

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 2021**

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 2021, and the related condensed interim statements of comprehensive income, cash flows and changes in net assets for six-month period ended 30 June 2021, 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: 10 Muharram 1443 H
(18 August 2021)



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

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2021

	Notes	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
ASSETS			
NON-CURRENT ASSETS			
Investment properties	5	694,532,401	704,690,492
Financial assets at fair value through profit or loss	7	58,114,600	58,932,224
Deferred charges	8	124,398	337,925
TOTAL NON-CURRENT ASSETS		752,771,399	763,960,641
CURRENT ASSETS			
Financial assets at fair value through profit or loss	7	17,017,062	17,711,157
Deferred charges – current portion	8	732,344	898,858
Prepayments and other assets		686,900	37,103
Rent receivables		1,780,558	6,106,058
Other receivable	13	8,000,000	-
Cash and cash equivalents		2,381,473	644,157
TOTAL CURRENT ASSETS		30,598,337	25,397,333
TOTAL ASSETS		783,369,736	789,357,974
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term loan	8	232,303,143	232,010,613
CURRENT LIABILITIES			
Due to related parties	9	10,408,865	7,531,365
Accrued management fee	9	1,035,377	1,035,377
Accrued expenses and other liabilities		325,945	367,000
TOTAL CURRENT LIABILITIES		11,770,187	8,933,742
TOTAL LIABILITIES		244,073,330	240,944,355
NET ASSETS		539,296,406	548,413,619
Units in issue		66,000,000	66,000,000
Per unit value		8.17	8.31
Per unit fair value	6	8.62	9.57

The attached notes 1 to 15 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 2021

		<i>For the six-month period ended</i>	
		30 June	30 June
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	SR	SR
INCOME			
Rental income from investment properties		-	8,067,772
Unrealised loss on financial assets at fair value through profit or loss, net	7	(711,804)	-
Realised gain on sale of financial assets at fair value through profit or loss	7	85	-
		<u>(711,719)</u>	<u>8,067,772</u>
EXPENSES			
Depreciation	5	(5,871,857)	(5,938,245)
General and administrative expenses	10	(603,338)	(731,771)
Amortisation of deferred charges	8	(380,041)	(448,198)
Amortisation of transaction costs	8	(292,530)	(292,395)
Management fees	9	-	(1,035,377)
		<u>(7,147,766)</u>	<u>(8,445,986)</u>
OPERATING LOSS		(7,859,485)	(378,214)
Other income	13	8,000,000	-
Finance charges	8	(3,345,967)	(3,659,184)
Loss on disposal of investment properties	5	-	(3,530,537)
LOSS FOR THE PERIOD		(3,205,452)	(7,567,935)
Impairment loss on investment properties	5	(5,911,761)	(60,484,475)
NET LOSS FOR THE PERIOD AFTER IMPAIRMENT		(9,117,213)	(68,052,410)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(9,117,213)	(68,052,410)

The attached notes 1 to 15 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 2021

		<i>For the six-month period ended</i>	
		<i>30 June</i>	<i>30 June</i>
		<i>2021</i>	<i>2020</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES			
Net loss for the period		(9,117,213)	(68,052,410)
Adjustments for non-cash and other items:			
Impairment loss on investment properties	5	5,911,761	60,484,475
Depreciation	5	5,871,857	5,938,245
Finance charges	8	3,345,967	3,659,184
Unrealised loss on financial assets at fair value through profit or loss, net	7	711,804	-
Amortisation of deferred charges	8	380,041	448,198
Amortisation of transaction costs	8	292,530	292,395
Realised gain on sale of financial assets at fair value through profit or loss	7	(85)	-
Loss on disposal of investment properties	5	-	3,530,537
		<u>7,396,662</u>	<u>6,300,624</u>
Changes in operating assets and liabilities:			
Prepayments and other assets		(649,797)	(172,869)
Rent receivables		4,325,500	11,082,837
Other receivable		(8,000,000)	-
Accrued rental income		-	2,710,475
Due to related parties		-	117,440
Accrued management fee		-	(2,553,092)
Accrued expenses and other liabilities		(41,055)	997,803
		<u>3,031,310</u>	<u>18,483,218</u>
Finance charges paid		(468,467)	-
Net cash from operating activities		<u>2,562,843</u>	<u>18,483,218</u>
INVESTING ACTIVITIES			
Proceeds from sale of financial assets at fair value through profit or loss	7	800,000	-
Additions to investment properties	5	(1,625,527)	(72,000)
Demolition costs	5	-	(300,771)
Net cash used in investing activities		<u>(825,527)</u>	<u>(372,771)</u>
FINANCING ACTIVITIES			
Dividends distributed		-	(13,200,000)
Net cash used in financing activities		<u>-</u>	<u>(13,200,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,737,316	4,910,447
Cash and cash equivalents at beginning of the period		<u>644,157</u>	<u>11,425,236</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		<u>2,381,473</u>	<u>16,335,683</u>

The attached notes 1 to 15 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 (AUDITED)
For the six-month period ended 30 June 2021

	<i>Notes</i>	<i>For the six-month period ended 30 June 2021 (Unaudited) SR</i>	<i>30 June 2020 (Unaudited) SR</i>
Net asset value attributed to the unitholders at beginning of the period		548,413,619	629,658,424
Comprehensive loss			
Net loss for the period		(9,117,213)	(68,052,410)
Other comprehensive income for the period		-	-
Comprehensive loss for the period		(9,117,213)	(68,052,410)
Dividend distribution		-	(13,200,000)
Net asset value attributed to the unitholders at end of the period (unaudited)		539,296,406	548,406,014

The attached notes 1 to 15 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 2021

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 a Capital Market Institution 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) which was amended by Resolution Number 2-22-2021 dated 12 Rajab 1442H (corresponding to 24 February 2021) and REITF instructions published by CMA on 23 Muharram 1438 H (corresponding to 24 October 2016) which was amended by Resolution Number 2-115-2018 dated 13 Safar 1440H (corresponding to 22 October 2018), 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").

These financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the Company's annual financial statements for the year ended 31 December 2020.

3.2 *Basis of measurement*

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(continued)
30 June 2021

3 BASIS OF PREPARATION (continued)

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.

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 2020:

4.1 Standards and amendments to existing standards effective 1 January 2021

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2021 that have a material effect on the financial statements of the Fund.

4.2 New standards, amendments and interpretations effective after 1 January 2021 and have not been early adopted

The following standards, amendments to standards and interpretations are not yet effective 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>IFRS 17 Insurance Contracts</i>	1 January 2023
<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>Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)</i>	1 January 2023
<i>Definition of Accounting Estimates (Amendments to IAS 8)</i>	1 January 2023
<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)</i>	1 January 2023

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(continued)
30 June 2021

5 INVESTMENT PROPERTIES

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

30 June 2021 (Unaudited)

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Accumulated impairment SR</i>	<i>Net book value SR</i>
Land	498,291,500	-	65,737,986	432,553,514
Tharawat Al Andalusia Hotel	152,000,000	29,060,492	-	122,939,508
Tharawat Al Taqwa Hotel	158,000,000	20,742,148	-	137,257,852
Retail Building	100,000	100,000	-	-
3-Star Hotel, Makkah	1,781,527	-	-	1,781,527
	810,173,027	49,902,640	65,737,986	694,532,401

31 December 2020 (Audited)

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Accumulated impairment SR</i>	<i>Net book value SR</i>
Land	498,291,500	-	59,826,225	438,465,275
Tharawat Al Andalusia Hotel	152,000,000	25,636,046	-	126,363,954
Tharawat Al Taqwa Hotel	158,000,000	18,294,737	-	139,705,263
Retail Building	100,000	100,000	-	-
3-Star Hotel, Makkah	156,000	-	-	156,000
	808,547,500	44,030,783	59,826,225	704,690,492

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

	<i>For the six-month period ended 30 June</i>	
	<i>2021 (Unaudited) SR</i>	<i>2020 (Unaudited) SR</i>
Cost		
Balance at beginning of the period	808,547,500	812,000,000
Additions during the period	1,625,527	72,000
Disposals during the period	-	(3,608,500)
Balance at end of the period	810,173,027	808,463,500
Accumulated depreciation		
Balance at beginning of the period	44,030,783	32,485,942
Depreciation charge for the period	5,871,857	5,938,245
Related to disposals	-	(378,734)
Balance at end of the period	49,902,640	38,045,453
Accumulated impairment		
Balance at beginning of the period	59,826,225	-
Impairment loss for the period	5,911,761	60,484,475
Balance at end of the period	65,737,986	60,484,475
Net book value	694,532,401	709,933,572

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(continued)
30 June 2021

5 INVESTMENT PROPERTIES (continued)

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

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 *Retail Building*

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

5.3.4 *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. The building was demolished in 2020 and the land was merged with Ibrahim Al-Khalil II (see note 5.5).

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. The building was demolished in 2020 and the land was merged with Ibrahim Al-Khalil I (see note 5.5).

5.3.6 *3-Star Hotel, Makkah*

A proposed hotel tower which will be built in the merged Ibrahim Al-Khalil I and Ibrahim Al-Khalil II lands 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 during the period ended 30 June 2020. The demolition costs amounting to SR 300,771 during the period ended 30 June 2020 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 2021, the management recognised an impairment of SR 5,911,761 (2020: 60,484,475) 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.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(continued)
30 June 2021

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

In accordance with Article 35 of the REIFR issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's real estate assets based on two evaluations prepared by independent evaluators. However, in accordance with the requirement of CMA in the Kingdom of Saudi Arabia, investment in real estate properties 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. Menassat Realy Company and White Cubes (31 December 2020: ValuStrat Consulting and White Cubes). As at reporting date, the valuation of investment properties are as follows:

	<i>Appraiser 1</i> <i>SR</i>	<i>Appraiser 2</i> <i>SR</i>	<i>Average</i> <i>SR</i>
30 June 2021 (Unaudited)			
Tharawat Al Andalusia Hotel	326,000,000	408,330,000	367,165,000
Tharawat Al Taqwa Hotel	222,600,000	264,000,000	243,300,000
Retail Building	21,000,000	25,000,000	23,000,000
3-Star Hotel, Makkah	78,291,000	103,095,000	90,693,000
	<u>647,891,000</u>	<u>800,425,000</u>	<u>724,158,000</u>
31 December 2020 (Audited)			
Tharawat Al Andalusia Hotel	400,000,000	408,330,000	404,165,000
Tharawat Al Taqwa Hotel	260,000,000	264,000,000	262,000,000
Ibrahim Al-Khalil I	73,080,000	79,179,101	76,129,551
Retail Building	25,000,000	25,000,000	25,000,000
Ibrahim Al-Khalil II	18,260,550	22,610,899	20,435,724
	<u>776,340,550</u>	<u>799,120,000</u>	<u>787,730,275</u>

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

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

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

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Fair value of investments in real estate properties	724,158,000	787,730,275
Less: Carrying value of investments in real estate properties (note 5)	<u>694,532,401</u>	<u>704,690,492</u>
Unrealised gain based on fair value evaluation	<u>29,625,599</u>	<u>83,039,783</u>
Units in issue	<u>66,000,000</u>	<u>66,000,000</u>
Per unit share in unrealised gain based on fair value evaluation	<u>0.45</u>	<u>1.26</u>

Jadwa REIT Al Haramain Fund
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(continued)
30 June 2021

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 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Net asset value at cost, as presented in these financial statements	539,296,406	548,413,619
Unrealised gain based on real estate evaluations (note 6.i.)	29,625,599	83,039,783
Net asset based on fair value	<u>568,922,005</u>	<u>631,453,402</u>

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

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Net asset value per unit, at cost as presented in these financial statements	8.17	8.31
Impact on net asset value per unit on account of unrealised gain based on fair value evaluations (note 6.i.)	0.45	1.26
Net asset value per unit at fair value	<u>8.62</u>	<u>9.57</u>

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Current		
Investment in mutual fund (note 7.1)	<u>17,017,062</u>	<u>17,711,157</u>
Non-current		
Investment in private real estate fund (note 7.2)	<u>58,114,600</u>	<u>58,932,224</u>

7.1 Investment in mutual fund

This represents the Fund's investment in 166,830.51 units (31 December 2020: 174,721.72) of Jadwa Saudi Riyal Murabaha Fund managed by Jadwa Investment Company, the cost of which is SR 16,861,050 (31 December 2020: 17,658,591) and is current in nature.

During the period ended 30 June 2021, the Fund disposed of 7,891.21 units (2020: Nil) in the mutual fund for SR 800,000 resulting to realized gain amounting to SR 85 (2020: Nil).

The unrealised gain on this investment amounted to SR 105,820 for the period ended 30 June 2021 (2020: Nil).

Jadwa REIT Al Haramain Fund
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(continued)

30 June 2021

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

7.2 Investment in real estate fund

This represents investment in 5,000,000 units (31 December 2020: 5,000,000) in Real Estate Investment Fund, a closed-ended Shariah-compliant private real estate investment fund managed by Jadwa Investment Company, the cost of which is SR 50,000,000 (31 December 2020: 50,000,000).

The unrealised loss on this investment amounted to SR 817,624 for the period ended 30 June 2021 (2020: Nil).

8 LONG-TERM LOAN AND DEFERRED CHARGES

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Long-term loan	233,000,000	233,000,000
Less:		
Transaction cost	2,771,250	2,771,250
Amortisation of transaction costs	(2,074,393)	(1,781,863)
	<u>696,857</u>	<u>989,387</u>
Long-term loan	<u><u>232,303,143</u></u>	<u><u>232,010,613</u></u>

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.

On 23 August 2020, BSF has increased the limit of the Tawaruq facility from SR 500,000,000 to SR 550,000,000. Also, BSF has extended the availability of the loan until 31 July 2021.

The loan carries mark-up at the rate of Saudi Inter-Bank Offered Rate ("SAIBOR") plus 2% per annum, payable on semi-annual basis. As at 30 June 2021, SR 233,000,000 (31 December 2020: SR 233,000,000) have been drawn from the available facility.

Transaction costs related to the loan amounting to SR 2,771,250 as of 30 June 2021 (31 December 2020: 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).

Finance charges for the period ended 30 June 2021 amounted to SR 3,345,967 (2020: SR 3,659,184) 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 period ended 30 June 2021 amounted to SR 363,161 (2020: SR 365,168) which are reflected under the statement of comprehensive income.

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8 LONG-TERM LOAN AND DEFERRED CHARGES (continued)

- 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. 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 30 June 2021 amounted to SR 16,880 (2020: SR 83,030).

The movement in the deferred charges is as follows:

	<i>For the six-month period ended 30 June</i>	
	<i>2021 (Unaudited) SR</i>	<i>2020 (Unaudited) SR</i>
At beginning of the period	1,236,783	2,138,104
Amortisation during the period	(380,041)	(448,198)
At end of the period	<u>856,742</u>	<u>1,689,906</u>

Deferred charges are presented in the statement of financial position as follows:

	<i>30 June 2021 (Unaudited) SR</i>	<i>31 December 2020 (Audited) SR</i>
Non-current portion	124,398	337,925
Current portion	732,344	898,858
	<u>856,742</u>	<u>1,236,783</u>

9 RELATED PARTY TRANSACTIONS AND BALANCES

9.1 Related party transactions

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

<i>Related party</i>	<i>Nature of relationship</i>	<i>Nature of transaction</i>	<i>For the six month period ended 30 June</i>	
			<i>2021 (Unaudited) SR</i>	<i>2020 (Unaudited) SR</i>
Jadwa Investment Company	Fund Manager	Management fee (i) Administration fee	- -	1,035,377 58,924
Jadwa Al-Khalil Real Estate Company	SPV	Finance charges	3,345,967	3,659,184

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9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)
9.1 Related party transactions (continued)

Related party	Nature of relationship	Nature of transaction	For the six month period ended 30 June	
			2021 (Unaudited) SR	2020 (Unaudited) SR
Jadwa Saudi Riyal Murabaha Fund	Affiliate	Unrealised gain on investment in mutual fund	105,821	-
		Realised gain on sale of investment in mutual fund	85	
Real Estate Investment Fund	Associate	Unrealised loss on investment	817,624	-

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.

The Fund Manager announced temporary suspension of management fees for the Fund from 1 March 2020 until the Fund resumes the collection of any rents, due to the direct impact of the COVID-19 outbreak on the Fund's assets.

9.2 Related party balances

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

Due to related parties

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Jadwa Al-Khalil Real Estate Company	10,214,800	7,337,300
Unitholders - Unpaid dividends	171,723	171,723
Jadwa Investment Company	22,342	22,342
	<u>10,408,865</u>	<u>7,531,365</u>

Accrued management fee

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Jadwa Investment Company	<u>1,035,377</u>	<u>1,035,377</u>

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10 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the six month period ended 30 June</i>	
	2021 (Unaudited) SR	2020 (Unaudited) SR
Registration fee	200,000	200,000
Professional fees	83,581	120,576
Tadawul listing fee	76,021	77,165
Administrator fee	56,261	58,924
Property valuation fee	53,810	54,308
Custody fee	40,936	81,899
Insurance	40,352	-
Legal fees	21,317	84,330
Independent board member fee (i)	10,000	-
Indirect tax	3,283	3,587
Others	17,777	50,982
	603,338	731,771

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

11 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

11.1 Financial instruments

Financial assets consist of cash and cash equivalents, rent receivables and financial assets at fair value through profit or loss. 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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11 FAIR VALUE MEASUREMENT (continued)

11.1 Financial instruments (continued)

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

<u>30 June 2021 (Unaudited)</u>	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets at fair value through profit or loss (note 7)	17,017,062	58,114,600	-	75,131,662
	<u>17,017,062</u>	<u>58,114,600</u>	<u>-</u>	<u>75,131,662</u>
<u>31 December 2020 (Audited)</u>	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets at fair value through profit or loss (note 7)	17,711,157	58,932,224	-	76,643,381
	<u>17,711,157</u>	<u>58,932,224</u>	<u>-</u>	<u>76,643,381</u>

The financial asset at FVTPL which is an investment in private real estate investment fund is determined using unadjusted net asset value (Level 2 valuation).

There were no transfers between levels 1, 2 and 3 during the reporting period.

11.2 Non-financial assets

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

<u>30 June 2021 (Unaudited)</u>	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Tharawat Al Andalusia Hotel	-	-	367,165,000	367,165,000
Tharawat Al Taqwa Hotel	-	-	243,300,000	243,300,000
Retail Building	-	-	23,000,000	23,000,000
3-Star Hotel, Makkah	-	90,693,000	-	90,693,000
	<u>-</u>	<u>90,693,000</u>	<u>633,465,000</u>	<u>724,158,000</u>
<u>31 December 2020 (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	-	-	262,000,000	262,000,000
Retail Building	-	-	25,000,000	25,000,000
Ibrahim Al-Khalil I (Land)	-	76,129,551	-	76,129,551
Ibrahim Al-Khalil II (Land)	-	20,435,724	-	20,435,724
	<u>-</u>	<u>96,565,275</u>	<u>691,165,000</u>	<u>787,730,275</u>

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.

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11 FAIR VALUE MEASUREMENT (continued)

11.2 Non-financial assets (continued)

The fair values of investment properties were assessed by Menassat Realty Company and White Cubes (31 December 2020: 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).

The assumptions used in determining the fair values of the investment properties as at period/year-end are as follows:

30 June 2021 (Unaudited)

<i>Description</i>	<i>Valuation approach</i>	<i>Key assumptions</i>
Evaluator: Menassat Realty Company		
Tharawat Al Andalusia Hotel	Income capitalisation	Capitalisation rate
Tharawat Al Taqwa Hotel	Income capitalization and depreciated replacement cost (DRC)	Capitalisation rate and depreciation rate
Retail Building	Income capitalization and DRC	Capitalisation rate and depreciation rate
3-Star Hotel, Makkah (Land)	Market comparative	Price per square meter from sales of comparable lots of land in the area

<i>Description</i>	<i>Valuation approach</i>	<i>Key assumptions</i>
Evaluator: White Cubes		
Tharawat Al Andalusia Hotel	Income capitalisation	Capitalisation rate
Tharawat Al Taqwa Hotel	Income capitalisation	Capitalisation rate
Retail Building	Income capitalisation	Capitalisation rate
3-Star Hotel, Makkah (Land)	Market comparative	Price per square meter from sales of comparable lots of land in the area

31 December 2020 (Unaudited)

<i>Description</i>	<i>Valuation approach</i>	<i>Key assumptions</i>
Evaluator: ValuStrat Consulting		
Tharawat Al Andalusia Hotel	Discounted cash flow	Discount rate, exit yield rate, growth rate
Tharawat Al Taqwa Hotel	Discounted cash flow	Discount rate, exit yield rate, growth rate
Retail Building	Income capitalisation	Capitalisation rate
Ibrahim Al-Khalil I (Land)	Market comparative	Historical rates due to lack of transactions in the market
Ibrahim Al-Khalil II (Land)	Market comparative	Historical rates due to lack of transactions in the market

<i>Description</i>	<i>Valuation approach</i>	<i>Key assumptions</i>
Evaluator: White Cubes		
Tharawat Al Andalusia Hotel	Income capitalisation	Capitalisation rate
Tharawat Al Taqwa Hotel	Income capitalisation	Capitalisation rate
Retail Building	Income capitalisation	Capitalisation rate
Ibrahim Al-Khalil I (Land)	Market comparative	Historical rates due to lack of transactions in the market
Ibrahim Al-Khalil II (Land)	Market comparative	Historical rates due to lack of transactions in the market

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12 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.

13 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 Hijri twelve months from the date of notice. During the period ended 30 June 2021, the Fund recognised income amounting to SR 8,000,000 for the termination of the lease contract before the expiry date. This was recorded under 'Other income' in the statement of comprehensive income.

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

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 5 December 2021), which is four Hijri years from the beginning of the lease term.

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 Retail 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 2021 amounted to approximately SR 13,079,096 and SR 2,820,538 (2020: 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 2021, 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.

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13 IMPACT OF COVID-19 (continued)

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.

14 LAST VALUATION DAY

The last valuation day of the period was 30 June 2021.

15 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund's Board on 10 Muharram 1443H (corresponding to 18 August 2021).