR 316,150 (2018: SR nil) which are reflected under the statement of comprehensive income.



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31 December 2019

**13 ACCRUED EXPENSES AND OTHER LIABILITIES**

	2019 SR	2018 SR
Output VAT	839,337	-
Professional fee	91,281	95,906
Custody fee	78,376	81,001
Property valuation fee	46,314	51,313
Administrator fee	30,554	53,984
Independent board member fee	10,000	-
	<b>1,095,862</b>	<b>282,204</b>

**14 RELATED PARTY TRANSACTIONS AND BALANCES**

**14.1 Related party transactions**

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

Related party	Nature of relationship	Nature of transaction	2019 SR	2018 SR
Jadwa Investment Company	Fund manager	Management fee (i) Debt structuring fee (ii) Administrator fee (iii)	7,144,785 - 108,786	7,204,393 551,250 143,412
Jadwa Al-Khalil Real Estate Company	SPV	Finance charges	10,428,825	8,222,254

**i. Management fee**

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

**ii. Debt structuring fee**

The Fund Manager charges the Fund a debt structuring fee equal to 1.5% of the amount drawn pursuant to any debt financing obtained by the Fund. The debt structuring fee is calculated on the amount utilised from the drawdown amount of the Facility. This amount is recognised in the carrying amount of the loan as a transaction cost and is amortised over the period for which the loan is available.

**iii. Administrator fee**

The Administrator, in accordance with the Terms and Conditions of the Fund, charges the Fund an administrator fee equal to 0.02% of the Fund's net asset market value, payable semi-annually in arrears.

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 the yearend:

**Due to related parties**

	2019 SR	2018 SR
Jadwa Al-Khalil Real Estate Company	1,580,074	1,747,193
Unitholders - Unpaid dividends	164,624	100,470
Jadwa Investment Company	2,000	2,000
	<b>1,746,698</b>	<b>1,849,663</b>



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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 December 2019**

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

***Accrued management fee***

	<b>2019 SR</b>	<b>2018 SR</b>
Jadwa Investment Company	<b>3,588,469</b>	<b>3,612,721</b>

**15 GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2019 SR</b>	<b>2018 SR</b>
Breakup fee	<b>835,983</b>	-
Registration fee	<b>400,000</b>	400,093
Professional fee	<b>399,369</b>	365,667
Custody fee	<b>159,857</b>	162,001
Tadawul listing fee	<b>156,245</b>	210,657
Insurance	<b>126,630</b>	124,865
Administrator fee	<b>108,786</b>	143,412
Property valuation fee	<b>106,810</b>	106,761
Independent board member fee (i)	<b>20,000</b>	20,000
Others	<b>122,624</b>	96,184
	<b>2,436,304</b>	<b>1,629,640</b>

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

**16 FAIR VALUE MEASUREMENT**

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

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

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

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

**16.1 Financial instruments**

Financial assets consist of cash and cash equivalents, rent receivables and other assets. Financial liabilities consist of due to related parties, accrued management fees, accrued expenses and long-term loan.

Due to the short-term nature of most of the financial instruments, their carrying amount is considered to be the same as their fair values. For the long-term loan, the fair value is not materially different from its carrying amount since the interest payable on this loan is close to current market.



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31 December 2019

**16 FAIR VALUE MEASUREMENT (continued)**

**16.2 Non-financial assets**

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

<b>31 December 2019</b>	<b>Level 1 SR</b>	<b>Level 2 SR</b>	<b>Level 3 SR</b>	<b>Total SR</b>
Tharawat Al Andalusia Hotel	-	404,165,000	-	404,165,000
Tharawat Al Taqwa Hotel	-	267,000,000	-	267,000,000
Ibrahim Al-Khalil I	-	129,000,000	-	129,000,000
Pharmacy Building	-	25,000,000	-	25,000,000
Ibrahim Al-Khalil II	-	36,835,000	-	36,835,000
	-	<b>862,000,000</b>	-	<b>862,000,000</b>
<b>31 December 2018</b>	<b>Level 1 SR</b>	<b>Level 2 SR</b>	<b>Level 3 SR</b>	<b>Total SR</b>
Tharawat Al Andalusia Hotel	-	404,150,000	-	404,150,000
Tharawat Al Taqwa Hotel	-	267,000,000	-	267,000,000
Ibrahim Al-Khalil I	-	129,000,000	-	129,000,000
Pharmacy Building	-	25,000,000	-	25,000,000
Ibrahim Al-Khalil II	-	36,800,000	-	36,800,000
	-	<b>861,950,000</b>	-	<b>861,950,000</b>

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

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

The fair values of investment properties were assessed by ValuStrat and White Cubes as disclosed in note 7. They are accredited independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

The valuation models have been applied in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards, in addition to recently published International Valuation Standards issued by International Valuation Standards Council (IVSC) and applied by Saudi Authority for Accredited Valuers (TAQEEM). These models comprise both the income capitalisation approach and depreciated replacement cost (DRC).



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31 December 2019

**17 OPERATING LEASES**

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

	<b>2019</b> <b>SR</b>	<b>2018</b> <b>SR</b>
Not later than one year	<b>43,906,780</b>	53,944,668
Later than one year and not later than five years	<b>145,449,153</b>	183,382,692
Later than five years	<b>405,903,955</b>	421,255,408
	<b>595,259,888</b>	658,582,768

The Fund enters into long-term operating lease contracts with tenants for space in its investment properties. Initial lease terms are generally between three and 16 years. Leases generally provide for the tenant to pay the base rent, with provisions for contractual increases in base rent over the term of the lease. Responsibility for repair and maintenance of the property, and its insurance over the lease term lies with the lessee. Rental income recognised by the Fund during the year is SR 52,565,599 (2018: SR 53,984,261).

**18 FINANCIAL RISK MANAGEMENT**

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

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

The Fund has its Terms and Conditions document that sets out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

**18.1 Market risk**

The Fund will be subject to the general conditions of the real estate sector in Saudi Arabia, which itself is influenced by a variety of factors such as, but not limited to the overall macroeconomic growth in the kingdom, interest rates, demand-supply, availability of financing, investor sentiment, liquidity, legal and regulatory requirement. The Fund management monitors on a regular basis the fluctuation and changes in the overall economic environment and believes that the impact of such changes is not significant to the Fund.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk arises from the short-term deposits and long-term loan. This is benchmarked to SAIBOR which expose the Fund to cash flow interest rate risk.

The Fund analyses its interest rate exposure on a regular basis by monitoring interest rate trends and believes that the impact of such changes is not significant to the Fund.

An increase/decrease in interest rate of 1%, with all other variables held constant, would have resulted in a net increase/decrease in the Fund's total comprehensive income of SR 2,061,139 for the year ended 31 December 2019 (2018: SR 1,810,750).

**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. Cash and cash equivalents and short-term deposit are placed with banks having sound credit ratings. The Fund seeks to limit its credit risk with respect to counterparties by setting credit limits for individual counterparties and by monitoring outstanding receivables.



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31 December 2019

**18 FINANCIAL RISK MANAGEMENT (continued)**

**18.2 Credit risk (continued)**

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

As at 31 December 2019 and 2018, 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.

**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 2019</b>					
Due to related parties	166,624	-	1,580,074	-	1,746,698
Accrued management fees	-	3,588,469	-	-	3,588,469
Accrued expenses and other liabilities	-	1,095,862	-	-	1,095,862
Long-term loan	-	-	-	183,000,000	183,000,000
	<b>166,624</b>	<b>4,684,331</b>	<b>1,580,074</b>	<b>183,000,000</b>	<b>189,431,029</b>
<b>31 December 2018</b>					
Due to related parties	102,470	-	1,747,193	-	1,849,663
Accrued management fees	-	3,612,721	-	-	3,612,721
Accrued expenses	-	282,204	-	-	282,204
Long-term loan	-	-	-	183,000,000	183,000,000
	<b>102,470</b>	<b>3,894,925</b>	<b>1,747,193</b>	<b>183,000,000</b>	<b>188,744,588</b>

**18.4 Property risk**

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

- A tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associate property. To reduce this risk, the Fund reviews the financial status of all prospective tenants and decides on the appropriate level of security required via promissory notes.



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

31 December 2019

**18 FINANCIAL RISK MANAGEMENT (continued)**

**18.4 Property risk (continued)**

- Concentration risk as all the investment properties of the Fund are located in the vicinity of the Holy Mosque in Makkah. This causes changes in economic, political or other conditions to similarly affect all the properties at the same time. The Fund's management regularly assess the changes in the market indicators and diversifies its investment in different areas within the macro location, as this is a premium location with high level of demand for hospitality units.

**19 OPERATING SEGMENT**

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

**20 DIVIDENDS DISTRIBUTION**

On 18 February 2019, the Fund Manager approved to distribute dividends to the unitholders for the period from 1 July 2018 to 31 December 2018 amounting to SR 18,480,000 in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.

On 10 July 2019, the Fund Manager approved to distribute dividends to the unit holders for the period from 1 January 2019 to 30 June 2019 amounting to SR 17,160,000 in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.

**21 RESTATEMENT**

The Fund restated its prior period balances with respect to the loan servicing fees for the loan facility obtained from BSF. Per loan facility agreement between the SPV and BSF, loan servicing fees amounting to SR 3,750,000 should be paid in advance upon signing the agreement. However, this amount was treated as part of the loan transaction costs when loan has been availed and was amortised over the life of the loan using the EIR method. Per IFRS, fees that are not an integral part of the effective interest rate of a financial instrument such as the loan servicing fees paid to BSF should be amortised over the life of the facility.

	<i>As previously reported SR</i>	<i>Restatement SR</i>	<i>As restated SR</i>
<b>Statement of financial position</b>			
<b>As at 31 December 2018</b>			
Deferred charges	-	2,686,597	<b>2,686,597</b>
Total assets	830,219,181	2,686,597	<b>832,905,778</b>
Long-term loan	177,898,126	2,938,382	<b>180,836,508</b>
Total liabilities	183,642,714	2,938,382	<b>186,581,096</b>
Net assets	646,576,467	(251,785)	<b>646,324,682</b>
<b>As at 1 January 2018</b>			
Deferred charges	-	3,418,940	<b>3,418,940</b>
Total assets	847,201,562	3,418,940	<b>850,620,502</b>
Long-term loan	177,083,975	3,710,410	<b>180,794,385</b>
Total liabilities	188,597,756	3,710,410	<b>192,308,166</b>
Net assets	658,603,806	(291,470)	<b>658,312,336</b>



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

31 December 2019

**21 RESTATEMENT (continued)**

	<i>As previously reported SR</i>	<i>Restatement SR</i>	<i>As restated SR</i>
<b>Statement of comprehensive income</b>			
<b>For the year ended 31 December 2018</b>			
Amortisation of transaction costs	(1,365,401)	772,028	<b>(593,373)</b>
Amortisation of deferred charges	-	(732,343)	<b>(732,343)</b>
Total comprehensive income	23,612,661	39,685	<b>23,652,346</b>
<b>Statement of cash flows</b>			
<b>For the year ended 31 December 2018</b>			
Net income for the year	23,612,661	39,685	<b>23,652,346</b>
Amortisation of transaction costs	1,365,401	(772,028)	<b>593,373</b>
Amortisation of deferred charges	-	732,343	<b>732,343</b>
<b>Statement of changes in net assets</b>			
<b>As at 1 January 2018</b>			
Net asset value attributed to the unitholders	658,603,806	(291,470)	<b>658,312,336</b>

**22 SUBSEQUENT EVENTS**

- I. 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 lease contracts were terminated.
- II. At the beginning of the year 2020, the presence of COVID 19 virus was confirmed, which spread all over the world causing disturbance of commercial and economic activities. The management considers this event to be an event that does not require adjustments after the financial reporting period, as the situation is variable and rapidly evolving and the potential impact on the Fund's results cannot be estimated.

Accordingly, 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 the Corona virus outbreak.

For subsequent reporting periods, this will affect the measurement and recognition of assets and liabilities in the Fund's financial statements. The management is still working on the impact assessment for the year 2020.

- III. Also, on 9 March 2020, the Fund received another notice from the tenant of Thrawat Al Andalusia Hotel that the lease contract shall be terminated due to changing conditions in the hospitality sector in Makkah Al-Mukarramah. Accordingly, the end of the contract term will be on 13 Rajab 1442H (corresponding to 24 February 2021) which is equivalent to a period of twelve months from the date of notice.
- IV. On 10 March 2020, the Fund manager approved to distribute dividends to the unitholders for the period from 1 July 2019 to 31 December 2019 for an amount of SR 13,200,000 in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.



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NOTES TO THE FINANCIAL STATEMENTS (continued)

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**23 COMPARATIVE FIGURES**

Following reclassification has been made in the comparative prior year financial statements to conform with the 2019 presentation:

<i>Reclassified from</i>	<i>Reclassified to</i>	<i>Amount SR</i>
Rent receivables	Accrued rental income	<b>22,050,328</b>

**24 LAST VALUATION DAY**

The last valuation day of the period was 31 December 2019.

**25 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Fund's Board on 2 Shaban 1441 H (corresponding to 26 March 2020).