

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

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

31 DECEMBER 2021

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

FINANCIAL STATEMENTS

31 December 2021

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Jadwa REIT Saudi Fund (the "Fund") managed by Jadwa Investment Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2021, and the related statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Fund as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How the key matter was addressed in the audit
<p><u>Assessing Impairment of investment properties</u></p> <p>The Fund owns a portfolio of investment properties comprising of land and commercial buildings being located in the Kingdom of Saudi Arabia.</p> <p>Investment properties are held for capital appreciation and/or rental yields and are stated at cost less accumulated depreciation and any impairment losses.</p> <p>For assessing the impairment of investment properties, the Fund management monitors volatility of fair value of properties by engaging independent certified property valuers to perform a formal valuation of the Fund's investment properties on semi-annual basis.</p>	<p>We have carried out the following audit procedures, among others:</p> <ul style="list-style-type: none">- We obtained the information about professional qualification, competence and expertise of the Fund's independent valuers and noted that the valuers are certified by the Saudi Authority for Accredited Valuers (TAQEEM);- We performed review of investment properties valuation which included:<ul style="list-style-type: none">o A review of the assumptions used by independent valuers in undertaking their valuation and an assessment of methodologies adopted;o A detailed assessment of sample of the individual property valuation examining key valuation inputs and assumption applied.



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

Key Audit Matters (continued)

Key Audit Matter	How the key matter was addressed in the audit
<p>As at 31 December 2021, the carrying value of investment properties was SR 1,833 million (2020: SR 1,571 million) which was net of accumulated depreciation of SR 151 million (2020: 111 million) and an accumulated impairment allowance of SR 46 million (2020: SR Nil).</p> <p>We considered this as a key audit matter since the impairment assessment of investment properties requires significant judgement and estimates by management and the external valuers. Any input inaccuracies or unreasonable bases used in these judgements and estimates (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the Statement of Financial Position and in the Statement of Comprehensive Income.</p> <p><i>The Fund's accounting policy for investment properties is disclosed in note 5.1, the significant accounting estimates, judgement and assumptions relating to investment properties are disclosed in note 4 and related disclosures about investment properties are included in notes 6 and 7 of the accompanying financial statements.</i></p>	<ul style="list-style-type: none">- We agreed the value of all properties held at the year end to the valuation included in the valuation report of independent valuers.- We checked the accuracy of impairment loss recognized in the statement of comprehensive income during the year; and- We ensured that the financial statement contain adequate disclosure related to the investment properties.

Other Information included in the Fund's 2021 Annual Report

Management is responsible for the other information. The other information comprises the information included in the Fund's 2021 annual report other than the financial statements and our auditor's report thereon. The Fund's 2021 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Fund's 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



الوحيد واليحيى

محاسبون قانونيون

ALLUHAIID & ALYAHYA

CHARTERED ACCOUNTANTS

Alluhaid & Alyahya Chartered Accountants

License No. (735) CR:1010468314

Paid up capital SR 100,000

A Limited Liability Company

Kingdom of Saudi Arabia Riyadh King Fahd Road ,

Muhammadiyah District , Garnd Tower 12th Floor

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

Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncement that are endorsed by SOCPA and the applicable provisions of the Real Estate Investment Fund Regulations issued by the Board of Capital Market Authority, and the Fund's terms and conditions and the information memorandum, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As at 31 December 2021, the Fund has not complied with the condition under Article 46 of the Real Estate Investment Fund Regulations as to the following:

- The Fund's investment value in constructionally developed real estate, and qualified to generate periodic rental income, represents 74.3% of the Fund's total assets value, which is less than the minimum requirement of 75%.

For Alluhaid & Alyahya Chartered Accountants


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

Riyadh: 28 Shaban 1443 H
(31 March 2022)



Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 SR	2020 SR
ASSETS			
NON-CURRENT ASSETS			
Investment properties	6	1,832,526,370	1,570,608,097
Financial assets at fair value through profit or loss ("FVTPL")	8	518,400,000	530,390,020
Deferred transaction costs	12	1,150,923	3,132,465
TOTAL NON-CURRENT ASSETS		2,352,077,293	2,104,130,582
CURRENT ASSETS			
Financial assets at FVTPL	8	-	14,052,262
Deferred transaction costs	12	1,981,542	1,981,542
Prepayments and other assets	9	30,395,975	21,946
Rent receivables	10	18,372,857	22,520,508
Other receivables		688,522	384,034
Cash and cash equivalents	11	62,169,492	18,536,864
TOTAL CURRENT ASSETS		113,608,388	57,497,156
TOTAL ASSETS		2,465,685,681	2,161,627,738
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term loan	12	603,122,500	573,122,500
TOTAL NON-CURRENT LIABILITIES		603,122,500	573,122,500
CURRENT LIABILITIES			
Due to related parties	14	449,772	362,074
Unearned rental income		1,851,657	2,990,956
Accrued management fees	14	6,745,029	7,355,507
Accrued expenses and other liabilities	13	2,458,084	1,345,635
TOTAL CURRENT LIABILITIES		11,504,542	12,054,172
TOTAL LIABILITIES		614,627,042	585,176,672
EQUITY			
Net assets attributable to unitholders		1,851,058,639	1,576,451,066
TOTAL LIABILITIES AND EQUITY		2,465,685,681	2,161,627,738
Units in issue (in units)		186,509,785	158,000,000
Per unit value		9.92	9.98
Per unit fair value	7	11.22	11.71

The attached notes 1 to 26 form an integral part of these financial statements.

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 SR	2020 SR
INCOME			
Rental income from investment properties	18	145,197,306	136,628,160
Unrealised (loss) gain on financial assets at FVTPL	8	(11,990,020)	80,442,282
Realised gain on financial assets at FVTPL	8	71,227	-
Dividend income	8	18,000,000	-
Other income		4,583	-
		<u>151,283,096</u>	<u>217,070,442</u>
EXPENSES			
Depreciation	6	(39,429,341)	(38,639,662)
Management fees	14	(13,485,753)	(13,979,947)
Amortisation of transaction costs	12	(1,981,542)	(1,986,970)
General and administrative expenses	15	(6,052,378)	(2,756,173)
		<u>(60,949,014)</u>	<u>(57,362,752)</u>
OPERATING PROFIT		90,334,082	159,707,690
Finance charges	12, 14	(16,772,483)	(5,614,979)
PROFIT FOR THE YEAR BEFORE IMPAIRMENT		73,561,599	154,092,711
Impairment loss on investment properties	6	(45,714,026)	-
NET INCOME FOR THE YEAR		27,847,573	154,092,711
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>27,847,573</u>	<u>154,092,711</u>

The attached notes 1 to 26 form an integral part of these financial statements.

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	<i>Notes</i>	2021 SR	2020 SR
OPERATING ACTIVITIES			
Net income for the year		27,847,573	154,092,711
Adjustments to reconcile profit to net cash flows:			
Depreciation on investment properties	6	39,429,341	38,639,662
Impairment loss on investment properties	6	45,714,026	-
Amortisation of transaction costs	12	1,981,542	1,986,970
Finance charges	12, 14	16,772,483	5,614,979
Unrealised gain on financial assets at FVTPL	8	11,990,020	(80,442,282)
Realised gain on financial assets at FVTPL		(71,227)	-
		143,663,758	119,892,040
Changes in operating assets and liabilities:			
Prepayments and other assets		(30,374,029)	7,113,213
Rent receivables		4,147,651	2,958,531
Other receivables		(304,488)	(384,034)
Due to related parties		203,879	(833,048)
Unearned rental income		(1,139,299)	723,013
Accrued management fees		(610,478)	691,415
Accrued expenses and other liabilities		1,112,449	101,688
		116,699,443	130,262,818
Finance charges paid		(16,888,664)	(6,762,672)
Net cash flow from operating activities		99,810,779	123,500,146
INVESTING ACTIVITIES			
Disposal (purchase) of financial assets at FVTPL		14,123,489	(464,000,000)
Additions to investment properties	6	(227,061,640)	(386,035)
Net cash flow used in investing activities		(212,938,151)	(464,386,035)
FINANCING ACTIVITIES			
Proceeds from units issued	6, 16	250,000,000	-
Distribution	21	(123,240,000)	(115,340,000)
Proceeds from long-term loan	12	30,000,000	450,000,000
Repayment of long-term loan	12	-	(4,650,000)
Net cash flow from financing activities		156,760,000	330,010,000
Net increase (decrease) in cash and cash equivalents		43,632,628	(10,875,889)
Cash and cash equivalents at beginning of the year		18,536,864	29,412,753
Cash and cash equivalents at end of the year		62,169,492	18,536,864
NON-CASH TRANSACTIONS			
Subscription against investment properties	6	120,000,000	-
Reversal of provision for legal claim on investment properties		-	3,000,000

The attached notes 1 to 26 form an integral part of these financial statements.

Jadwa REIT Saudi Fund
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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	<i>Notes</i>	2021 SR	2020 SR
Equity attributed to the Unitholders at beginning of the year		1,576,451,066	1,537,698,355
Contribution by unitholders			
Proceeds from issuance of units	6, 16	250,000,000	-
Issuance of units against investment properties	6, 16	120,000,000	-
Total contribution by unitholders		370,000,000	
Comprehensive income			
Net income for the year		27,847,573	154,092,711
Other comprehensive income for the year		-	-
Total comprehensive income for the year		27,847,573	154,092,711
Distribution	21	(123,240,000)	(115,340,000)
Equity attributed to the Unitholders at end of the year		1,851,058,639	1,576,451,066

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

	<i>Note</i>	2021 Units	2020 Units
Units at the beginning of the year		158,000,000	158,000,000
Units issued during the year	16	19,263,368	-
Units issued against investment properties	16	9,246,417	-
Units at the end of the year		186,509,785	158,000,000
Net assets value per unit at the end of the year	7	9.92	9.98

The attached notes 1 to 26 form an integral part of these financial statements.

Jadwa REIT Saudi Fund (Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1 CORPORATE INFORMATION

Jadwa REIT Saudi 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 1,950,000,000 divided into 186,509,785 units (2020: SR 1,580,000,000 divided into 158,000,000 units). The Fund has a term of 99 years, which is extendable at the discretion of the Fund Manager following the approval of the CMA.

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

The following entities have been established and approved by the CMA as special purpose vehicles (the "SPVs") for the beneficial interest of the Fund:

1. Real Estate Development Areas Company, a Limited Liability Company with commercial registration number 1010385322.
2. Jadwa Al Masha'ar Real Estate Company, a Limited Liability Company with commercial registration number 1010495554.
3. Growth Areas Real Estate Company, a Limited Liability Company – Owned by Single Person with commercial registration number 1010748800.

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, excluding 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.

The Fund has appointed Albilad Investment Company (the "Custodian") to act as its custodian. The fees of the custodian are paid by the Fund.

2 REGULATING AUTHORITY

The Fund operates in accordance with Real Estate Investment Fund Regulations ("REIFR") and Real Estate Investment Traded Funds ("REITF") instructions issued by the CMA. The regulations detail the requirements for real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

As at 31 December 2021, the Fund has not complied with the condition under Article 46 of the REIFR as to the following:

- The Fund's investment value in constructionally developed real estate, and qualified to generate periodic rental income represents 74.3% of the Fund's total assets value, which is less than the minimum requirement of 75%. This was mainly due to the significant change in the fair value of its investment in private real estate investment fund.

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA").

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements. Judgement has been applied in the cases of determining whether an arrangement contains a lease and classification of leases.

Assumptions and estimation uncertainties

Useful lives of investment properties

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

Impairment of investment properties

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

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.

Jadwa REIT Saudi Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

5 SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Investment properties

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

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

The estimated useful lives of the buildings range from 30 to 50 years.

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

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

5.3 Cash and cash equivalents

For the purposes of cash flows statement, cash and cash equivalents consists of bank balances.

5.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

5.4.1 Initial recognition and measurement of financial instruments

The Fund initially recognises financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

Initial measurement of the financial instrument is at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets carried at FVTPL are expensed in the statement of comprehensive income.

Jadwa REIT Saudi Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Financial instruments (continued)

5.4.2 Financial assets – subsequent classification and measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL. There are two criteria used to determine how financial assets should be classified and measured:

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

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

The Fund's financial assets measured at amortised cost include cash and cash equivalents, rent receivables and other receivables.

In accordance with the exemption in IAS 28 Investments in Associates and Joint Ventures, the Fund has elected to measure its investment in associates at FVTPL.

The Fund has no financial assets measured at FVOCI.

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

5.4.3 Impairment of financial assets

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

As at the year end, the Fund has rent receivables as financial assets carried at amortised cost. For rent receivables, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The information about the ECLs on the Fund's rent receivables is disclosed in note 10 and note 19 in these financial statements.

Presentation of impairment

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

Impairment losses related to rent receivables are presented separately in the statement of comprehensive income.

5.4.4 Financial liabilities – subsequent classification and measurement

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

Jadwa REIT Saudi Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Financial instruments (continued)

5.4.4 Financial liabilities – subsequent classification and measurement (continued)

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 expired.

The Fund's financial liabilities include long-term loan, unearned rental income, due to related parties, management fee payable and other liabilities.

5.4.5 Modification of financial assets and financial liabilities

Financial assets

If the terms of the financial asset are modified, the Fund evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Fund recalculates the gross carrying amount of the financial asset and recognises the amount adjusting the gross carrying amount as modification gain or loss in the statement of comprehensive income.

Financial liabilities

The Fund derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms are recognised in the statement of comprehensive income.

5.4.6 Offsetting of financial instruments

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

5.5 Current versus non-current classification

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

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

All other assets are classified as non-current

A liability is current when:

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

The Fund classifies all other liabilities as non-current

Jadwa REIT Saudi Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.6 Fair value measurement

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

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

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

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

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

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

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

For assets and liabilities that are recognized in financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year. The Fund determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

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

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

5.7 Provisions

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.

Jadwa REIT Saudi Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.8 Revenue recognition

Revenue includes rental income from investment properties.

The Fund recognises lease payments as rental income on a straight-line basis. After lease commencement, the Fund recognises variable lease payments that do not depend on an index or rate (e.g. performance- or usage-based payments) as they are earned. When the Fund provides incentives to its tenants, the cost of the incentives is recognised on a straight-line basis, as a reduction of rental income.

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

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

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

5.9 Management fees

Management fees are charged by the Fund Manager at the rate of 0.75% per annum of the Fund's net asset market value. Management fees are calculated and payable semi-annually in arrears.

5.10 Expenses

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

5.11 Net asset value

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

5.12 Units in issue

The Fund has units in issue. On liquidation of the Fund, the unitholders are entitled to the residual net assets. They rank pari passu in all respects and have identical terms and conditions. The units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets in the event of the Fund's liquidation.

5.13 Zakat

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

5.14 Dividends distribution

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

5.15 Amendments to existing standards effective 1 January 2021

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

Amendments to standards

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

Effective date

1 January 2021

The application of the amendments to existing standards did not have an impact on the amounts presented in these financial statements.

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Standards / amendments to standards	Effective date
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Leases: COVID-19-Related rent concessions (Amendments to IFRS 16)	1 January 2022
Annual Improvements to IFRS Standards 2018 - 2020	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
Accounting Policies, Changes in Accounting Estimates and Errors: Definitions of accounting estimates (Amendments to IAS 8)	1 January 2023
Income Taxes: Deferred tax related to assets and liabilities arising from single transaction (Amendments to IAS 12)	1 January 2023
IFRS 17 — Insurance Contracts	1 January 2023

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

6 INVESTMENT PROPERTIES

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

31 December 2021

Description	Cost SR	Accumulated depreciation SR	Impairment loss SR	Net book value SR
Alyaum Newspaper Tower	277,998,174	13,134,148	45,714,026	219,150,000
Almaarefa College	203,500,000	11,186,743	-	192,313,257
Al-Sulay Warehouse	223,342,600	22,090,154	-	201,252,446
Marvela Residential Compound	610,545,000	71,111,526	-	539,433,474
Al Fanar Residential and Commercial Compound	245,769,550	26,519,857	-	219,249,693
Rawd Aljinan School	25,817,188	1,694,709	-	24,122,479
Aber Al Yasmin Hotel	34,601,250	1,333,675	-	33,267,575
Olaya Court Tower	60,917,500	2,729,729	-	58,187,771
Boulevard	346,512,000	962,325	-	345,549,675
	2,029,003,262	150,762,866	45,714,026	1,832,526,370

On 28 October 2021, the Fund acquired Boulevard property with a purchase price of SR 320,000,000. The purchase was financed by increasing the total value of the Fund's assets to SR 370,000,000, by accepting an in-kind contribution from the seller of the property amounting to SR 120,000,000 in addition to the issuance of additional cash units in the Fund amounting to SR 250,000,000, which funded the purchase of the property, real estate transfer tax and acquisition costs.

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

6 INVESTMENT PROPERTIES (continued)

31 December 2020

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Net book value SR</i>
Alyaum Newspaper Tower	277,448,535	9,773,815	267,674,720
Almaarefa University for Science & Technology	203,500,000	8,424,320	195,075,680
Al-Sulay Warehouse	223,342,600	16,572,319	206,770,281
Marvela Residential Compound	610,545,000	53,349,959	557,195,041
Al Fanar Residential & Commercial Compound	245,769,550	19,896,412	225,873,138
Rawd Aljinan School	25,817,187	1,153,013	24,664,174
Aber Al Yasmin Hotel	34,601,250	710,157	33,891,093
Olaya Court Tower	60,917,500	1,453,530	59,463,970
	<u>1,681,941,622</u>	<u>111,333,525</u>	<u>1,570,608,097</u>

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

	2021 SR	2020 SR
Cost		
Balance at beginning of the year	1,681,941,622	1,684,555,587
Additions during the year	347,061,640	386,035
Reversal of capitalised cost	-	(3,000,000)
Balance at end of the year	<u>2,029,003,262</u>	<u>1,681,941,622</u>
Accumulated depreciation		
Balance at beginning of the year	111,333,525	72,693,863
Depreciation charge for the year	39,429,341	38,639,662
Balance at end of the year	<u>150,762,866</u>	<u>111,333,525</u>
Accumulated impairment		
Impairment loss for the year	45,714,026	-
Balance at end of the year	<u>45,714,026</u>	<u>-</u>
Net book value	<u>1,832,526,370</u>	<u>1,570,608,097</u>

The useful lives of the investment properties as estimated by an independent valuator range from 30 to 50 years.

Freehold land comprises of the lands acquired on which the buildings are built. The Fund has acquired properties in Riyadh, Al Khobar and Dammam with an aggregate area of 406,296.74 square meters of land (2020: 387,442.39 square meters).

6.1 Brief details of the investment properties:

6.1.1 Alyaum Newspaper Tower

This property is a 16-storey with 3-level basement, office building located in Al Hussam District, Dammam City.

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

6 INVESTMENT PROPERTIES (continued)

6.1.2 Almaarefa University for Science & Technology

This property is a fully constructed educational facility located in Al Diriah District, Riyadh.

6.1.3 Al-Sulay Warehouse

This property is an industrial compound located at the east corner of Haroon Al Rashid Road and Alsafa Street, within Al Sulay District, Riyadh.

6.1.4 Marvela Residential Compound

This property is a residential compound located along the southeast side of King Abdullah Road, within King Faisal District, Riyadh.

6.1.5 Al Fanar Residential & Commercial Compound

This property is a mixed-use project composed of residential and retail units located at the southwest corner of King Faisal Road and 1 Street, within Ar Rawabi District, Al Khobar.

6.1.6 Rawd Aljinan School

This property is a fully constructed educational facility located in An-Nakheel District, Riyadh.

6.1.7 Aber Al Yasmin Hotel

This property is a hospitality and retail project located in Al Yasmin District, Riyadh.

6.1.8 Olaya Court Tower

This property is an office project occupied by the labor court and located in Al Sahafa District, Riyadh.

6.1.9 Boulevard

This property is a prime commercial and office complex located in Hittin District, Riyadh. The consideration for the property was partly paid in cash and partly settled through issuance of 9,246,417 units of the Fund.

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

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

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

31 December 2021	<i>Appraiser 1</i> SR	<i>Appraiser 2</i> SR	<i>Average</i> SR
Alyaum Newspaper Tower	215,300,000	223,000,000	219,150,000
Almareefa University for Science & Technology	235,430,000	220,000,000	227,715,000
Al-Sulay Warehouse	266,700,000	217,500,000	242,100,000
Marvela Residential Compound	645,000,000	580,000,000	612,500,000
Al Fanar Residential & Commercial Compound	268,300,000	261,000,000	264,650,000
Rawd Aljinan School	31,250,000	32,400,000	31,825,000
Aber Al Yasmin Hotel	39,640,000	41,000,000	40,320,000
Olaya Court Tower	77,420,000	64,175,000	70,797,500
Boulevard	392,320,000	338,700,000	365,510,000
	2,171,360,000	1,977,775,000	2,074,567,500

Jadwa REIT Saudi Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

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

31 December 2020	Appraiser 1 SR	Appraiser 2 SR	Average SR
Alyaum Newspaper Tower	337,000,000	297,200,000	317,100,000
Almareefa University for Science & Technology	235,430,000	213,300,000	224,365,000
Al-Sulay Warehouse	266,700,000	235,300,000	251,000,000
Marvela Residential Compound	645,000,000	645,200,000	645,100,000
Al Fanar Residential & Commercial Compound	268,300,000	259,700,000	264,000,000
Rawd Aljinan School	31,250,000	31,000,000	31,125,000
Aber Al Yasmin Hotel	39,640,000	35,900,000	37,770,000
Olaya Court Tower	77,420,000	70,000,000	73,710,000
	<u>1,900,740,000</u>	<u>1,787,600,000</u>	<u>1,844,170,000</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 fair value of investment properties against cost:

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

	2021 SR	2020 SR
Fair value of investments in real estate properties	2,074,567,500	1,844,170,000
Less: Carrying value of investments in real estate properties (Note 6)	1,832,526,370	1,570,608,097
Unrealised gain based on fair value evaluation	242,041,130	273,561,903
Units in issue	186,509,785	158,000,000
Per unit share in unrealised gain based on fair valuation	1.30	1.73

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

	2021 SR	2020 SR
Net asset value at cost, as presented in these financial statements	1,851,058,639	1,576,451,066
Unrealised gain based on real estate evaluations (Note 7.1)	242,041,130	273,561,903
Net asset based on fair value	2,093,099,769	1,850,012,969

Jadwa REIT Saudi Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

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

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

	2021 SR	2020 SR
Net asset value per unit, at cost as presented in these financial statements	9.92	9.98
Impact on net asset value per unit on account of unrealised gain based on fair value evaluations (Note 7.1)	1.30	1.73
Net asset value per unit at fair value	<u>11.22</u>	<u>11.71</u>

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 SR	2020 SR
Non-current		
Investment in associate (Note 8.1)	<u>518,400,000</u>	<u>530,390,020</u>
Current		
Investment in mutual fund (Note 8.2)	<u>-</u>	<u>14,052,262</u>

8.1 Investment in associate

This represents investment of 45,000,000 units (2020: 45,000,000) 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 450,000,000 (2020: SR 450,000,000).

As at 31 December 2021, the Fund holds 27.74% of Real Estate Investment Fund (2020: 42.36%).

The unrealised loss on this investment amounted to SR 11,990,020 for the year ended 31 December 2021 (2020: gain of SR 80,390,020).

During 2021, the Fund recognised dividend income amounting to SR 18,000,000 from its investment in associate.

8.2 Investment in mutual fund

This represents the Fund's investment in Nil units (2020: 138,626.49 units) of Jadwa Saudi Riyal Murabaha Fund managed by Jadwa Investment Company, the cost of which is SR Nil (2020: SR 14,000,000) and is current in nature. The Fund redeemed its investment in mutual fund during 2021.

The realised gain on the redemption of investment amounted to SR 71,227 for the year ended 31 December 2021 (2020: SR Nil).

The unrealised gain on this investment amounted to SR 52,262 during the year ended 31 December 2020.

Jadwa REIT Saudi Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

9 PREPAYMENTS AND OTHER ASSETS

	2021 SR	2020 SR
VAT Input receivable (i)	30,300,000	-
Prepaid expenses	95,975	21,946
	30,395,975	21,946

(i) During 2017, the Fund acquired property from Al-Atheer Company (the “seller”) for SR 606,000,000, prior to the implementation of VAT law in the Kingdom of Saudi Arabia which came into effect on 1 January 2018. The related Sale and Purchase Agreement to acquire the property was signed in December 2017 and consideration against the acquisition of property was also paid in December 2017; however, the amended title deed was issued on 1 January 2018. Considering the transaction had already completed during 2017 (except for amendment of title deed), the Fund did not settle any VAT on the acquisition of the said property.

During 2021, ZATCA raised its VAT assessment on the seller whereby a VAT claim amounting to SR 99,746,027 was made which comprised of 5% VAT amount, fines for non-charging of VAT on the related acquisition and fines for late payment of VAT.

In relation to the above assessment, the Fund decided to raise an appeal with ZATCA considering the fact that the transaction was already completed before effective date of VAT Law. In order to be eligible to file an appeal, VAT amounting to 5% of the acquisition price was paid to ZATCA through seller during the year 2021 and the response from ZATCA is still awaited against the appeal as at 31 December 2021. The Fund management and its advisors are confident that the outcome of the appeal will be in favour of the Fund.

10 RENT RECEIVABLES

This account represents the rent receivables from the operating leases (Note 18).

Following is the ageing analysis of the rent receivables:

	2021 SR	2020 SR
Less than 30 days	4,711,397	21,154,798
Between 91 to 120 days	6,941,159	-
More than 120 days	6,720,301	1,365,710
	18,372,857	22,520,508

Impairment and risk exposure

Information about the impairment of rent receivables and the Fund’s exposure to credit risk can be found in Note 19.

11 CASH AND CASH EQUIVALENTS

As of 31 December 2021, six of the twenty-two bank accounts are maintained with Banque Saudi Fransi (“BSF”) under the name of the SPVs with a total balance of SR 42,250,009 (2020: seven of the fifteen bank accounts with a total balance of SR 18,057,183).

Jadwa REIT Saudi Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

12 LONG-TERM LOAN

On 1 October 2018, BSF extended an Islamic finance facility to one of the SPVs, Real Estate Development Areas Company, amounting to SR 1,000,000,000 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 was available until 1 October 2021 and is repayable in full on 31 July 2023. As at 31 December 2021, the Fund has drawn SR 603,122,500 (2020: SR 573,122,500) from the facility.

The facility is secured by promissory notes and pledge over the current and future rights and interests in the investment properties of the Fund.

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

	2021	2020
	SR	SR
At beginning of the year		
Proceeds from loan	573,122,500	127,772,500
Repayment of loan	30,000,000	450,000,000
	-	(4,650,000)
At end of the year	603,122,500	573,122,500

Finance charges for the year ended 31 December 2021 amounted to SR 16,772,483 (2020: SR 5,614,979) which are reflected under the statement of comprehensive income.

Fees charged by the Bank for loan servicing amounting to 1.0% of the loan facility, which is equivalent to SR 10,000,000, has been capitalised as 'Deferred transaction costs' in the statement of financial position and is amortised over the period of the loan facility.

The movement in the Deferred transaction costs is as follows:

	2021	2020
	SR	SR
At beginning of the year		
Amortisation charged during the year	5,114,007	7,100,977
	(1,981,542)	(1,986,970)
At end of the year	3,132,465	5,114,007

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

	2021	2020
	SR	SR
Non-current portion	1,150,923	3,132,465
Current portion	1,981,542	1,981,542
	3,132,465	5,114,007

Jadwa REIT Saudi Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

13 ACCRUED EXPENSES AND OTHER LIABILITIES

	2021 SR	2020 SR
Output value-added tax	1,008,336	996,897
Security deposits	500,667	-
Property valuation fees	87,620	58,810
Custody fee	80,000	247,320
Professional fees	63,625	32,250
Administration fee	31,470	-
Independent board member fee	15,000	-
Others	671,366	10,358
	2,458,084	1,345,635

14 RELATED PARTY TRANSACTIONS AND BALANCES

14.1 Related party transactions

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

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Nature of transaction</i>	2021 SR	2020 SR
Jadwa Investment Company	Fund Manager	Management fees (i)	13,485,753	13,979,947
		Transaction fee for acquisition of properties	2,400,000	-
		Expenses paid on behalf of the Fund	30,000	21,825
Real Estate Development Areas Company	SPV	Finance charges	16,772,483	5,614,979
AbdulKadir Al Muhaidib & Sons Co.	Unitholder	Rental income from investment properties	-	38,196,959
Jadwa Saudi Riyal Murabaha Fund	Affiliate	Investment in mutual fund	-	14,000,000
		Redemption	14,000,000	-
		Realised gain	71,227	-
		Unrealised gain	-	52,262
Real Estate Investment Fund	Associate	Investment in private real estate investment fund	-	450,000,000
		Unrealised (loss) / gain	(11,990,020)	80,390,020

(i) Management fees

In consideration for managing the assets of the Fund, the Fund Manager in accordance with the Terms and Conditions of the Fund charges the Fund management fees equal to 0.75% of the net asset market value of the Fund calculated and payable semi-annually in arrears.

On 8 June 2020, AbdulKadir Al Muhaidib & Sons Co. redeemed its units from the Fund.

As at 31 December 2021, the Fund Manager held 10,558,353 units in the Fund (2020: 8,944,700 units).

For the dividends distributed to the Unitholders, please refer to Note 21.

Jadwa REIT Saudi Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

14.2 Related party balances

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

Amounts due to related parties

	2021	2020
	SR	SR
Dividend payable	327,954	223,687
Jadwa Investment Company	72,012	72,012
Real Estate Development Areas Company	49,806	66,375
	449,772	362,074

Accrued management fees

	2021	2020
	SR	SR
Jadwa Investment Company	6,745,029	7,355,507

15 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
	SR	SR
Indirect tax	2,367,198	530,248
Property management fees	799,419	-
Tadawul listing fee	500,539	300,000
Professional fees	455,398	321,285
Registration fee	400,000	400,000
Legal fee	342,575	145,287
Custody fee	320,877	320,000
Administration fees	259,951	136,856
Property valuation fees	155,620	147,790
Insurance	145,265	306,782
Independent board member fee (i)	20,000	20,000
Others	285,536	127,925
	6,052,378	2,756,173

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

Jadwa REIT Saudi Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

16 UNIT TRANSACTION

	2021 <i>In numbers</i>	2020 <i>In numbers</i>
Units at the beginning of the year	158,000,000	158,000,000
Units issued during the year for consideration in cash (note 16.1)	19,263,368	-
Units issued during the year for consideration other than cash (note 16.2)	9,246,417	-
Units at the end of the year	<u>186,509,785</u>	<u>158,000,000</u>

16.1 During the year, the Fund issued 19,263,368 units for SAR 250,000,000.

16.2 During the year, the Fund issued 9,246,417 units as a consideration for the acquisition of investment properties (note 6).

17 FAIR VALUE MEASUREMENT

17.1 Financial instruments

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

Due to the short-term nature of most of the financial instruments, their carrying 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.

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

31 December 2021	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets at fair value through profit or loss (Note 8)	-	518,400,000	-	518,400,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
31 December 2020	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets at fair value through profit or loss (Note 8)	-	544,442,282	-	544,442,282
	<u> </u>	<u> </u>	<u> </u>	<u> </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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

17 FAIR VALUE MEASUREMENT (continued)

17.2 Non-financial assets

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

31 December 2021	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Marvela Residential Compound Boulevard	-	-	612,500,000	612,500,000
Alyaum Newspaper Tower	-	-	365,510,000	365,510,000
Al Fanar Residential & Commercial Compound	-	-	219,150,000	219,150,000
Al-Sulay Warehouse	-	-	264,650,000	264,650,000
Almareefa University for Science & Technology	-	-	242,100,000	242,100,000
Olaya Court Tower	-	-	227,715,000	227,715,000
Aber Al Yasmin Hotel	-	-	70,797,500	70,797,500
Rawd Aljinan School	-	-	40,320,000	40,320,000
			31,825,000	31,825,000
			2,074,567,500	2,074,567,500
31 December 2020	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Marvela Residential Compound	-	-	645,100,000	645,100,000
Alyaum Newspaper Tower	-	-	317,100,000	317,100,000
Al Fanar Residential & Commercial Compound	-	-	264,000,000	264,000,000
Al-Sulay Warehouse	-	-	251,000,000	251,000,000
Almareefa University for Science & Technology	-	-	224,365,000	224,365,000
Olaya Court Tower	-	-	73,710,000	73,710,000
Aber Al Yasmin Hotel	-	-	37,770,000	37,770,000
Rawd Aljinan School	-	-	31,125,000	31,125,000
			1,844,170,000	1,844,170,000

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 Menassat (TAQEEM license number: 1210000163) and White Cubes (TAQEEM license number: 1210000474) as disclosed in Note 7. They are accredited independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

17 FAIR VALUE MEASUREMENT (continued)

17.2 Non-financial assets (continued)

The assumptions used in determining the fair values of the investment properties as at 31 December are as follows:

31 December 2021

<u>Description</u>	<u>Valuation approach</u>	<u>Key assumptions</u>	<u>Range</u>
Alyaum Newspaper Tower	Income capitalisation	Capitalisation rate (%) Operational expenses (%)	7.50-8.00 5.00
Almareefa University for Science & Technology	Income capitalisation	Capitalisation rate (%)	7.00-7.50
Al-Sulay Warehouse	Income capitalisation	Capitalisation rate (%) Operational expenses (%)	7.00-7.50 5.00
Marvela Residential Compound	Income capitalisation and discounted cash flow	Capitalisation rate (%) Operational expenses (%) Discount rate (%) Growth rate (%)	7.00-7.75 10.00 6.50 5.00 every 3 yrs
Al Fanar Residential & Commercial Compound	Income capitalisation	Capitalisation rate (%)	7.50-8.00
Rawd Aljinan School	Income capitalisation and discounted cash flow	Capitalisation rate (%) Discount rate (%) Growth rate (%)	8.00 3.00-5.00 5.00 every 3 yrs
Aber Al Yasmin Hotel	Income capitalisation	Capitalisation rate (%) Operational expenses (%)	7.50-8.00 10.00
Olaya Court Tower	Income capitalisation	Capitalisation rate (%) Operational expenses (%)	7.50-7.75 5.00
Boulevard	Income capitalisation	Capitalisation rate (%) Operational expenses (%)	7.50-8.00 5.00

31 December 2020

<u>Description</u>	<u>Valuation approach</u>	<u>Key assumptions</u>	<u>Range</u>
Alyaum Newspaper Tower	Income capitalisation	Capitalisation rate (%)	7.50-8.25
Almareefa University for Science & Technology	Income capitalisation	Capitalisation rate (%)	7.00-7.25
Al-Sulay Warehouse	Income capitalisation	Capitalisation rate (%)	7.50-8.50
Marvela Residential Compound	Income capitalisation and discounted cash flow	Capitalisation rate (%)	7.75
Al Fanar Residential & Commercial Compound	Income capitalisation	Capitalisation rate (%)	7.50-7.75
Rawd Aljinan School	Income capitalisation and discounted cash flow	Capitalisation rate (%)	8.00
Aber Al Yasmin Hotel	Income capitalisation	Capitalisation rate (%)	7.50-8.50
Olaya Court Tower	Income capitalisation	Capitalisation rate (%)	7.75-8.50

Jadwa REIT Saudi Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

18 OPERATING LEASES

Future minimum rent receivables under the operating leases are as follows:

	2021 SR	2020 SR
Not later than one year	44,176,143	49,748,452
Later than one year and not later than five years	161,615,964	189,388,021
Later than five years	232,472,194	244,522,948
	<u>438,264,301</u>	<u>483,659,421</u>

The Fund enters into long-term operating lease contracts with tenants for space in its investment properties. Initial lease terms are generally between 3 and 20 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 from investment properties recognised by the Fund during the year is SR 145,197,306 (2020: SR 136,628,160).

19 FINANCIAL RISK MANAGEMENT

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

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

The Fund 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.

19.1 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 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 5,969,159 for the year ended 31 December 2021 (2020: SR 1,656,395).

19.2 Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. As at year end, the Fund has cash and cash equivalents, rent receivables and other receivables as financial assets carried at amortised cost.

The maximum exposure to credit risk applicable to the Fund approximates to the carrying value of the financial assets as disclosed in these financial statements. The Fund seeks to limit its credit risk by monitoring outstanding balances on an ongoing basis. For banks and financial institutions, the Fund only deals with reputable banks with sound credit ratings.

Jadwa REIT Saudi Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

19 FINANCIAL RISK MANAGEMENT (continued)

19.2 Credit risk (continued)

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

As at 31 December 2021 and 2020, management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised as any such impairment would be wholly insignificant to the Fund.

19.3 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>More than 12 months SR</i>	<i>Total SR</i>
31 December 2021				
Long-term loan	-	-	603,122,500	603,122,500
Due to related parties	399,966	49,806	-	449,772
Accrued management fees	-	6,745,029	-	6,745,029
Accrued expenses and other liabilities	-	2,458,084	-	2,458,084
	<u>399,966</u>	<u>9,252,919</u>	<u>603,122,500</u>	<u>612,775,385</u>
	<i>On demand SR</i>	<i>Less than 3 months SR</i>	<i>More than 12 months SR</i>	<i>Total SR</i>
31 December 2020				
Long-term loan	-	-	573,122,500	573,122,500
Due to related parties	295,699	66,375	-	362,074
Accrued management fees	-	7,355,507	-	7,355,507
Accrued expenses and other liabilities	-	1,345,635	-	1,345,635
	<u>295,699</u>	<u>8,767,517</u>	<u>573,122,500</u>	<u>582,185,716</u>

20 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.

21 DIVIDENDS DISTRIBUTION

The following dividends were distributed in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits:

On 13 October 2021, the Fund Manager approved to distribute dividends to the Unitholders for the period from 1 July 2021 to 30 September 2021 for an amount of SR 31,600,000.

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

For the year ended 31 December 2021

21 DIVIDENDS DISTRIBUTION (continued)

On 22 August 2021, the Fund Manager approved to distribute dividends to the Unitholders for the period from 1 April 2021 to 30 June 2021 amounting to SR 31,600,000.

On 24 June 2021, the Fund Manager approved to distribute dividends to the Unitholders for the period from 1 January 2021 to 31 March 2021 for an amount of SR 30,020,000.

On 25 January 2021, the Fund Manager approved to distribute dividends to the Unitholders for the period from 1 October 2020 to 31 December 2020 for an amount of SR 30,020,000.

On 2 November 2020, the Fund Manager approved to distribute dividends to the unitholders for the period from 1 July 2020 to 30 September 2020 for an amount of SR 28,440,000.

On 28 July 2020, the Fund Manager approved to distribute dividends to the unit holders for the period from 1 April 2020 to 30 June 2020 amounting to SR 28,440,000.

On 4 May 2020, the Fund Manager approved to distribute dividends to the unitholders for the period from 1 January 2020 to 31 March 2020 for an amount of SR 28,440,000.

On 13 January 2020, the Fund Manager approved to distribute dividends to the unitholders for the period from 1 October 2019 to 31 December 2019 for an amount of SR 30,020,000.

22 COVID-19 UPDATE

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

On 21 April 2020, the Fund has received a number of requests from some tenants to provide concession on the due rents until the end of precautionary measures that were implemented to contain the spread of Covid-19 outbreak aiming to protect citizens and residents by closing of commercial complexes until further notice in addition to a full curfew. The Fund Manager evaluates these requests on a case-by-case basis subject to the regularity and contractual procedures in a manner that protects the interests of the Unitholders in the short and long term. Accordingly, the Fund Manager has successfully addressed the requests and reduced the rent for four of its properties.

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

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

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

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For the year ended 31 December 2021

23 CHANGES IN THE FUND'S TERMS AND CONDITIONS

During the year ended 31 December 2021, the Fund Manager added a supplementary annex in the Terms and Conditions to reflect the changes related to the increase of the total value of the Fund's assets by SR 370,000,000.

24 EVENTS AFTER THE REPORTING DATE

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

On 7 March 2022, the Fund Manager approved to distribute dividends to the Unitholders for the period from 1 October 2021 to 31 December 2021 for an amount of SR 37,301,957 in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.

25 LAST VALUATION DAY

The last valuation day of the year was 30 December 2021.

26 APPROVAL OF FINANCIAL STATEMENTS

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