

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

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

**FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2020**

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

Introduction:

We have reviewed the accompanying condensed interim statement of financial position of Jadwa REIT Al Haramain Fund (the "Fund") as at 30 June 2020, and the related condensed interim statements of comprehensive income, cash flows and changes in net assets for six-month period ended 30 June 2020, and a summary of significant accounting policies and other explanatory notes. The Fund manager is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with Standard on Interim Financial Reporting IAS 34, as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

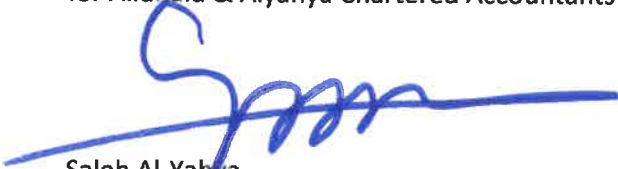
Scope of Review:

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

Conclusion:

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

for Alluhaid & Alyahya Chartered Accountants



Saleh Al-Yahya
Certified Public Accountant
License No. 473

Riyadh: 5 Muharram 1442 H
(24 August 2020)



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

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

	Note	30 June 2020 (Unaudited) SR	31 December 2019 (Audited) SR
ASSETS			
NON-CURRENT ASSETS			
Investment properties	5	709,933,572	779,514,058
Deferred charges	8	1,689,906	2,138,104
TOTAL NON-CURRENT ASSETS		711,623,478	781,652,162
CURRENT ASSETS			
Rent receivables		10,473,430	21,556,267
Accrued rental income		114,408	2,824,883
Prepayments and other assets		226,385	53,516
Cash and cash equivalents	7	16,335,683	11,425,236
TOTAL CURRENT ASSETS		27,149,906	35,859,902
TOTAL ASSETS		738,773,384	817,512,064
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term loan	8	181,715,006	181,422,611
CURRENT LIABILITIES			
Trade and other payables	9	2,093,665	1,095,862
Accrued management fee	10	1,035,377	3,588,469
Due to related parties	10	5,523,322	1,746,698
TOTAL CURRENT LIABILITIES		8,652,364	6,431,029
TOTAL LIABILITIES		190,367,370	187,853,640
NET ASSETS		548,406,014	629,658,424
Units in issue		66,000,000	66,000,000
Per unit value		8.31	9.54
Per unit fair value	6	9.55	10.79

The attached notes 1 to 18 form an integral part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six-month period ended 30 June 2020

		<i>For the six-month period ended</i>	
		30 June 2020 (Unaudited) SR	30 June 2019 (Unaudited) SR
INCOME			
Rental revenue from investment properties		8,067,772	26,945,480
Return on bank deposits		-	107,829
		<u>8,067,772</u>	<u>27,053,309</u>
EXPENSES			
Depreciation	5	(5,938,245)	(5,978,047)
Management fees	10	(1,035,377)	(3,556,318)
General and administrative expenses	11	(731,771)	(1,587,268)
Amortisation of deferred charges	8	(448,198)	(595,370)
Amortisation of transaction costs	8	(292,395)	(290,643)
		<u>(8,445,986)</u>	<u>(12,007,646)</u>
OPERATING (LOSS) PROFIT		(378,214)	15,045,663
Finance charges	10	(3,659,184)	(5,928,072)
Loss on disposal of investment properties	5	(3,530,537)	-
(LOSS) PROFIT FOR THE PERIOD		(7,567,935)	9,117,591
Impairment loss on investment properties	5	(60,484,475)	-
NET LOSS FOR THE PERIOD AFTER IMPAIRMENT		(68,052,410)	9,117,591
Other comprehensive income		-	-
TOTAL COMPREHENSIVE (LOSS) INCOME		(68,052,410)	9,117,591

The attached notes 1 to 18 form an integral part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2020

		<i>For the six-month period ended</i>	
		30 June	30 June
		2020	2019
		(Unaudited)	(Unaudited)
	<i>Notes</i>	SR	SR
OPERATING ACTIVITIES			
Net (loss) income for the period		(68,052,410)	9,117,591
Adjustments for non-cash and other items:			
Depreciation	5	5,938,245	5,978,047
Impairment loss on investment properties	5	60,484,475	-
Finance charges	10	3,659,184	5,928,072
Loss on disposal of investment properties	5	3,530,537	-
Amortisation of deferred charges	8	448,198	595,370
Amortisation of transaction costs	8	292,395	290,643
Return on bank deposits		-	(107,829)
		6,300,624	21,801,894
Changes in operating assets and liabilities:			
Rent receivables		11,082,837	(1,702,968)
Accrued rental income		2,710,475	-
Prepayments and other assets		(172,869)	(220,894)
Trade and other payables		997,803	(1,315)
Accrued management fee		(2,553,092)	(56,403)
Due to related parties		117,440	56,414
		18,483,218	19,876,728
Finance charges paid		-	(1,208,045)
Return on bank deposits received		-	143,677
Net cash from operating activities		18,483,218	18,812,360
INVESTING ACTIVITIES			
Addition to investment properties	5	(72,000)	-
Demolition costs	5	(300,771)	-
Proceeds from short-term deposits		-	7,000,000
Net cash (used in) from investing activities		(372,771)	7,000,000
FINANCING ACTIVITIES			
Dividends distributed	14	(13,200,000)	(18,480,000)
Deferred charges	8	-	(500,000)
Net cash used in financing activities		(13,200,000)	(18,980,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,910,447	6,832,360
Cash and cash equivalents at the beginning of the period		11,425,236	7,818,401
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		16,335,683	14,650,761

The attached notes 1 to 18 form an integral part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS

For the six-month period ended 30 June 2020

		<i>For the six-month period ended</i>	
		<i>30 June</i>	<i>30 June</i>
		<i>2020</i>	<i>2019</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>
Net asset value attributed to the unitholders at beginning of the period, as previously reported		629,658,424	646,576,467
Restatement		-	(251,785)
Net asset value attributed to the unitholders at beginning of the period, as restated		629,658,424	646,324,682
Comprehensive (loss) income			
Net (loss) income for the period		(68,052,410)	9,117,591
Other comprehensive income for the period		-	-
Comprehensive (loss) income for the period		(68,052,410)	9,117,591
Dividend distribution	14	(13,200,000)	(18,480,000)
Net asset value attributed to the unitholders at end of the period (unaudited)		548,406,014	636,962,273

The attached notes 1 to 18 form an integral part of these condensed interim financial statements.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) 30 June 2020

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

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 *Use of estimates*

In the ordinary course of business, the preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are reviewed and affected in future periods.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(continued)
30 June 2020

3 BASIS OF PREPARATION (continued)

3.4 Functional and presentation currency

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

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are consistent with those used and disclosed in the financial statements of the Fund for the year ended 31 December 2019.

4.1 Standards and amendments to existing standards effective 1 January 2020

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2020 that have a material effect on the financial statements of the Fund.

4.2 New standards, amendments and interpretations effective after 1 January 2020 and have not been early adopted

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

<u>Standards / amendments to standards / interpretations</u>	<u>Effective date</u>
<i>Reference to the Conceptual Framework (Amendments to IFRS 3)</i>	1 January 2022
<i>Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)</i>	1 January 2022
<i>Annual Improvements to IFRS Standards 2018–2020</i>	1 January 2022
<i>Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)</i>	1 January 2022
<i>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</i>	1 January 2023
<i>IFRS 17 Insurance Contracts</i>	1 January 2023

5 INVESTMENT PROPERTIES

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

30 June 2020 (Unaudited)

Description	Cost SR	Accumulated depreciation SR	Accumulated impairment (note 5.6) SR	Net book value SR
Land	498,291,500	-	60,484,475	437,807,025
Tharawat Al Andalusia Hotel	152,000,000	22,154,842	-	129,845,158
Tharawat Al Taqwa Hotel	158,000,000	15,806,761	-	142,193,239
Pharmacy Building	100,000	83,850	-	16,150
3-Star Hotel, Makkah	72,000	-	-	72,000
	808,463,500	38,045,453	60,484,475	709,933,572

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(continued)
30 June 2020

5 INVESTMENT PROPERTIES (continued)

31 December 2019 (Audited)

Description	Cost SR	Accumulated depreciation SR	Net book value SR
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
	<u>812,000,000</u>	<u>32,485,942</u>	<u>779,514,058</u>

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

	<i>For the six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2020</i>	<i>2019</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR</i>	<i>SR</i>
Cost		
Balance at beginning of the period	812,000,000	812,000,000
Additions during the period	72,000	-
Disposals during the period	(3,608,500)	-
Balance at end of the period	<u>808,463,500</u>	<u>812,000,000</u>
Accumulated depreciation		
Balance at beginning of the period	32,485,942	20,430,766
Depreciation charge for the period	5,938,245	5,978,047
Related to disposals	(378,734)	-
Balance at end of the period	<u>38,045,453</u>	<u>26,408,813</u>
Accumulated impairment		
Balance at beginning of the period	-	-
Impairment loss for the period	60,484,475	-
Balance at end of the period	<u>60,484,475</u>	<u>-</u>
Net book value	<u>709,933,572</u>	<u>785,591,187</u>

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

5.2 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.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(continued)
30 June 2020

5 INVESTMENT PROPERTIES (continued)

5.3 Brief details of the investment properties follow:

5.3.1 *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.

5.3.2 *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.

5.3.3 *Ibrahim Al-Khalil I*

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

5.3.4 *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.

5.3.5 *Ibrahim Al-Khalil II*

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

5.3.6 *3-Star Hotel, Makkah*

A proposed hotel tower which will be built in Ibrahim Al-Khalil I and Ibrahim Al-Khalil II land after the demolition of the buildings (see note 5.5).

5.4 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.

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

5.6 *Impairment of investment properties*

The investment properties were tested for impairment and the management noted the carrying amounts of two properties not to be recoverable. During the period ended 30 June 2020, the management recognised an impairment of SR 60,484,475 (2019: Nil) 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 6.

6 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.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(continued)
30 June 2020

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

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

<u>30 June 2020 (Unaudited)</u>	<u>Appraiser 1 SR</u>	<u>Appraiser 2 SR</u>	<u>Average SR</u>
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	73,080,000	78,155,000	75,617,500
Pharmacy Building	25,000,000	25,000,000	25,000,000
Ibrahim Al-Khalil II	18,260,550	22,318,500	20,289,525
	<u>786,340,550</u>	<u>797,803,500</u>	<u>792,072,025</u>
<u>31 December 2019 (Audited)</u>	<u>Appraiser 1 SR</u>	<u>Appraiser 2 SR</u>	<u>Average SR</u>
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
	<u>865,000,000</u>	<u>859,000,000</u>	<u>862,000,000</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:

	<u>30 June 2020 (Unaudited) SR</u>	<u>31 December 2019 (Audited) SR</u>
Fair value of investments in real estate properties	792,072,025	862,000,000
Less: Carrying value of investments in real estate properties (note 5)	709,933,572	779,514,058
Unrealised gain based on fair value evaluation	<u>82,138,453</u>	<u>82,485,942</u>
Units in issue	66,000,000	66,000,000
Per unit share in unrealised gain based on fair value evaluation	<u>1.24</u>	<u>1.25</u>

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(continued)
30 June 2020

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

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

	30 June 2020 (Unaudited) SR	31 December 2019 (Audited) SR
Net asset value at cost, as presented in these financial statements	548,406,014	629,658,424
Unrealised gain based on real estate evaluations (note 6.i.)	82,138,453	82,485,942
Net asset based on fair value	630,544,467	712,144,366

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

	30 June 2020 (Unaudited) SR	31 December 2019 (Audited) SR
Net asset value per unit, at cost as presented in these financial statements	8.31	9.54
Impact on net asset value per unit on account of unrealised gain based on fair value evaluations (note 6.i.)	1.24	1.25
Net asset value per unit at fair value	9.55	10.79

7 CASH AND CASH EQUIVALENTS

As of 30 June 2020, 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 177,141 (31 December 2019: four bank accounts with a total balance of SR 10,756,887).

8 LONG-TERM LOAN AND DEFERRED CHARGES

	30 June 2019 (Unaudited) SR	31 December 2019 (Audited) SR
Long-term loan	183,000,000	183,000,000
Less:		
Transaction cost	2,771,250	2,771,250
Amortisation of transaction costs	(1,486,256)	(1,193,861)
	1,284,994	1,577,389
Long-term loan	181,715,006	181,422,611

During the period ended 30 June 2020, amortisation of transaction costs amounting to SR 292,395 (2019: SR 290,643) was reflected under the statement of comprehensive income.

Jadwa REIT Al Haramain Fund
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(continued)
30 June 2020

8 LONG-TERM LOAN AND DEFERRED CHARGES (continued)

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 until 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 30 June 2020, SR 183,000,000 have been drawn from the available facility (31 December 2019: SR 183,000,000).

Transaction costs related to the loan amounting to SR 2,771,250 as of 30 June 2020 (31 December 2019: SR 2,771,250) 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 5).

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 with BSF for the period ended 30 June 2020 amounted to SR 365,168 (2019: SR 363,162).

- 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 until 7 February 2021 and is repayable in full on 7 February 2021. As at 30 June 2020, the Fund has not drawn any amount from the facility.

Fees charged by Riyadh Bank for loan servicing amounting to 0.25% of the loan facility has been capitalised as 'Deferred charges' in the statement of financial position and is amortised over the period of the loan facility. Amortisation of deferred charges with Riyadh Bank for the period ended 30 June 2020 amounted to SR 83,030 (2019: SR 232,208).

9 TRADE AND OTHER PAYABLES

	30 June 2020 (Unaudited) SR	31 December 2019 (Audited) SR
Trade payables	1,750,000	-
Output value-added tax	174,230	839,337
Custody fee	80,000	78,376
Property valuation fee	43,810	46,314
Administration fee	28,125	30,554
Professional fee	17,500	91,281
Independent board member fee	-	10,000
	2,093,665	1,095,862

Jadwa REIT Al Haramain Fund
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10 RELATED PARTY TRANSACTIONS AND BALANCES

10.1 Related party transactions

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

Name of related party	Nature of relationship	Nature of transaction	For the six-month period ended	
			30 June 2020 (Unaudited) SR	30 June 2019 (Unaudited) SR
Jadwa Investment Company	Fund Manager	Management fee (i) Administration fee (ii)	1,035,377 58,924	3,556,318 112,500
Jadwa Al-Khalil Real Estate Company	SPV	Finance charges	3,659,184	5,928,072

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. Administration fee

The Administrator, in accordance with the Terms and Conditions of the Fund, charges the Fund an administration 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 14.

10.2 Related party balances

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

a. Due to related parties

	30 June 2020 (Unaudited) SR	31 December 2019 (Audited) SR
Jadwa Al-Khalil Real Estate Company	5,329,258	1,580,074
Unitholders - Unpaid dividends	171,722	164,624
Jadwa Investment Company	22,342	2,000
	<u>5,523,322</u>	<u>1,746,698</u>

b. Accrued management fee

	30 June 2020 (Unaudited) SR	31 December 2019 (Audited) SR
Jadwa Investment Company	<u>1,035,377</u>	<u>3,588,469</u>

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11 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the six-month period ended</i>	
	<i>30 June 2020 (Unaudited) SR</i>	<i>30 June 2019 (Unaudited) SR</i>
Registration fees	200,000	200,000
Professional fees	120,576	144,906
Legal fees	84,330	34,979
Custody fee	81,899	79,857
Listing fees	77,165	78,723
Administration fee	58,924	58,500
Property valuation fees	54,308	60,500
Indirect tax	3,587	306
Breakup fee	-	835,983
Insurance fee	-	63,399
Others	50,982	30,115
	<u>731,771</u>	<u>1,587,268</u>

12 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

12.1 Financial instruments

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

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

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12 FAIR VALUE MEASUREMENT (continued)

12.2 Non-financial assets

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

<u>30 June 2020 (Unaudited)</u>	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Tharawat Al Andalusia Hotel	-	404,165,000	-	404,165,000
Tharawat Al Taqwa Hotel	-	267,000,000	-	267,000,000
Ibrahim Al-Khalil I (Land)	-	75,617,500	-	75,617,500
Pharmacy Building	-	25,000,000	-	25,000,000
Ibrahim Al-Khalil II (Land)	-	20,289,525	-	20,289,525
	-	792,072,025	-	792,072,025
<u>31 December 2019 (Audited)</u>	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
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
	-	862,000,000	-	862,000,000

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

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

The fair values of investment properties were assessed by ValuStrat Consulting and White Cubes as disclosed in note 6. They are accredited independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

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

13 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.

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14 DIVIDENDS DISTRIBUTION

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 amounting to 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.

15 IMPACT OF COVID-19

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

On 9 March 2020, the Fund received a notice to suspend the lease contract for Tharawat Al Andalusia Hotel due to temporary suspension of Umrah due to the COVID-19 outbreak. The Fund received another notice from the tenant of Tharawat Al Andalusia Hotel that the lease contract shall be terminated due to changing conditions in the hospitality sector in Makkah Al-Mukarramah. Accordingly, the end of the contract term will be on 13 Rajab 1442H (corresponding to 25 February 2021) which is equivalent to a period of twelve months from the date of notice.

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

Accordingly, the Fund Manager has successfully addressed most of the requests and suspended the lease contracts until the authorities lift the suspension of Umrah. The effective date of the rent suspension for Tharawat Al Andalusia Hotel and Tharawat Al Taqwa Hotel is 1 March 2020 as per the tenants' requests while the effective date for the Pharmacy Building is 23 March 2020, which is the start date of the curfew in the Kingdom.

The Fund Manager announced temporary suspension of management fees for the Fund, due to the direct impact of the COVID-19 outbreak on the Fund's assets. Specifically, the precautionary COVID-19 measures included the suspension of Umrah, which led to the suspension of the Fund's rents. The suspension of management fees will be effective from the date of rent suspension for tenants, corresponding to 1 March 2020, and until the Fund resumes the collection of any rents.

The impact of the suspension of lease contracts on rental income and management fees for the period ended 30 June 2020 amounted to approximately SR 14,553,672 and SR 2,105,266, respectively.

The Fund continues to determine net asset values with the frequency as set out in the offering documents, consistently applying valuation policies and reflective of prevailing market conditions. In determining the investment property valuations as of 30 June 2020, the Fund has considered the potential impact (based on the best available information) of the uncertainties caused by the COVID-19 pandemic and has taken into account the economic and relief measures it has to extend to its tenants.

Any changes made to valuations to estimate the overall impact of COVID-19 is subject to very high levels of uncertainty, as little reasonable and supportable forward-looking information is currently available on which to base those changes.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

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16 SUBSEQUENT EVENTS

On 28 Dhu al-Hijjah 1441H (corresponding to 18 August 2020), the Fund Manager has received a notice from the tenant of Tharawat Al Taqwa Hotel to terminate the lease contract in accordance with the lease contract terms and conditions. Accordingly, the end of the contract period will be on 1 Jumada Al-Awwal 1443 H (corresponding to 6 December 2021), which is four Hijri years from the beginning of the lease term.

17 LAST VALUATION DAY

The last valuation day of the period was 30 June 2020.

18 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund's Board on 5 Muharram 1442H (corresponding to 24 August 2020).