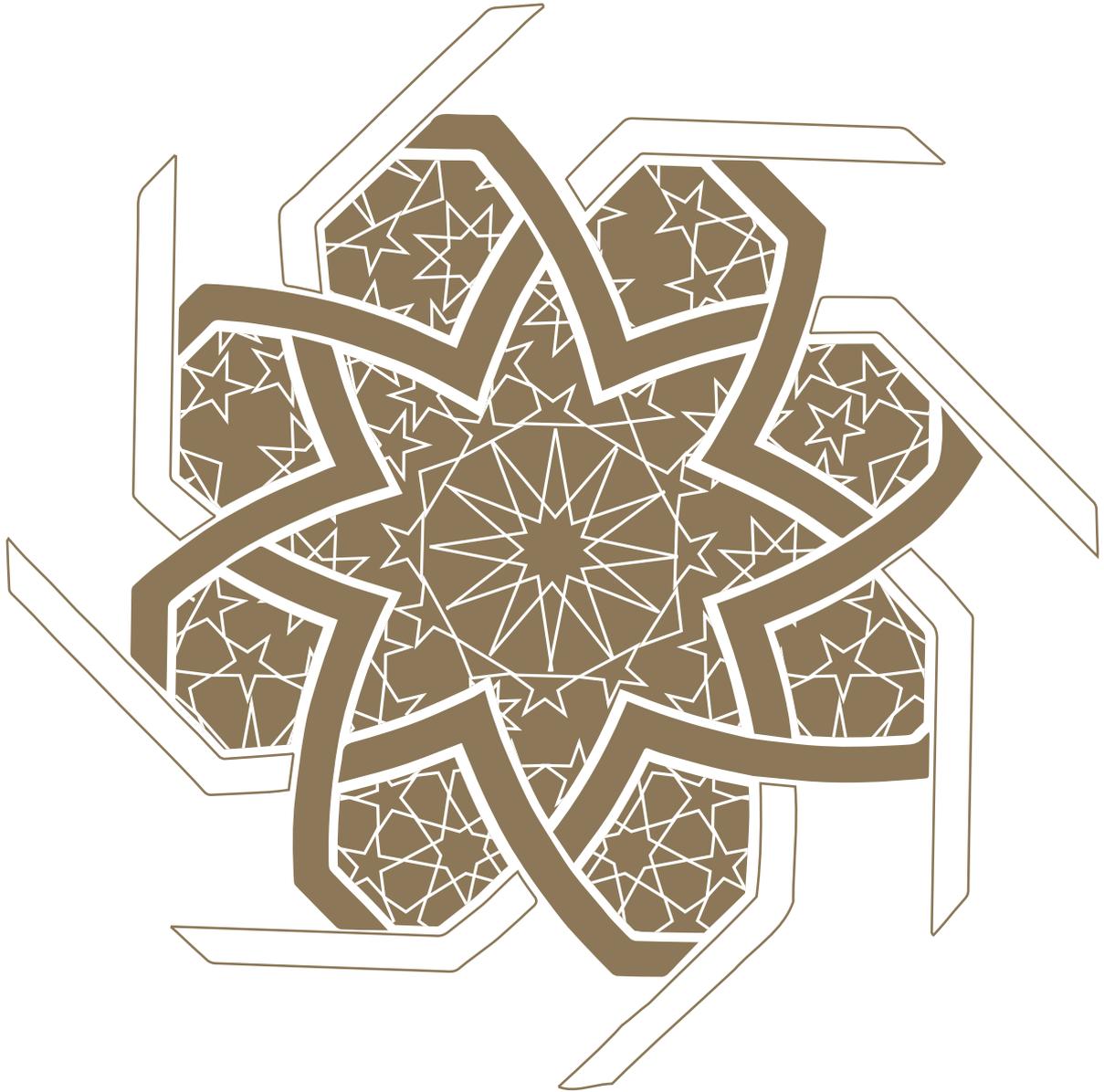




جدوى ريت الحرمين
Jadwa REIT Al Haramain

ANNUAL REPORT 2017



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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Jadwa REIT Al Haramain

**His Majesty
King Salman
Bin Abdulaziz Al Saud**
Custodian Of The Two
Holy Mosques



**His Royal Highness Prince
Mohammed Bin Salman
Bin Abdulaziz Al Saud**
Crown Prince,
First Deputy Prime Minister





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Fund Manager's Message to Unitholders

Dear Unitholders,

2017 marked the birth of Jadwa REIT Al Haramain, which focuses on properties within the holy cities of Makkah and Madinah.

Since the successful listing of our Jadwa REIT Al Haramain Fund in April 2017, we have remained dedicated to our mission of providing you with semi-annual dividends that increase over time.

This has been made possible by our unwavering focus on quality that is reflected in the composition of our real estate portfolio and the strength of our tenants.

A debt facility of SAR 500 million from Banque Saudi Fransi was secured, culminating in the completion of two new acquisitions in Makkah - a hotel and a pharmacy building - before year-end.

They now sit proudly alongside our two earlier Makkah hotel purchases in the fund's growing portfolio. Makkah is one of the world's most attractive hotel markets: around 10 million pilgrims visit Saudi Arabia each year, with the Holy City as their focal point.

Using our in-depth knowledge and understanding of the Saudi Arabia real estate market, we will continue to add more properties to our REIT, building up a world-class portfolio from which you can benefit.

Last year, earnings per unit as measured by funds from operation grew by approximately 11% following the addition of the two new assets.

As of December 31, 2017, the fair value of the fund's property portfolio, which was priced by two independent valuers, stood at SAR 826 million. The fund NAV has increased by 2.16% since the period end June 30, 2017 to reach SAR 10.86/ unit.

“ Our active management and efficient operation of the REIT allows us to deliver more of our retained asset revenues to unitholders in the form of dividends. We are striving to achieve a consistently positive performance year on year ”

In August 2017, we announced the REIT Fund Dividend Policy, giving clarity on the fund's half-yearly dividend payment potential. Going forward, this should be no less than SAR 0.26 (26 halalas) per unit. We are happy to report that:

- Dividends of SAR 0.36 per unit were distributed by the REIT for the period commencing April 16, 2017 – the fund's operational date – to December 31, 2017.
- Total debt at the end of 2017 was SAR 183 million with a loan-to-value (LTV) ratio of 21.6% for the REIT far below the regulatory maximum LTV of 50% of asset value.

Finally, we would like to take this opportunity to thank you for your continued support and confidence. We look forward to delivering further successes in the future as we continue to grow our fund.

Jadwa Investment

11%
FFO growth

SAR 0.36
Dividends per unit
since listing

2 new
assets added



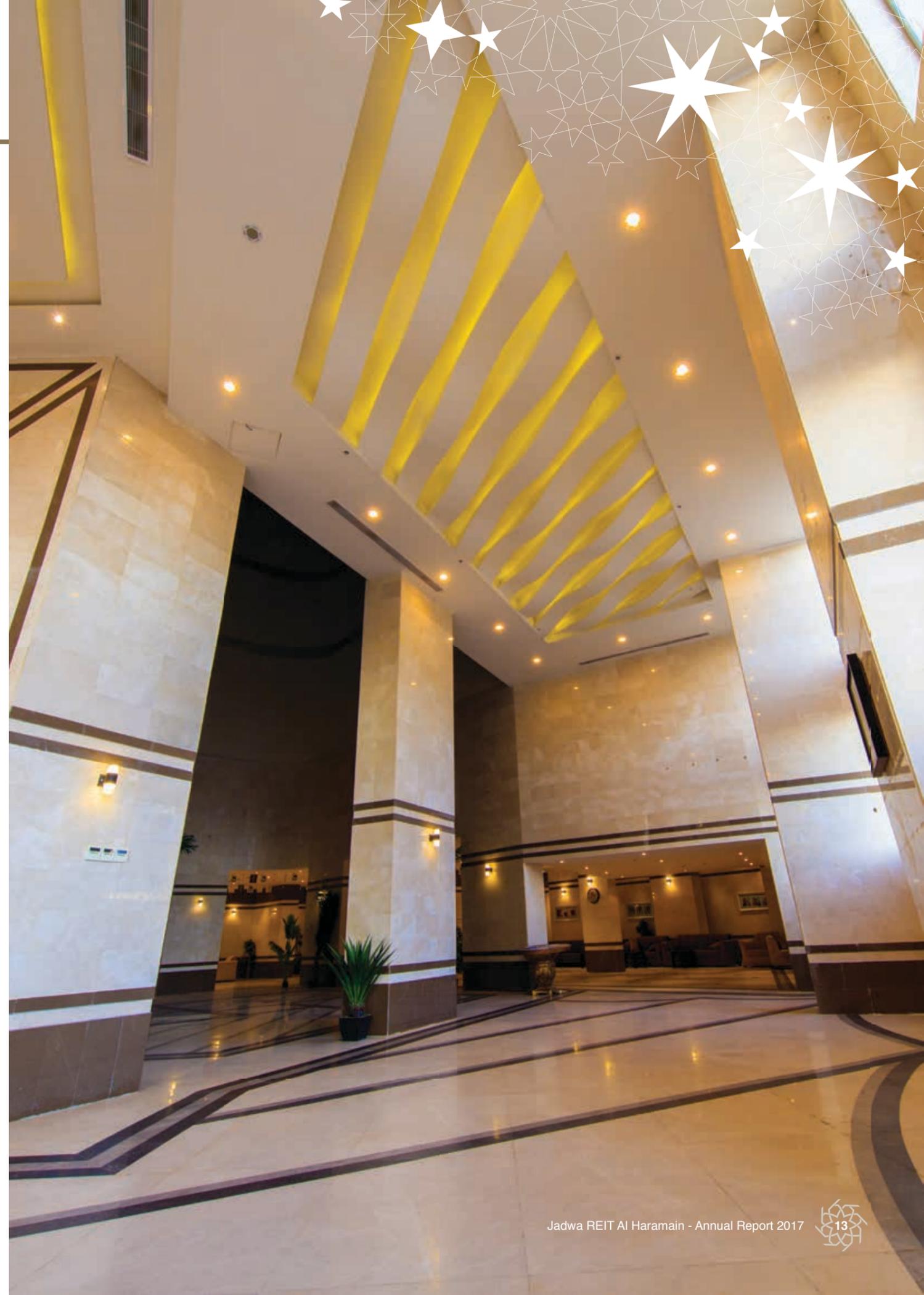
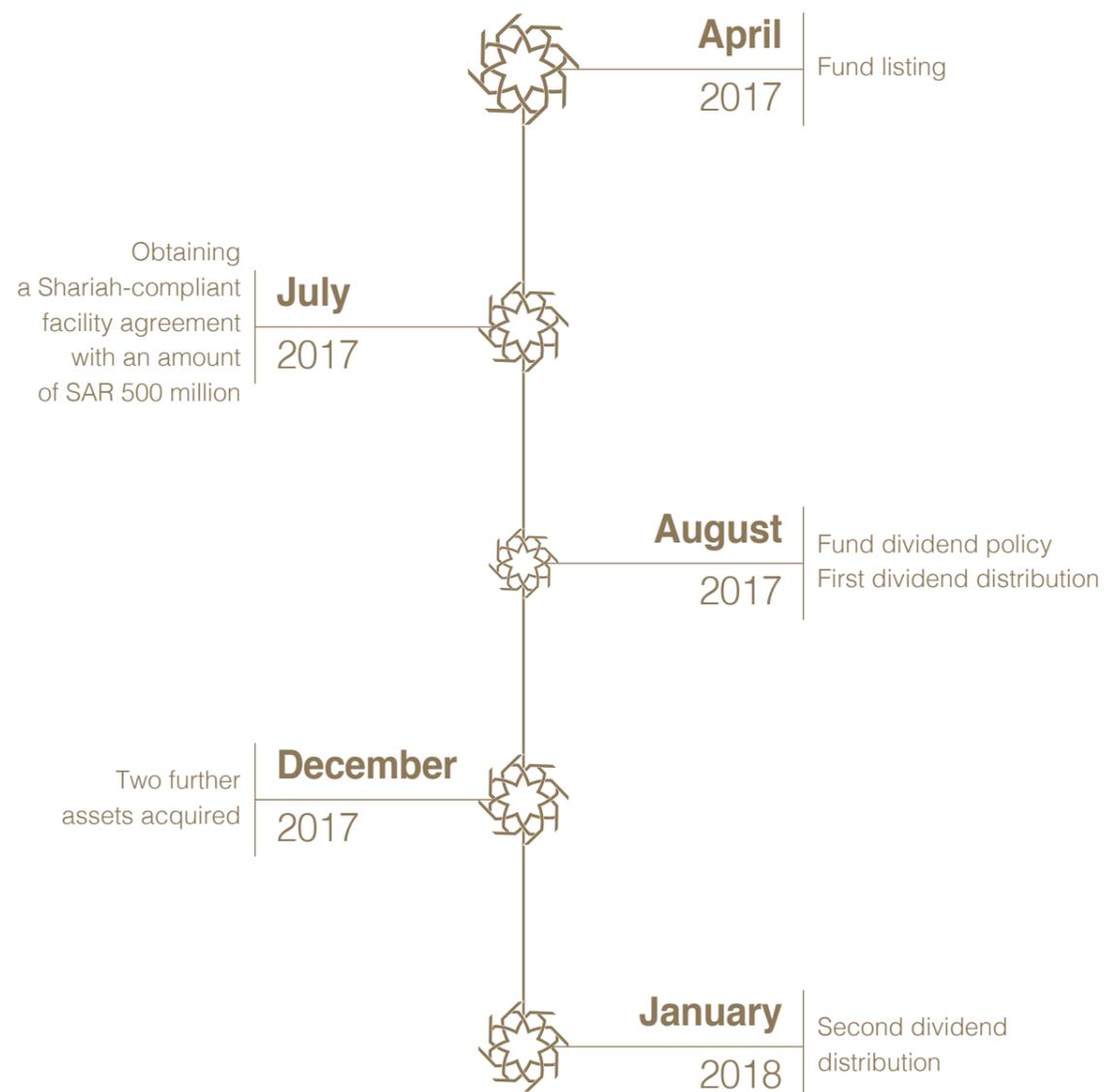
Section 1

REIT AT A GLANCE

Closed-ended Shariah-compliant
real estate investment-traded fund



JADWA REIT AL HARMAIN BRIEF



JADWA REIT AL HARAMAIN BRIEF

The Fund	The Jadwa REIT Al Haramain Fund is a closed-ended Shariah-compliant real estate investment-traded fund. The fund operates in accordance with the Real Estate Investment Fund Regulations and the REIT Instructions issued by Saudi Arabia's Capital Market Authority (CMA). The fund was listed in April 2017 on Tadawul (Saudi) Stock Exchange, under ticker symbol 4332. The term of the fund is 99 years from the listing date, renewable at the discretion of the fund manager following CMA approval. The fund was established at an initial equity offering of SAR 660 million.
Fund Manager	The fund is managed by Jadwa Investment Company a Saudi Arabian closed joint-stock company licensed by the CMA as an "authorized person" under license number 06034-37, dated 03/03/2007G (corresponding to 13/02/1428H).
Investment Objectives	The primary investment objective of the fund is to provide its unitholders with a regular income by investing in income-generating real estate assets in Saudi Arabia, focusing exclusively on the holy cities of Makkah and Madinah.
Distribution policy	As the fund manager, Jadwa Investment Company pays out dividends to investors twice a year with an annual cash dividend of no less than 90% of the fund's net profits. This does not include profits resulting from the sale of the underlying real estate assets and other investments, which may be reinvested in new real estate or used to renovate the fund's assets.

Report Availability	This report is available on both the Jadwa Investment Company and Tadawul websites.
Units Issuing	The REIT fund issued 66 million units of SAR 10 each, resulting in total raised equity of SAR 660 million.
Initial Portfolio	<p>The initial portfolio comprised of two hospitality assets (a four-star hotel and pilgrim accommodation) located in Makkah, offering approximately 984 rooms for Umarah and Hajj Pilgrims.</p> <p>The four-star hotel is strategically located close to the Haram, while the pilgrim accommodation is situated approximately 900 meters away from the Mina, five kilometers to the east of Makkah.</p>
Debt Facility	<p>In July 2017, the fund announced details of a Shariah-compliant credit facility offered by Banque Saudi Fransi, a local bank. The details are as follows:</p> <ul style="list-style-type: none"> • SAR 500 million debt facility. • Duration from 24 July, 2017, to 31 August, 2022. • Purpose of the facility is to finance the fund's expansion through the acquisitions of income-generating properties in the cities of Makkah or Madinah in line with the fund's investment strategy. • The full amount of drawdowns shall be paid in one instalment on 31 August, 2022. During the facility period, only the financing costs will be paid.
New Acquisitions	In Dec 2017, the fund has completed the acquisition of two assets including a three-star hotel and a mixed-use building offering retail and ancillary residential, located in Al Misfalah District, within a walking distance to Haram.

**This is for the period commencing 16 April, 2017 (Fund Operational Date) to 31 December, 2017 (SAR 0.51 annualized DPU)*

SAR 847.2
million Asset
Gross Value

100%
Occupancy

21.6%
LTV

4
**(3 Hospitality
& 1 Retail)**
Number of Assets

13 Years
WAULT

Expense Ratio

Annual Fund Expenses	Maximum Limit as % of Average NAV	Expenses Incurred up to December 2017 (SAR) 8 months
Management Fee	1.00%	5,036,419
Registrar Fee		282,740
Listing Fee		225,806
Custodian Fee	0.025%	116,370
Administrator Fee	0.02%	98,197
Auditor Fee		35,000
Board Oversight Fee		20,000
Other Fund Fees	up to 0.5%	296,266
Grand Total		6,119,948
Expenses Ratio		0.85%

Portfolio Statistics

	December 31, 2017	June 31, 2017
Number of Properties	4	2
Uses	Hospitality, Retail and ancillary residential	Hospitality & Retail
Total Land Area	3,169 sqm	2,858 sqm
Total BUA	43,139 sqm	40,475 sqm
No. of Rooms	1,069	984
No. of beds	5,022	4,682
Portfolio Occupancy	100%	100%
Number of Tenants	2	1
WAULT	13	15
Fair Market Value*	826,600,000	673,600,000
Annual Contractual Income	52,069,209	42,274,011
Net Property Yield*	6.7%	6.72%
Net Fund Yield**	5.70%	5.20%

*Market Value as per two independent and credited valuers
 **The annualized Net Fund Yield at par value

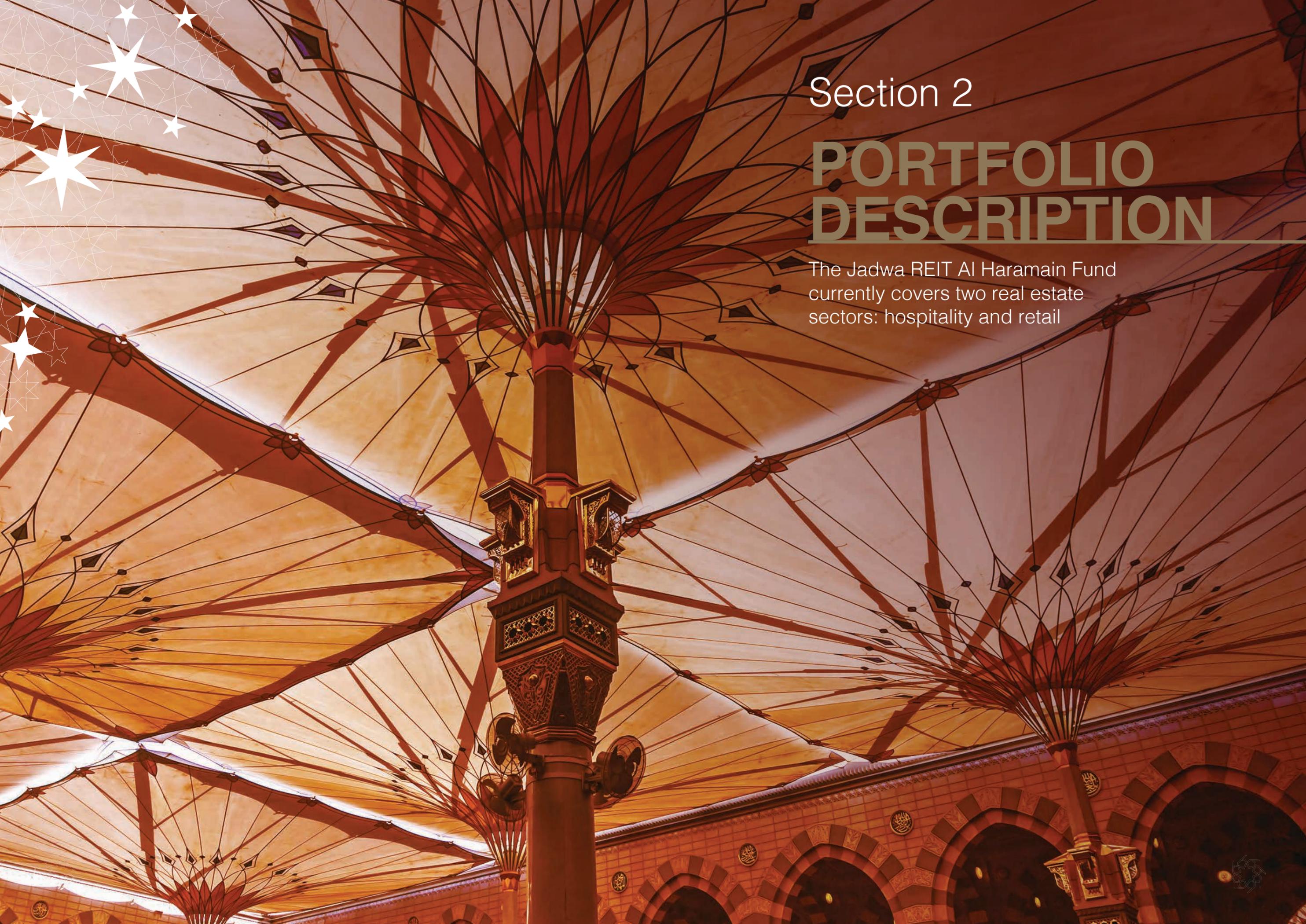
Income and Earnings

	Year ending December 31, 2017
Net Property Income*	29,876,715
EBIT Profit	15,270,025
Net Profit	15,103,806
Funds From Operation (FFO)	23,536,920
FFO per Unit	0.36
Dividend Payout Ratio	100%
DPU	0.36

*The leases are FRI

Balance Sheet

	Year ending December 31, 2017	Interim ending June 30, 2017
Total Assets	847,201,562	656,232,160
Liabilities	188,597,756	1,883,424
Net Asset Value	658,603,806	654,348,736
NAV per Unit (SAR)	10.86	10.63
LTV	21.6%	0%



Section 2

PORTFOLIO DESCRIPTION

The Jadwa REIT Al Haramain Fund currently covers two real estate sectors: hospitality and retail

JADWA REIT AL HARMAIN FUND

Hospitality

3

The fund owns three hospitality assets: a four-star hotel, a three-star hotel and one pilgrim accommodation all located within Makkah. At a combined capacity of 1,069 beds, the hotels provide accommodation and services for Umrah and Hajj pilgrims.

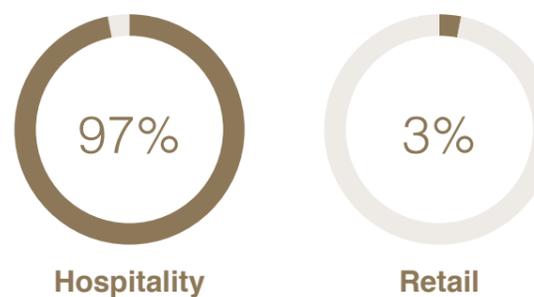
Around 10 million pilgrims visit Saudi Arabia each year, making Makkah one of the world's most profitable hotel markets. Targeting this sector allows the fund to generate income and grow organically.

Retail

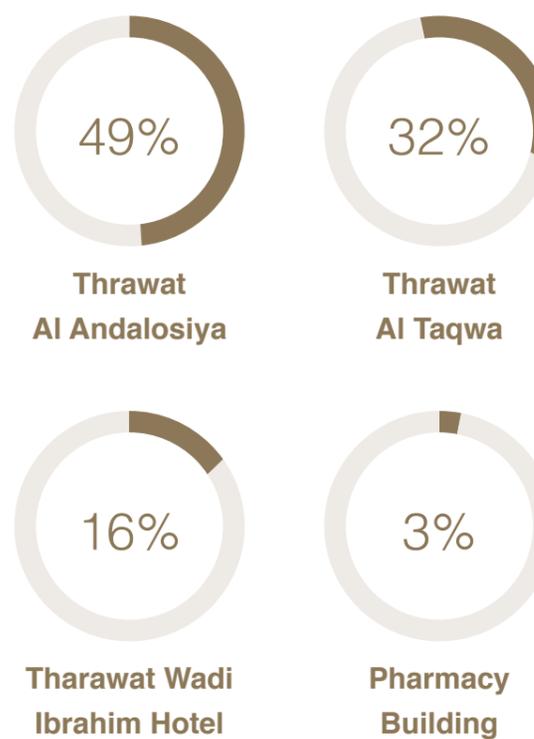
1

The fund's retail exposure is currently limited to ownership of a single asset located within walking distance to the Masjid Al-Haram, the primary destination for pilgrims in Makkah.

Portfolio Allocation by Sector



Value Allocation by Asset



3

Hospitality Assets

1,069

Beds Capacity

Thrawat Al Andalosiya



- The property is currently utilized as a four-star hotel, under the brand of 'Thrawat Al Andalosiya Hotel'.

- 294 rooms to accommodate visitors to Makkah's holy sites throughout the year. Located within 500 meters of the Masjid Al-Haram.

- The property consists of a basement, ground level, mezzanine floor, service level, 12 upper levels and a roof.

- The ground level is internally configured to accommodate ten shops.

- The property is subject to five years rental guarantee in the form of a promissory note from the lessee.

Makkah

Location

379,000,000
Acquisition Price

6.67%
Net Acquisition Yield

1
Tenant

49%
of Portfolio Value

April 2017
Date of Acquisition

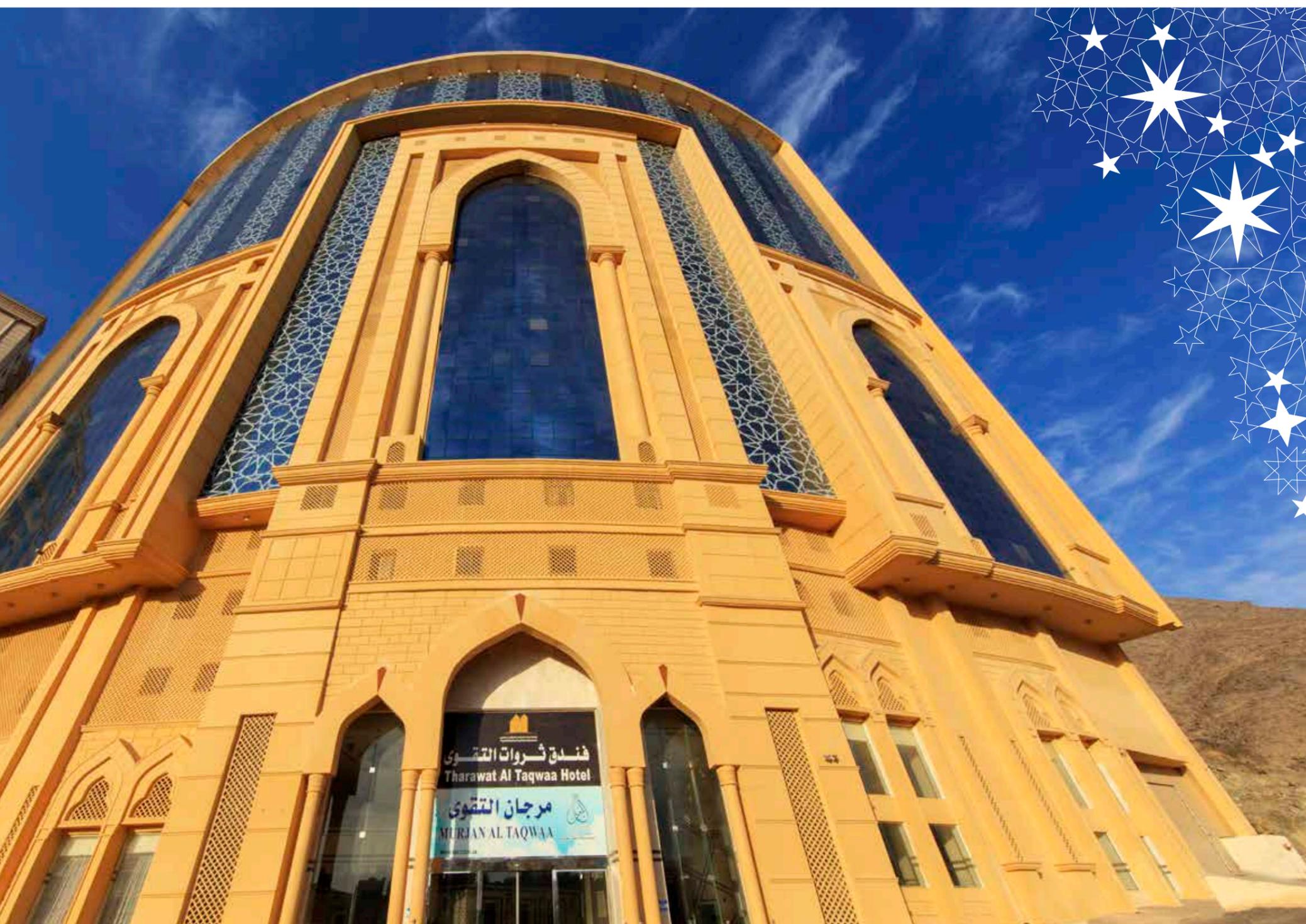
405,000,000
Average Market Value

100%
Occupancy Rate

15.2 Years
WAULT

48.5%
of Rental Value

Tharawat Al Taqwa



- The property is currently utilized for the provision of Hajj and Umrah visitors, under the brand of 'Tharawat Al Taqwa Hotel'.

- 690 rooms to accommodate visitors to Makkah's holy sites during the Hajj season and month of Ramadan. Located approximately 900 meters from Mina, the hotel can host 3,506 pilgrims.

- The property is arranged over three basement levels, a ground floor, mezzanine level, service level, restaurant level, 14 upper levels and a roof.

- The property is subject to five years rental guarantee in the form of a promissory note from the lessee.

Makkah

Location

250,000,000
Acquisition Price

6.81%
Net Acquisition Yield

1
Tenant

32.5%
of Portfolio Value

April 2017
Date of Acquisition

268,600,000
Average Market Value

100%
Occupancy Rate

15.2 Years
WAULT

32.7%
of Rental Value

Tharawat Wadi Ibrahim Hotel



- The property is currently utilized for the provision of Hajj and Umrah visitors, under the brand of 'Tharawat Wadi Ibrahim Hotel'.

- 85 rooms to accommodate visitors to Makkah's holy sites throughout the year. Located within 500 meters of the Masjid Al-Haram.

- Consists of a ground level, 11 upper levels and a roof.

- The ground level is internally configured to accommodate two shops.

- The property is subject to 3.5 years rental guarantee in the form of a promissory note from the lessee.

Makkah

Location

125,000,000
Acquisition Price

6.6%
Net Acquisition Yield

1
Tenant

15.6%
of Portfolio Value

December 2017
Date of Acquisition

129,000,000
Average Market Value

100%
Occupancy Rate

3.61 Years
WAULT

15.8%
of Rental Value

Pharmacy Building



- The property is configured to allow for two retail shops and ancillary residential.

- The building consists of a ground level, two upper levels and a roof.

- The property is subject to 3.5 years rental guarantee in the form of a promissory note from the lessee.

Makkah
Location

23,000,000
Acquisition Price

6.72%
Net Acquisition Yield

1
Tenant

2.9%
of Portfolio Value

December 2017
Date of Acquisition

24,000,000
Average Market Value

100%
Occupancy Rate

3.61 Years
WAULT

3%
of Rental Value



Section 3

MARKET OVERVIEW

MAKKAH & MADINAH

The key demand drivers for the hospitality sector in Makkah & Madinah include the growth of the world's Muslim population



MARKET COMMENTARY - Hospitality Sector

Market Summary

- With fewer than two million residents, Makkah is neither the largest city in Saudi Arabia, nor is it the country's most important economic hub. However, its status as Islam's holiest site makes it the most globally recognisable place in the Kingdom.
- With over two million Hajj pilgrims and approximately nine million Umrah visitors in 2017 alone, religious travellers now contribute 2-3% of Saudi's GDP.
- The hospitality sector is divided into two main segments: primary hotels (branded) and low-cost pilgrim accommodation (unbranded).
- The unique feature of the Makkah hospitality sector is the Hajj and Umrah seasonality. During these times, most hotels and pilgrim accommodations are fully occupied.
- As noted in the National Transformation Program (NTP), the government aims to: "Raise the number of Hajj Pilgrims from 1.5 million to 2.5 million and Umrah pilgrims from 6 million to 15 million by 2020". This will see year-round arrivals, but there are some constraints: these include the limited capacity of the Holy Sites, transport and lodging.
- Unbranded properties are expected to offer higher returns due to their popularity among pilgrims and limited operational costs. Meanwhile, primary hotels face competition given their proximity to the holy mosque and a higher cost basis.
- The Haram is witnessing its largest-ever expansion, which will provide additional space to accommodate pilgrims.

Demand Drivers

Hospitality accommodation in Makkah is typically geared towards religious tourists, with pilgrims constituting the largest group. The key demand drivers for the hospitality sector in Makkah include the growth of the world's Muslim population, an increase in the capacity of the Haram, the emergence of mega projects and the government's initiatives set out in Vision 2030.

The Saudi authorities are also upgrading Makkah's infrastructure, making easier for pilgrims to perform Hajj and Umrah.

The Makkah hospitality market experiences fluctuations in demand. Several pilgrim accommodations remain closed during the off-peak season.

Source: Published Market Reports

World Muslim population

The growth in Islam is the primary driver of the rising number of Hajj and Umrah visitors. Current estimates place the world's Muslim population at around 1.8 billion, but this is expected to rise to almost 2.8 billion by 2050.

The capacity of the Haram and other Holy Sites

With infrastructure strengthening and a regeneration program, Makkah is geared towards an increase in the capacity of the Haram and central area.

The capacity of the Haram has a direct implication on the number of pilgrims visiting the city and, in turn, the demand for accommodation.

The roads leading to Haram are also being expanded, which will provide easier access to the Haram.

The emergence of mega projects

The major projects being planned or under construction in Makkah are expected to have a substantial impact on the city's real estate and hospitality market over the next ten years.

Government initiatives (Vision 2030)

As articulated in the NTP: "The government aims to facilitate the hosting of a greater number of pilgrims to its Holy cities, raising the baseline of domestic and international Hajj and Umrah pilgrims from 8 million to 18 million and 30 million, per annum, by 2020 and 2030 respectively".

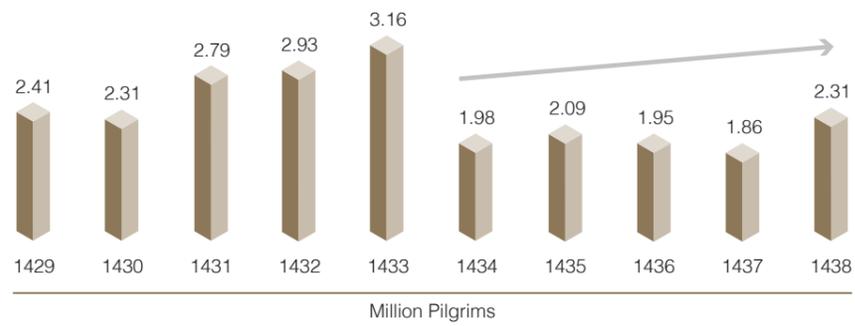
The government's plan will lead to steady growth in the number of pilgrims and Umrah arrivals throughout the year. That said, there remain some constraints, such as the limited capacity of the Holy Sites, transport and lodging.

Increasing visitor numbers will create tremendous opportunities for both developers and investors to upgrade existing properties and build new ones.

Source: Published Market Reports

Hajj Pilgrims

According to the information published by The General Authority for Statistics (GaStat), 2017 was a successful Hajj season. A total of 2,352,122 pilgrims performed Hajj this year - a 26% increase compared with 2016. Despite this number being the highest in five years, it is still 27% lower than the peak year of 1433 H (2012) when pilgrims arrivals reached more than 3.16 million. This reveals the enormous growth potential of the sector and is in line with Vision 2030. The chart below shows the numbers of pilgrim visits over the past ten years:



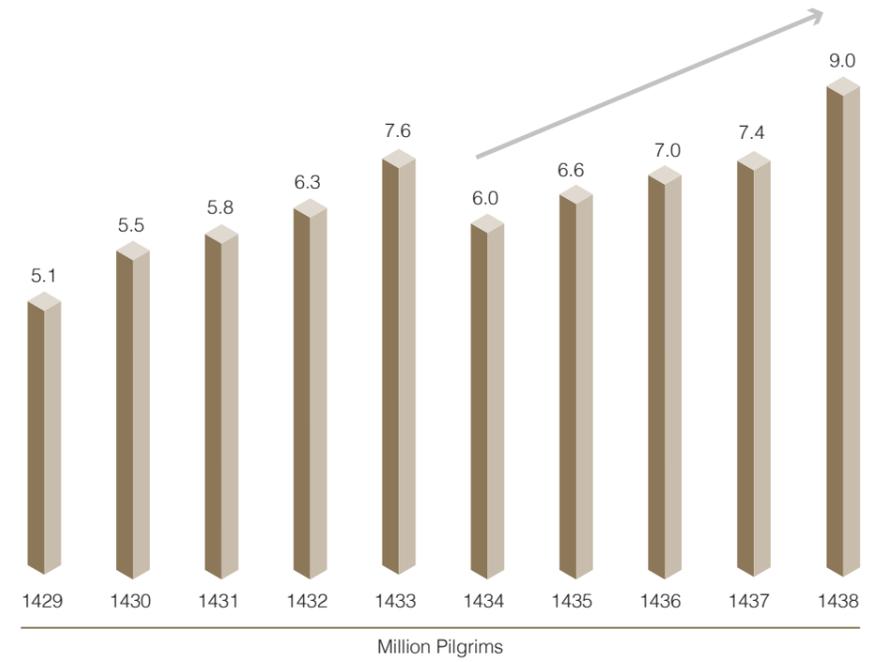
Source: Published Market Reports

Umrah Pilgrims

Statistics released by the Ministry of Hajj and Umrah revealed that around 54 million Umrah pilgrims have visited Makkah since 2001. Repeat Umrah pilgrims represent a significant proportion of these arrivals and account for almost 70% of accommodation occupancy.

Indeed, GaStat note that Umrah pilgrims have increased by 50% in the past five years alone.

The chart below shows the number of pilgrim visits over the past ten years. In October 2017, the Saudi government introduced a SAR 2,000 visa fee. However, this charge does not apply to Umrah and Hajj pilgrims visiting for the first time. There are concerns, though, about the impact this fee will have on those who travel to Makkah regularly. Indeed, we do not yet know if it will be waived for those who return within a specific period, e.g. 12 months.



Source: Published Market Reports



Upscale and luxury hotels that are usually located within a 1-2 km radius of AlHaram

Efforts to upgrade standards

The Saudi authorities are endeavoring to improve the facilities and services in Makkah. For instance, the high commission has started playing a more active role in the proper maintenance of Makkah's pilgrim facilities.

Hotels Segmentation in Makkah

We can divide the hospitality sector into two areas: primary hotels and low-cost pilgrim accommodation.

- **Primary hotels:** International and locally branded midscale, upscale and luxury hotels that are usually located within a 1-2 km radius of AlHaram.
- **Pilgrim Accommodation:** This consists of rooms in hotels and apartment buildings that are rented to those seeking inexpensive lodging. Most of this accommodation is located outside of the central area, with many projects only open during the peak season. Most rooms will sleep a number of pilgrims, with the market standard being one pilgrim for every four sqm. During Hajj, a daily rate is charged per pilgrim rather than per room; however, this practice is reversed during Ramadan. Whole buildings are usually leased for the season either to a local operator or directly to Hajj commissions.

Outlook

Makkah is a central pillar of the government's Vision 2030 plan. The expansion of Al Masjid Al Haram, the completion of the Haramain High-Speed Railway and the rising number of mixed-use developments in the pipeline are all expected to improve the city's ability to host a greater number of pilgrims in the coming years. These developments suggest a positive long-term outlook for the hotel market.

Source: Published Market Reports



Section 4

GROWTH STRATEGY

MAKKAH & MADINAH

The Fund targets income-generating real estate assets in Saudi Arabia, with a focus on the Holy Cities of Makkah and Madinah

FUND INVESTMENT STRATEGY

Introduction

Despite strong demand for properties that are in close proximity to the main holy sites or 'Harams' of Makkah and Madinah, the fund is already building an impressive portfolio.

At the cost of SAR 629 million, the first mission of the Jadwa REIT Al Haramain Fund were the acquisitions in April 2017 of two hospitality assets in Makkah. The two hotels have long-term leases secured with Tharawat Al Mashaer Property Development and Investment Company. Another Makkah hotel and a pharmacy building, at a combined cost of SAR 148 million, were added to the REIT's roster in December 2017. This helps to further diversify our portfolio, especially in terms of counterparties.

Nevertheless, a sizeable chunk of the fund's operating income is derived from Tharawat Al Mashaer given its high covenant strength and impressive market share.

Of course, further acquisitions, together with the efficient management of the fund's existing portfolio, will be our key focus in the months and years ahead, as we grow the fund's dividend and drive total shareholder return. Core assets will continue to be targeted, while maintaining conservative leverage.

Yet, it is the compressed market capitalization rates in Makkah and Madinah that may impact the fund's ability to generate near-term dividend growth. However, as our two most recent acquisitions show, we are prepared to broaden our investment horizons. This involves taking on higher-risk assets to provide impetus to our REIT.

In the prevailing market conditions, this could mean operating hospitality assets with shorter-term leases close to the Harams, or taking on multi-tenancies with a high percentage of strongly rated tenants in certain commercial asset classes including schools, hospitals and retail.

Our refined approach is designed to support the growth of the fund's per-unit income, as well as an expansion growth in NAV. Moreover, by adapting our investment strategy, we expect to maintain a dividend yield in excess of SAR 0.52 per unit.

The Fund's Investment Strategy

- Invests directly in the holy cities of Makkah and Madinah. No opportunities outside these two cities will be considered.
- Focuses on core (lower risk) income-generating real estate assets.
- Primarily targets the Makkah hospitality market, which caters for Hajj-season visitors and all-year-round Umrah pilgrimages to the city. Hospitality assets in Madinah are also coveted.
- Distinctive and carefully studied selection criteria, which considers supply-and-demand factors, geopolitical concerns, cyclicalities and the various real estate sub-classes.
- Acquires properties through single-asset purchases, portfolio acquisitions or build-to-suit developments.
- The active management of our real estate assets – producing cashflow to sustain dividend distribution. In the main, we focus on net-leasing assets to creditworthy tenants on a long-term basis, or by directly operating properties.
- Increase the value and returns to investors by improving net operating income through economies of scale as the asset base grows.
- Diversify the portfolio away from the hospitality sector with investments in a range of commercial, mixed-use, logistics, residential, schools and retail assets that meet the fund's investment criteria. Long leases are generally demanded in these types of assets.

Investment Objectives

The REIT funds new acquisitions and pays for any operating costs through Shariah-compliant financing. It pays out dividends to investors twice a year, with an annual cash dividend of no less than 100% from the FFO. This does not include profits resulting from the sale of the underlying real estate assets and other investments, which may be reinvested in new real estate or used to renovate the fund's assets.

While the fund invests primarily in developed real estate assets, it may also opportunistically invest in real estate development projects to a value not exceeding 25% of the fund's total asset value. The fund does not invest in 'white land'.

The Types of Asset the Fund Invests in:

- Assets with no regulatory violations, which prevent utilization or operation of the property.
- Properties with no major engineering defects.

The projected internal rate of return (IRR) on new acquisitions should be accretive relative to the fund's prevailing weighted-average cost of capital (WACC) at the time of acquisition. An acquisition's initial leverage-neutral yield should likewise be accretive to the dividend.

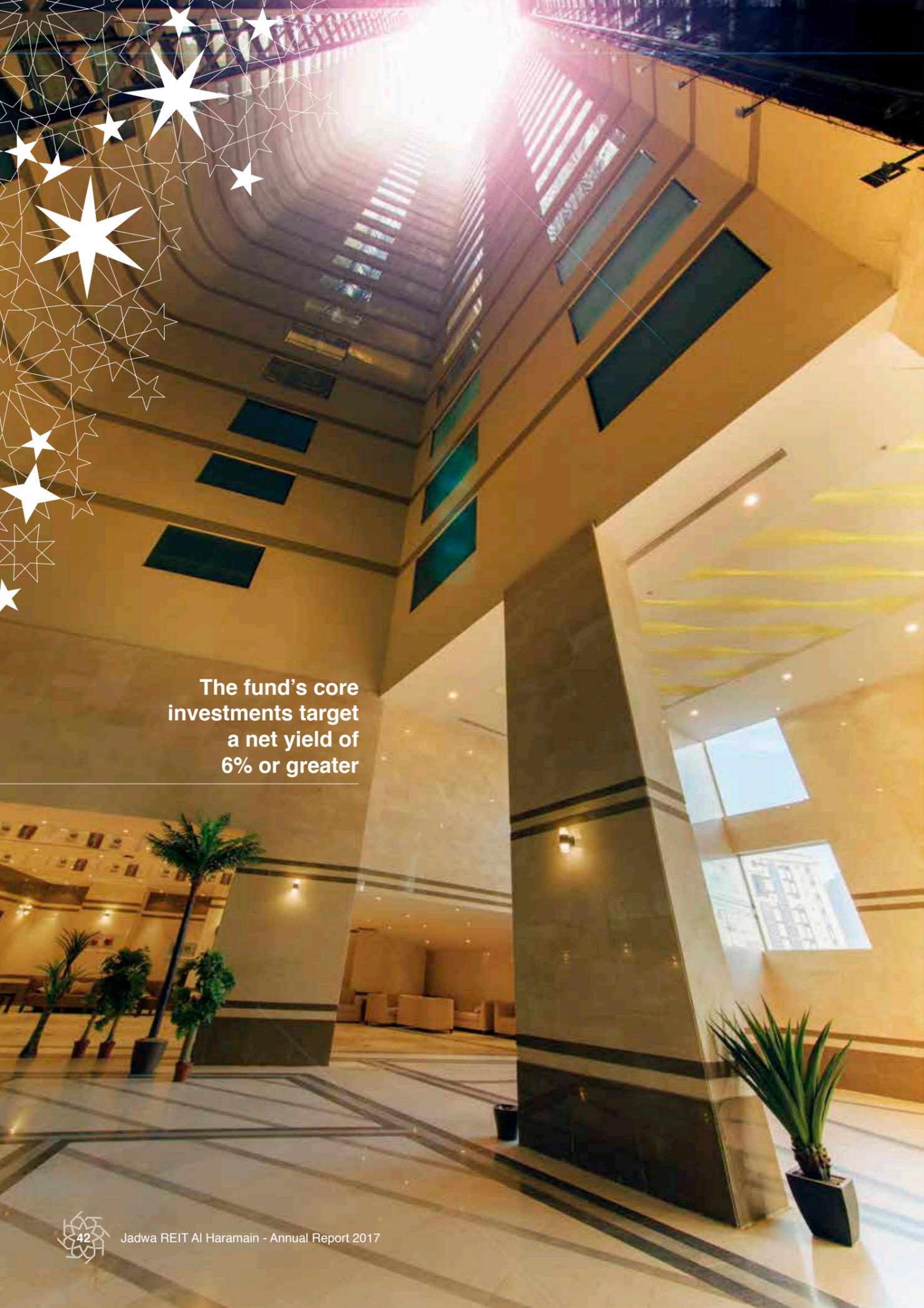
100%
from the FFO

Diversify

the portfolio away from the hospitality sector with investments in a range of commercial properties that meet the fund's investment criteria

SAR 629
million
Portfolio Cost

SAR 0.52
Per Unit
Dividend Yield



The fund's core investments target a net yield of 6% or greater

ACQUISITION CRITERIA

Hospitality

We consider five-star, four-star or unrated hotels located within a 1,000-metre radius of the main holy sites of Makkah and Madinah, or with good access to transport links if situated outside this area. Long leases are preferred because they reduce near-term capital expenditure, and the operator will have proven experience with the hotel's brand. The operator should also be able to deliver profitability ahead of market averages over a sustained period.

Commercial

Strip malls, showrooms and logistics operations with ancillary offices will all be considered, as well as leased schools and hospitals. Net leases are preferred because of lower operational expenses. Furthermore, the critical or strategic use of a property by a tenant tends to increase the likelihood that the tenant will renew its lease.

In all cases, we seek highly covenanted properties with a strong share of the markets they operate in. The credit quality of tenants remains a core focus of the fund's underwriting.

Asset Management Strategy

We recognize the importance of productive tenant relationships, viewing our counterparties as partners. This not only optimizes rental rates but also increases tenant retention. As the portfolio grows, asset management will be the prime focus of the fund's strategy.

Portfolio Management Strategy

The principal objective is to provide unitholders with income and capital appreciation by investing in a portfolio of real estate assets predominantly in the two holy cities of Makkah and Madinah.

The fund is achieving this by the ongoing acquisition of core assets. These are expected to account for more than 60% of the portfolio's net asset value, while allowing for limited exposure to value-added and opportunistic real estate of no more than 30% and 10%, respectively. These allocation percentages will be reconsidered every five years.

FUND'S PORTFOLIO STRATEGY

Ownership

The fund invests mainly in freehold assets. The Fund may invest in ground rent with at least 25 years (with the opportunity to renew for the same period). Leasehold assets should account for no more than 25% of the portfolio.

Portfolio Concentration

- The fund's focus is on Makkah real estate opportunities. Due to the mismatch in the risk-return profile in Madinah, we have no immediate plans to invest in this city. This decision will be reviewed on a regular basis.
- Up to 25% of the fund's total asset value might invest in SAR Murabaha financing arrangements with local Saudi banks, Shariah-compliant real estate equity shares or real estate investment-traded funds listed on the Saudi Stock Exchange.

As the fund manager, Jadwa Investment Company considers whether each transaction is in line with the investment policy and overall strategy of the REIT. It also assesses the risk profile and opportunities relating to each proposal.

All transactions adhere to applicable laws and regulations.

Investment Limitations

Type Of Investment	Asset Allocation	Current Allocation
Real estate investments in the Holy Cities	No less than 100% of the fund's real estate asset value	100% of the fund's real estate asset value is invested in the Holy Cities
Real estate developments	Up to 25% of the fund's gross asset value	0% of fund's gross asset value is invested in real estate developments
- SAR Murabaha placements - Listed real estate companies - Other real estate investment-traded funds	Up to 25% of the fund's gross asset value	0% of the fund's gross asset value is invested in: - SAR Murabaha placements - Listed real estate companies - Other real estate investment-traded funds

Type Of Investment	Asset Allocation	Current Allocation
Investments outside of Saudi Arabia	0% - The fund will not invest outside of the Kingdom of Saudi Arabia	0% of the fund is invested outside of the Kingdom of Saudi Arabia
White land	0% - The fund will not invest in white land	0% of the fund is invested in white land
Leverage	Not to exceed a ratio of 50% of the fund's total asset value.	The fund's current LTV ratio is 21.6%

Monitoring The Market

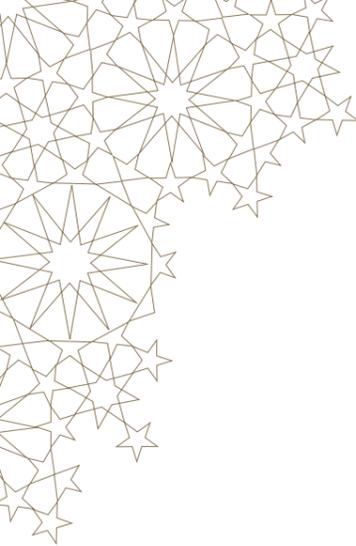
The fund manager continually screens the market for suitable investment opportunities. Simultaneously, external advisors are regularly used to assess Saudi Arabia's real estate market. This ensures that the fund diversifies across growing sectors, capitalizes on any opportunities and meets long-term investment objectives.

Fund's Borrowing Strategy

A SAR 500 million debt facility has been set up with Banque Saudi Fransi, a local bank. Secured at competitive rates, it allows us to acquire new assets most efficiently as well as maintain a flexible balance sheet.

We cultivate relationships with investors ahead of future equity and debt capital-raising activities. This is achieved by creating a compelling identity, clearly communicating the fund's investment strategy, periodic investor surveys and transparent financial disclosure.

Leverage does not exceed a ratio of 50% of the fund's total asset value.



Exit Strategy and Disposal of Investments

The fund holds on to attractive assets until, at such time, they start to underperform. That is why we continually monitor the market for exit opportunities. A decision to exit any of the fund's assets would be for one of the following reasons:

- A rebalancing of the fund's assets to add new, more attractive assets.
- Changes in the fundamentals of the asset.
- A negative view of the real estate market and its sub-sectors, which may affect the fund's assets.

We hold investments for the long term. However, we regularly value all our assets and recommend strategies for each property.

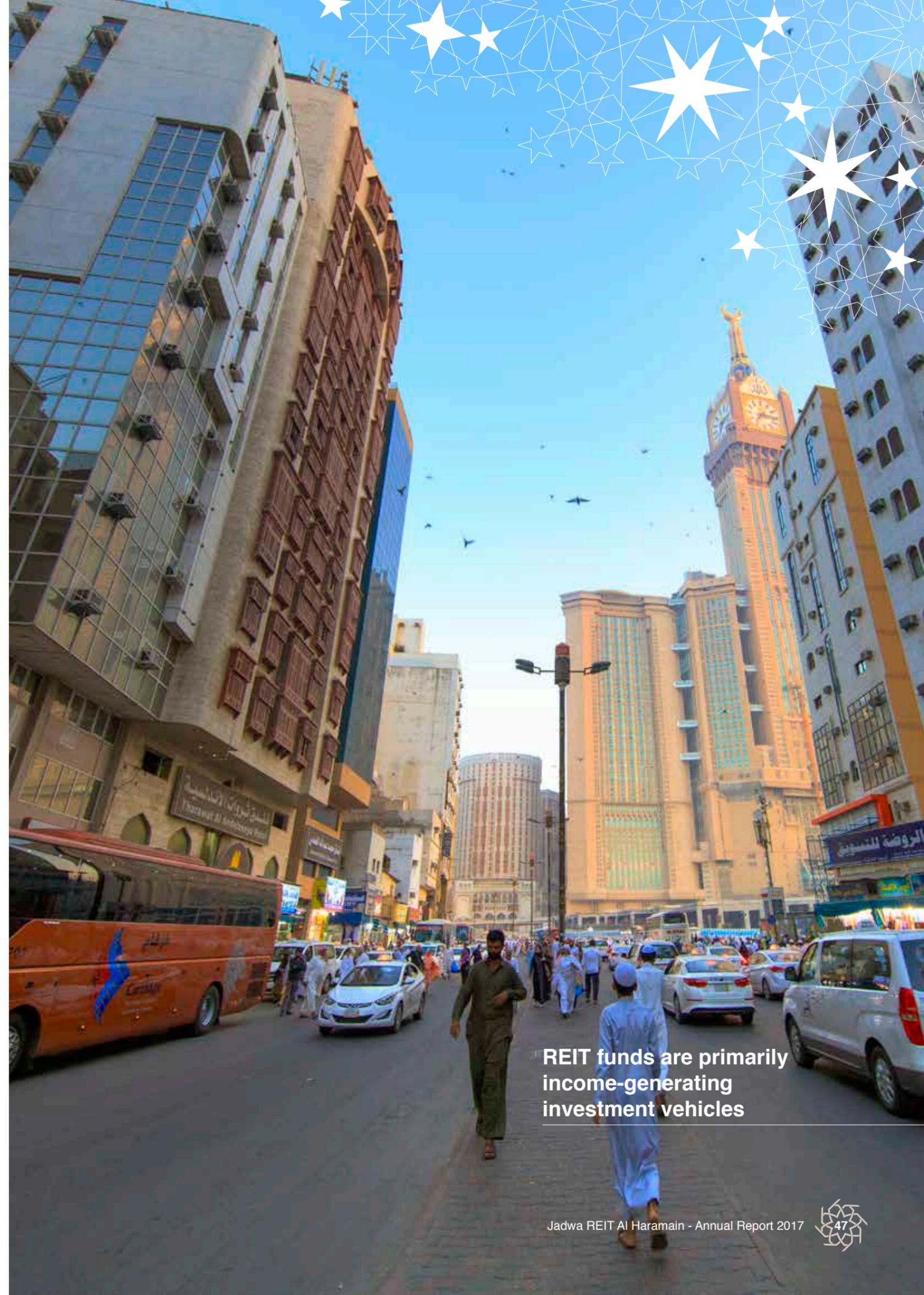
Any asset to be sold or disposed of will require two independent valuations and the selling price shall not be for less than the lowest of the two valuations.

Dividend Policy and Distributions

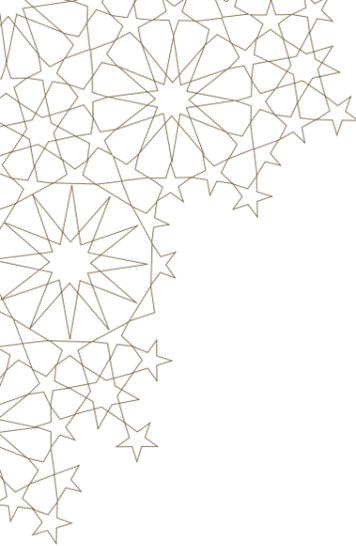
REIT funds are primarily income-generating investment vehicles that provide exposure to real estate assets that are either currently leased and producing income or have the potential to do so in the future.

Therefore, the objectives of the fund's dividend policy, which gives clarity to existing and prospective unitholders of the expected income generation potential of the fund are:

- To distribute all available funds from operations (FFO) to unitholders on a semi-annual basis after accounting for short-term obligations.
- The only changes to our dividend policy will result from either a significant shift in the fund's strategy, an investment plan requiring the fund to keep cash, or revisions to any relevant laws and regulations.
- For the next five years, the fund will always pay half-yearly dividend payments of at least SAR 0.26 per unit.



REIT funds are primarily income-generating investment vehicles



SAR 42.28
million
Operating Income

Risk Profile

- To date, all the REIT's properties are located in Makkah, Saudi Arabia, as we have yet to find suitable assets in Madinah. This heavy focus on Makkah exposes the fund to the real estate conditions specific to the holy city, such as competition for core assets.
- Three-quarters of the properties the fund owns are hotels, which subjects the REIT to the risks inherent in the hospitality industry.
- Tharawat Al Mashaer and Tharawat Al Taqwa, are leased by the same tenant, Tharawat Al Mashaer Property Development and Investment Company.

The majority of the fund's rental income SAR 42.28 million, is currently derived from this tenant. If, for instance, this lessee was to serve the fund notice in the next few years, it could expose the REIT to high cashflow risk. However, portfolio growth using varied tenants reduces this risk.

- Market capitalization rates are currently compressed in Makkah. This could result in the fund's strategy being amended at some future point.
- Other potential risks include changes to the tax and regulatory landscape - this includes the introduction of value-added tax (VAT) at 5%, which may be applied to the fund's fees and service costs. There is currently no mechanism for REITS to recover this money.
- REITS are sensitive to changes in interest rates, as they affect the cost of borrowing and can potentially reduce the appeal of a REIT as a viable alternative investment vehicle.



Risk Management

- With a good management team in place and a proven track record, the fund continues to explore the Makkah and Madinah real estate markets for new opportunities.
- We acquire properties within proximity to the main holy sites of Makkah and Madinah where the most profitable hotels are located.
- Saudi Arabia's real estate hospitality market has a track record of delivering robust, risk-adjusted returns over the long term. However, the fund also looks to diversify its portfolio from time to time in a range of commercial, mixed-use, logistics, residential, schools and retail assets that meet the fund's strict investment criteria.
- Our fund seeks to maximize the performance of our assets for a given level of risk.
- We strive to increase investor returns by improving the fund's net operating income. This means active management of our real estate assets, ensuring the fund's properties are always yielding, and a focus on net-leasing assets to creditworthy tenants on a long-term basis. The establishment of effective tenant relationships not only optimizes rental rates but also increases tenant retention.
- The fund has recently set up a SAR 500 million debt facility with Banque Saudi Fransi. This allows it to maintain a flexible balance sheet, acquiring new assets most efficiently. Debt repayments are funded either through rental proceeds or cash. Leverage does not exceed a ratio of 50% of the fund's total asset value.
- the Fund manager has appointed PWC as a VAT consultant.
- We are actively considering the use of hedging tools to help offset the risk of any adverse price movements. These could be triggered by, for example, changes in interest rates.
- The fund only considers blue-chip tenants with a low risk of rent default. For the first two properties, we negotiated a rent promissory note for five years. For the two recently acquired assets, the promissory period is for 3.5 years.

Appointing

PWC as a VAT consultant

50%

LTV limitation



Section 5

THE FUND MANAGER & SERVICE PROVIDERS

With approximately SAR 24.6 billion of assets under management, Jadwa Investment is a closed joint-stock company offering asset management, private equity, real estate, advisory, corporate finance and brokerage and custody services to high net worth individuals, family offices and institutions

JADWA INVESTMENT

About the REIT

The Jadwa REIT Al Haramain Fund is a closed-ended Shariah-compliant real estate investment-traded fund that is managed by Jadwa Investment Company. The fund operates in accordance with the Real Estate Investment Fund Regulations and the REIT Instructions issued by Saudi Arabia's Capital Market Authority (CMA).

Name and Address

Name	Jadwa Investment Company
Address	Sky Towers, Fourth Floor, King Fahad Road, P.O. Box 60677, Riyadh, 11555, Kingdom of Saudi Arabia
Website	www.jadwa.com

About Jadwa Investment Company

Jadwa Investment is a Riyadh-headquartered investment management and advisory firm with assets under management of SAR 25 billion in public equity, private equity, real estate and fixed income. The firm's clients include government-related entities, local and international institutional investors, leading local family companies and offices and high-net-worth individuals. Jadwa Investment is one of Kingdom's three largest public equity asset managers and the region's top mutual fund performer. Jadwa Investment is licensed by the CMA as an authorized person, registration number 6034/37.

Material Conflicts of Interest

As of 31 December, 2017, there are no transactions involving material conflicts of interest between Jadwa REIT Al Haramain Fund, Jadwa Investment Company, its board or any third parties. As means of clarification, the appointed custodian Al Bilad Capital is wholly owned by Al Bilad Bank. A member of Jadwa Investment Company's board of directors is a shareholder in a founding company of Al Bilad Bank (at a percentage not representing control). In addition, the appointed custodian is a shareholder of Jadwa Investment Company at a percentage not representing control.

Jadwa Investment Company shall not have any interest in or claims against Jadwa REIT Al Haramain Fund's assets, except in its potential capacity as a unitholder. Creditors of Jadwa Investment Company shall not have any interest in any of Jadwa REIT Al Haramain Fund's assets.

Delegation to Third Parties

As the fund manager, Jadwa Investment Company is liable for the appointment of any third party (including its affiliates) and their responsibilities.

Jadwa Investment Company is also the fund administrator. However, Jadwa has delegated certain administrative functions to Apex Fund Services (Dubai) Ltd to enhance the performance of the REIT

Custodian

Name	AlBilad Investment Company
Address	Smart Tower, First Floor, Intersection of King Fahad Road and Tahlia Road, P.O. Box 140, Kingdom of Saudi Arabia.
Website	www.albilad-capital.com

The custodian is fully licensed by the CMA. Having such a structure for the REIT maintains tax efficiency and regulatory compliance, providing maximum legal protection for investors. The custodian shall not have any interest in or claims against the fund's assets, except in its potential capacity as a unitholder. Creditors of the custodian shall not have any interest in any fund assets.

Auditor

Name	Alliance Chartered Accountants (ACA)
Address	187 Abo Bakr Al Siddiq Road, Al Morsalat District, Fourth Floor, P.O. Box 7535-4304, Riyadh, 12462, Kingdom of Saudi Arabia

Following approval by the board, Jadwa Investment Company may, from time to time, change the fund's auditor. Notice will be provided to all unitholders and the CMA upon the replacement of the auditor

Administrator

Name	Jadwa Investment Company
Address	Sky Towers, Fourth Floor, King Fahad Road, P.O. Box 60677, Riyadh, 11555, Kingdom of Saudi Arabia
Website	www.jadwa.com

Specific accounting, back-office and other administrative functions, as well as the calculation of the REIT's net asset value, have been sub-contracted by Jadwa Investment Company to Apex Fund Services (Dubai) Ltd. The sub-administrator is licensed by the Dubai Financial Services Authority. Specific confidential information may be shared with the sub-administrator and transmitted outside of Saudi Arabia. Jadwa Investment Company reserves the right to change the sub-administrator of the fund.

Legal Advisor

Name	Abuhimed Alsheikh Alhagbani Law Firm (in affiliation with Clifford Chance LLP)
Address	The Business Gate, 15th Floor King Khaled International Airport Road, Kingdom of Saudi Arabia
Tel	+966 - 11 -481 9700
Website	www.ashlawksa.com

Jadwa Investment Company will negotiate with its legal advisor in relation to each of the following:

1. Increasing the fund's capital.
2. Acting on instructions and regulations issued by the CMA.
3. Obtaining bank financing and conducting due diligence upon purchase of new real estate assets.

Third-Party Valuers

Name	White Cubes Company
Address	Riyadh, Kingdom of Saudi Arabia
Tel	+966 - 11 -810 1765
Website	www.white-cubes.com

Name	ValuStrat Company
Address	6th Floor, Southern Tower, King Khalid Foundation Al Faisaliah Complex, King Fahd Road, Riyadh, Kingdom of Saudi Arabia
Tel	+966 11 293 5127
Website	www.valustrat.com

A valuation of the fund's real estate assets is performed at least semi-annually by two independent evaluators licensed by the Saudi Authority for Accredited Valuers.

VAT Consultant

Name	PricewaterhouseCoopers (PWC)
Address	Kingdom Tower - 21st Floor, King Fahd Highway, Riyadh, 11414, Saudi Arabia
Tel	[966] 11 211 0400
Website	www.pwc.com/m1

Jadwa Investment Company has appointed PWC as VAT consultant.

Conflicts of Interest

As of December 31, 2017, there are no transactions involving material conflicts of interest between Jadwa REIT Al Haramain Fund, Jadwa Investment Company, its board or any third parties. To clarify, the appointed custodian Al Bilad Capital is wholly owned by Al Bilad Bank. A member of Jadwa Investment Company's board of directors is a shareholder in a founding company of Al Bilad Bank (at a percentage not representing control).

Conflicts of interest may exist or arise from time to time between the REIT, and the Jadwa Investment Company or its affiliates, subsidiaries, directors, officers, employees and agents thereof, and other funds sponsored or managed by them. Where Jadwa Investment Company has a material conflict of interest with the fund, Jadwa Investment Company will make full disclosure to the Fund Board as soon as practicable. Jadwa Investment Company will attempt to resolve any conflicts of interest by exercising its good faith judgment considering the interests of all affected investors and parties taken as a whole.

Material Changes

The fund during the last period announced the following material changes:

1. Obtaining debt facilities from the Saudi Fransi Bank in the amount of SAR 500,000,000.
2. Financial results for the periods ending 30 June and 31 December.
3. Distributing cash dividends amounting to 0.36 Halal and profit distribution methodology.
4. Acquiring two additional real estates in Makkah.
5. Change in the fund board membership via the appointment of Dr. Fahad Al Turki instead of Raed Al Ammari who resigned from the board.

(a) Similar Vehicles Managed by Jadwa Investment Company

Jadwa Investment Company currently manages and expects to continue operating its proprietary account and other investments and accounts with objectives similar in whole or in part to those of the fund. These include other collective investment vehicles which are managed or sponsored by Jadwa Investment Company or in which its affiliates may have an equity interest.

Jadwa Investment Company manages two REIT funds, one that invests solely in Makkah and Madinah and one that invests in Saudi Arabia (excluding Makkah and Madinah).

Subject to the limitations set forth herein, Jadwa Investment Company and its affiliates may in the future sponsor or serve as fund manager, investment manager or general partner with respect to investment funds or other collective investments. One or more of these may invest in properties similar to those in the fund's assets, provided that such other activity does not impair the success of the fund.

(b) Conflicts of Interest Regarding Transactions with the Fund Manager and its Affiliates

The fund may engage in transactions with the fund manager or its affiliates or other entities in which Jadwa Investment Company has a direct or indirect interest. For example, certain affiliates of Jadwa Investment Company may provide services to the fund, such as administrative services.

All transactions between the fund and the fund manager, its affiliates and entities in which Jadwa Investment Company holds a direct or indirect interest will be disclosed by the fund manager to the Fund Board. However, the fund manager and the Fund Board shall use their good faith commercially.

They will also make reasonable efforts to ensure that the terms of the agreements between the fund manager and its affiliates, on the one hand, and the fund, on the other hand, are prepared on an arms-length basis and be in line with market standard terms.



Section 6

FUND GOVERNANCE

Achieve the fund's commitment to Shariah monitoring through periodic reviews





JADWA REIT GOVERNANCE

Fund's Board

The Fund Board oversees the resolution of conflicts of interests. As of December 31, 2017, the Fund Board is composed of appointees of the fund manager.

The members of the Fund Board have fiduciary duties to the investors under the Real Estate Investment Fund Regulations and will use their best efforts to resolve all conflicts by exercising their good faith judgment.

The Fund Board is composed of 5 members appointed by the fund manager, of whom two are independent. Any amendment to the composition of the Fund Board shall be notified to the Unitholders by an announcement on the fund manager's and Tadawul's websites.

Fund Board Meeting

The fund manager held two Fund Board meetings during 2017. The first meeting was held in April 2017.

1. A brief description of the fund's objective, assets acquired, lease agreements and yield.
2. Compliance confirmed that fund is clear of any breaches and has made smooth process.
3. Approval of the Terms & Conditions, fund listing, SPA agreements, lease agreements, appointment of third parties, obtaining debt facility and appointment of Board Chairman.

The second meeting was held in December 2017.

1. An overview of the macroeconomic indicators, with a focus on the current condition of the Makkah hospitality market, past performance and future forecasts of Hajj and Umrah seasons.
2. The obtained debt facility will be used to help grow the fund's size and acquire new assets in Makkah and Madinah.
3. Compliance confirmed that they did not see any suspicious actions on both the fund level and the unitholder level.

Circular of acquiring new assets:

Before the acquisitions took place, the fund manager received Fund Board approval for the intended assets to be acquired.

Our Scholars

are Experts in the field
of Islamic Shariah

Shariah Board

The fund manager has appointed a Shariah Board as the Fund Shariah Advisor (the "Shariah Board"). The Shariah Board is a panel consisting of four scholars who are experts in the field of Islamic Shariah. It monitors the business, operations, investments and financings of the fund to ensure compliance with the Islamic principles of Shariah.

The fund manager carries out the Shariah monitoring tasks for the fund's investments, which include the following:

- Achieve the fund's commitment to Shariah monitoring through periodic reviews.
- Review agreements and contracts regarding the fund's transactions.
- Follow-up with the fund's operations, review its activities in terms of their legality and consider the extent of its compliance with the Shariah Guidelines and the Shariah Board's directions.
- Submit the matter to the Shariah Board in case of any potential Shariah violations.
- Prepare and follow-up with the necessary endorsements for the purification amounts approved by the Shariah Board.

The Shariah Board oversees the compliance of the fund's activities with the Shariah Guidelines and provides relevant advice. The Shariah Board consists of the following members:

H.E. Sheikh Dr. Abdulla Al Mutlaq Chairman of the Board

H.E. Sheikh Dr. Abdulla Al Mutlaq is a member of the Senior Ulema Board, Advisor to the Royal Court, former Chairman of the comparative Fiqh, Imam Mohammed Bin Saud Islamic University, and a member of the Shariah Board for several financial institutions in the Kingdom of Saudi Arabia.

Sheikh Dr. Muhammad Ali bin Ibrahim Al Qari bin Eid Member of the Board

Sheikh Dr. Muhammad Ali Al Qari bin Eid is a professor of Islamic Economics at King Abdulaziz University in Jeddah, and an expert at the Fiqh Academy of the Organization of Islamic Conference in Jeddah.

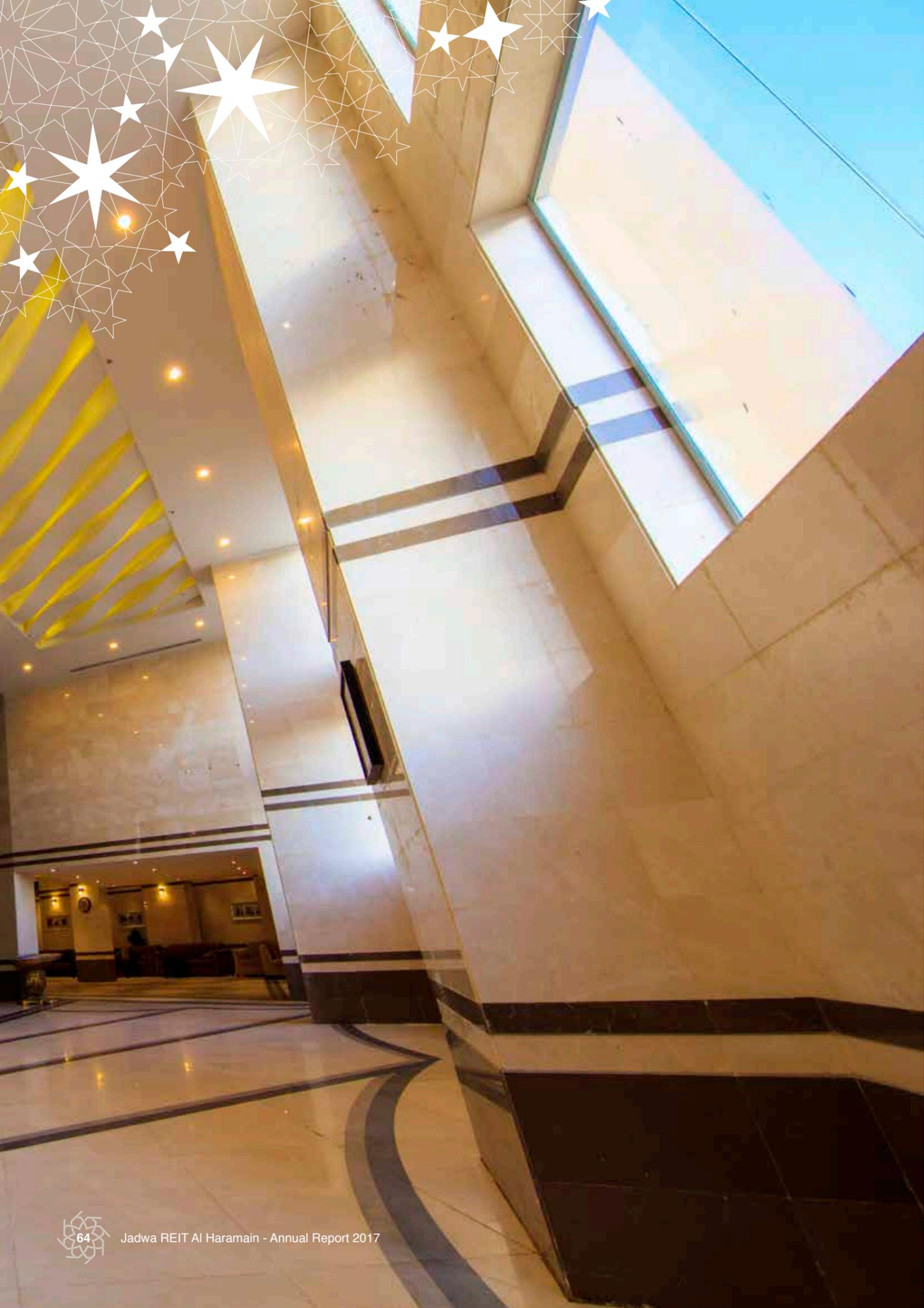
Sheikh Bader Abdulaziz Al Omar Member of the Board

Sheikh Bader Abdulaziz Al Omar has 18 years of experience in Islamic banking. Currently he is the head of Shariah group at Jadwa Investment, having worked earlier in several positions at the Shariah group within Al Rajhi bank. He is a former member of the Islamic banking committee at the Saudi Arabian Monetary Agency.

Sheikh Ahmed Abdulrahman Al Gaidy Member of the Board

Sheikh Ahmed Abdulrahman Al Gaidy is our head of Shariah research and has 14 years of experience in investment banking. He has issued several pieces of Shariah research and previously worked as Shariah consultant to the Al Rajhi Bank's investment department. He was also a Shariah consultant to the Al-Jazira Bank's treasury department.

Committed to Shariah
monitoring through
periodic reviews

**Expenses:**

The fund manager is responsible for the expenses of the Shariah Board, including those related to monitoring the business, operations, investments and financings of the fund. The fund is not responsible for Shariah Board's expenses.

The Shariah Board has reviewed these Terms and Conditions and approved the structure of the fund and the offering of units at the fund's inception. The fund shall also comply with the approved Shariah Guidelines.

If any investment proceeds or other amounts received by the fund are not Shariah-compliant, the fund shall arrange for such funds to be 'purified' in accordance with a procedure to be determined by the Shariah Board from time to time. The Shariah Board shall specify the relevant purification percentage or amount.

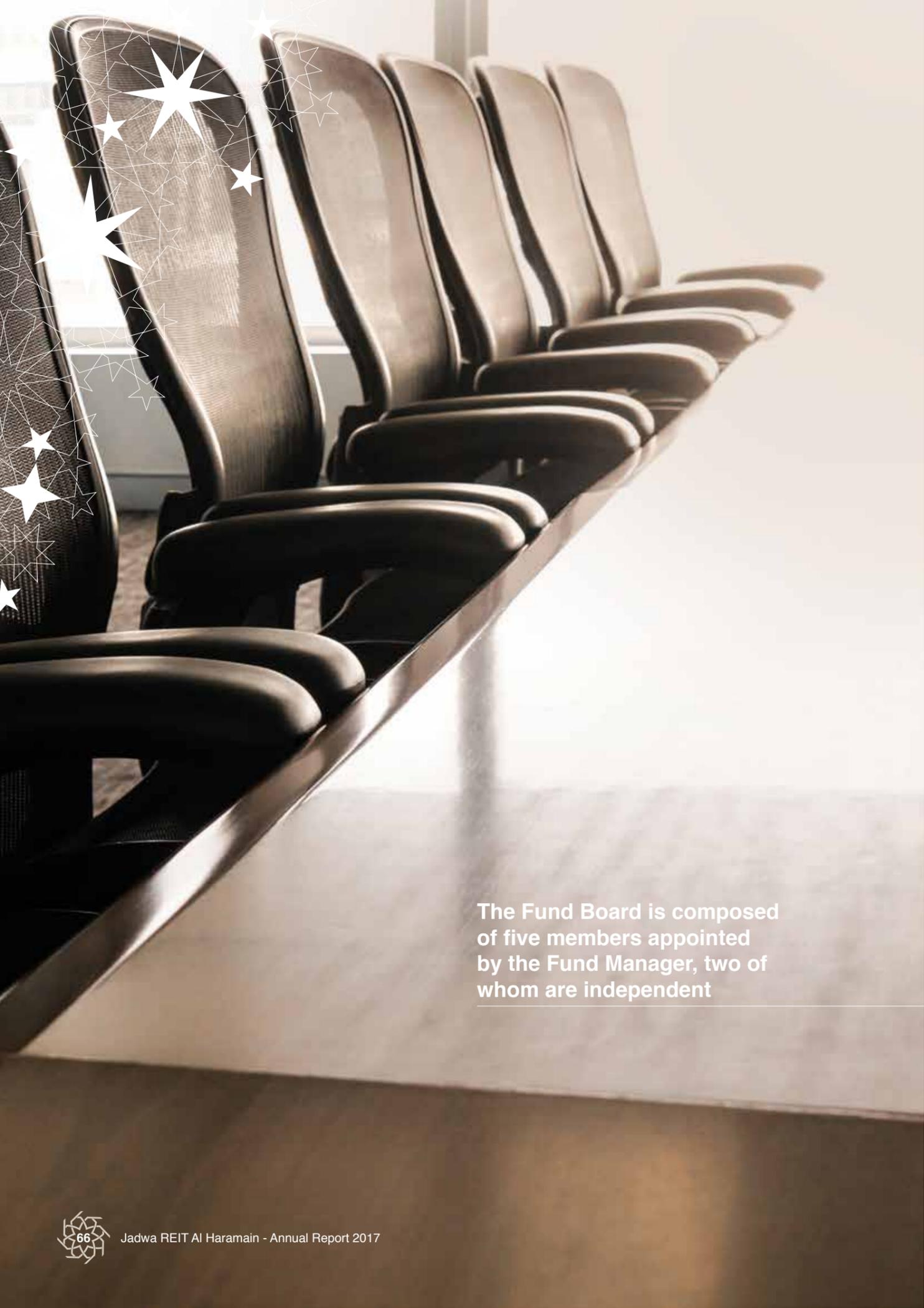
Shariah guidelines for the fund's investment in real estate assets

The Shariah Board believes that investments in real estate assets are permissible subject to the following guidelines:

1. The purchase-and-sale agreement for the real estate assets must be in the Shariah Board's approved form.
2. The invested real-estate asset must be accurately known with due diligence.
3. The price must be known.
4. The fund manager must not execute any lease contracts on a real estate asset until completion of the purchase of the real estate asset;
5. The property cannot be rented from the owner for a deferred payment, and then re-leased to the owner for an amount that is less than the deferred amount. The property must not be rented from the owner with a current payment, then re-leased to the owner for more than that price for a deferred payment.

In Addition:

1. The fund can only invest directly in the shares of listed real estate companies.
2. The fund can only purchase units in other real estate funds traded on the Saudi Stock Market 'Tadawul' if these are Shariah complaint and are approved by the Shariah Board.
3. SAR Murabaha placement.



The Fund Board is composed of five members appointed by the Fund Manager, two of whom are independent

The Fund Board consists of the following members:

Zaheeruddin Khalid
Chairman

Mr. Khalid is the Head of Asset Management and Chief Investment Officer at Jadwa Investment Company. He has over 16 years of experience in the field of investments and capital markets, and joined Jadwa in 2008 to develop the buy-side research team and later held the position of head of portfolio management. Prior to joining Jadwa, Mr. Khalid held various positions, including Head of Research and Product Development in Mezzan for Investment Management and Head of Research in Elixir Securities Company. He holds an MBA degree and is a CFA charterholder.

Ghannam Al Ghannam
Member

Mr. Al Ghannam is the Director, Private & Institutional Client Investments at Jadwa Investment Company. Prior to joining Jadwa, he was a Senior Investment Advisor for private clients at HSBC Saudi Arabia. Mr. Al Ghannam has over 14 years of experience in business development and wealth management. He is a certified financial planner and holds a BS degree in Business Administration from Toledo University.

Fahad Al Turki, Ph.D.
Member

Dr. Fahad Al Turki is the Chief Economist and Head of Research at Jadwa Investment Company in Riyadh. He is also a member of its Executive Management Committee and a chairperson of its Public Funds Board. With almost 20 years of experience, Dr. Fahad manages the economic research department and publishes regular reports on issues related to the Saudi and global economies and the world oil market. Prior to joining Jadwa, he was the Chief Economist at Barclays Saudi Arabia. Dr. Fahad graduated

with a BA in Business Administration (majoring in accounting) from King Saud University in Saudi Arabia, and has a Master's degree and a Ph.D. in economics from University of Oregon (Eugene, USA).

Dr. Waleed Addas
Independent Board Member

Dr. Addas is the Chief of Programs and Portfolio Monitoring Division at Islamic Development Bank. Prior to this he was Director of Finance and Administration at International Energy Forum, Riyadh. Dr. Addas holds a Doctorate in Economics from International Islamic University, Malaysia.

Dr. Waleed Alnumay
Independent Board Member

Dr. Alnumay is a Faculty Member at King Saud University and Chairman of the Saudi Association of Community Colleges. Over the years, he has held many administrative and supervisory positions - most notably in the field of information technology projects, such as the establishment and management of large data centers and smart schools. Dr. Waleed holds a Master's degree from Atlanta University and a Doctorate degree from Oklahoma University.

Related party transactions

The REIT may, from time to time, enter into transactions with related parties and affiliates to provide services to the fund. Such arrangements must be disclosed to the Fund's Board and shall be on market standard terms. In case a related party or an affiliate, including another fund or collective investment vehicle established by the fund manager, wishes to enter into a transaction with the fund, the fund manager will obtain the approval of the Fund's Board. If the fund buys or sells assets to a related party or an affiliate, the purchase price paid or received by the fund must be consistent with independent valuations.

Raed Al Ammari has resigned in February 2018, and Dr. Fahad has been appointed.

The preceding does not purport to be a complete or exhaustive explanation and summary of all the potential conflicts of interest involved in an investment in units in the fund. It is strongly recommended that all potential investors seek independent advice from their professional advisors.



Section 7

REIT FUND

AUDITED FINANCIAL STATEMENT



**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF
JADWA REIT AL HARAMAIN FUND (MANAGED BY JADWA INVESTMENT COMPANY)**

Opinion

We have audited the accompanying financial statements of Jadwa REIT Al Haramain Fund (the "Fund") being managed by Jadwa Investment Company, which comprise the Balance Sheet as at 31 December 2017, the statement of comprehensive income, statement of cash flows, statement of changes in Net Assets, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements taken as a whole, present fairly, in all material respects, the Balance Sheet of the Fund as at 31 December 2017, and its financial performance and its cash flows for the period then ended in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards board (IASB) and as endorsed in the Kingdom of Saudi Arabia.

Basis for Unqualified Opinion

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

Key Audit Matters

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



**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF
JADWA REIT AL HARAMAIN FUND (MANAGED BY JADWA INVESTMENT COMPANY)**

Key Audit Matter	How the key matter was addressed in the audit
<p>The Fund owns a portfolio of investment properties comprising of commercial building being located in the Kingdom of Saudi Arabia.</p> <p>Investment properties, being held for capital appreciation and/or rental yields, are stated at cost less accumulated depreciation and any impairment losses.</p> <p>Investment properties are re-measured for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.</p> <p>For assessing the impairment of investment properties, the fund management monitors volatility of fair value of properties by engaging independent certified property valuers to perform a formal valuation of the fund's investment properties on semiannual basis.</p> <p>We considered this as a key audit matter since the assessment of impairment requires significant judgment by management and the potential impact of impairment could be material to the financial statements.</p>	<p>For impairment of investment properties, we have carried out the following audit procedures:</p> <ul style="list-style-type: none"> - We assessed the independence of the external valuers and read their terms of engagement with the fund to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work; - We reviewed the methodology applied by the external valuers to ensure it is appropriate; - We obtained two valuation reports from two different / independent real estate valuers for all investment properties as at 31 December 2017 and confirmed that the valuation approaches are suitable for use in determining the carrying values as at the reporting date; - Based on the average fair value of the related investment properties as per the above mentioned valuation reports, we have determined that the average fair value is higher than the carrying amount of the same; and - We reconciled the average fair value of the investment properties as per note 14 to the external valuers' reports.



**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF
JADWA REIT AL HARAMAIN FUND (MANAGED BY JADWA INVESTMENT COMPANY)**

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance 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 International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF
JADWA REIT AL HARAMAIN FUND (MANAGED BY JADWA INVESTMENT COMPANY)**

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

for Alliance Chartered Accountants

Turki A. Alluhaid
Certified Public Accountant
Registration No. 438

Riyadh 9 Jummad Thani 1439H
(25 February 2018)



FINANCIAL STATEMENTS (December 31, 2017)

BALANCE SHEET

As at December 31, 2017

	Note	SR
ASSETS		
NON-CURRENT ASSETS		
Investment properties	5	768,620,861
CURRENT ASSETS		
Prepayments and rental income receivable	7	11,937,966
Bank balances		66,642,735
TOTAL CURRENT ASSETS		78,580,701
TOTAL ASSETS		847,201,562
LIABILITIES		
NON-CURRENT LIABILITIES		
Long-term loan	8	177,083,975
CURRENT LIABILITIES		
Due to related parties	9	6,013,179
Accrued Management fee	14	5,036,419
Accrued liabilities	10	464,183
TOTAL CURRENT LIABILITIES		11,513,781
TOTAL LIABILITIES		188,597,756
NET ASSETS		658,603,806
Units in issue	11	66,000,000
Per-unit value		9.98
Per-unit fair value	6	10.86

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

STATEMENT OF COMPREHENSIVE INCOME

For the period from April 16, 2017 to December 31, 2017

	Note	SR
Rental revenue from investment properties	12	29,876,715
EXPENSES		
General & administrative expenses	13	(9,516,296)
Management fee	14	(5,036,419)
Finance cost		(166,219)
Amortization of transaction cost		(53,975)
		(14,772,909)
TOTAL COMPREHENSIVE INCOME		15,103,806

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

STATEMENT OF CASH FLOWS

For the period from April 16, 2017 to December 31, 2017

	SR
OPERATING ACTIVITIES	
Comprehensive income for the period	15,103,806
Adjustment for non-cash and other items:	
Depreciation on investment properties	8,379,139
Amortisation of transaction costs	53,975
	23,536,920
CHANGES IN OPERATING ASSETS AND LIABILITIES:	
Prepayments and rental income receivable	(11,937,966)
Due to related parties	6,013,179
Accrued Management fee	5,036,419
Accrued liabilities	464,183
Net cash from operating activities	23,112,735
INVESTING ACTIVITY	
Purchase of investment properties	(477,000,000)
Net cash used in investment activity	(477,000,000)
FINANCING ACTIVITIES	
Proceeds from units sold	360,000,000
Proceeds from Long-term loan	177,030,000
Dividend distribution	(6,600,000)
Equity structuring fee	(9,900,000)
Net cash from financing activities	520,530,000
INCREASE IN BANK BALANCES	66,642,735
Bank balances at the beginning of the period	-
Bank balances at the end of the period	66,642,735
NON-CASH TRANSACTIONS	
Investment properties (compensated against sale of units)	300,000,000

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

STATEMENT OF CHANGES IN NET ASSETS

For the period from April 16, 2017 to December 31, 2017

	REIT units	Cumulative income	Total unitholders' net assets
	SR	SR	SR
During the period:			
Issuance of units			
- for cash	360,000,000	-	360,000,000
- for consideration other than cash	300,000,000	-	300,000,000
	660,000,000	-	660,000,000
Equity structuring fee	(9,900,000)	-	(9,900,000)
Comprehensive income	-	15,103,806	15,103,806
Dividend distribution (note 21)	-	(6,600,000)	(6,600,000)
NET ASSET VALUE ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD	650,100,000	8,503,806	658,603,806

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

1. GENERAL

Jadwa REIT Al Haramain Fund (the "REIT" or "Fund") is a closed-ended Shariah-compliant real estate investment traded fund. The REIT 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 REIT is listed on Tadawul and the units of the REIT shall be traded on Tadawul in accordance with its rules and regulations. The Capital of the REIT is SR 660,000,000 divided into 66,000,000 units of SR 10 each. The REIT 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 managed by Jadwa Investment Company, a Saudi Arabian closed joint-stock Company with commercial registration No. 1010228782, and an Authorized Person licensed by the CMA under license No. 06034-37 (the "Fund Manager").

Jadwa Al-Khalil Real Estate Company, a Limited Liability Company with commercial registration No. 1010495553, has been established and approved by the Saudi Capital Market Authority as a special purpose vehicle (the "SPV") for the beneficial interest of the REIT. The SPV owns all the assets of the REIT 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 REIT are the owners.

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

2. REGULATING AUTHORITY

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as endorsed in the Kingdom of Saudi Arabia.

3.2 Basis of measurement

These financial statements have been prepared under the historical-cost convention, using accrual basis of accounting and the going concern concept.

3.3 Use of estimates

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

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

3.4 Functional and presentation currency

These financial statements have been presented in Saudi Riyals, which is the functional currency of the REIT.

4. SIGNIFICANT ACCOUNTING POLICIES

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

Investment properties

Investment properties comprises of completed property that is held to earn rentals or for capital appreciation or both. Investment property is measured at cost including transaction costs less accumulated depreciation. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment, and reviewed at every balance sheet date for any decline in the value of the investment. The estimated useful lives of the investment properties are given in note 5.1.

The fair value of investment properties is disclosed in note 6.

Impairment of non-current assets

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

Cash and cash equivalents

Cash and cash equivalents consists of bank balances, cash on hand, and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

Revenue recognition

Rental income receivable from operating lease of property is recognized on a straight-line basis over the term of the lease.

Management fees and other expenses

Management fees and other expenses are charged at rates / amounts within limits mentioned in terms and conditions of the REIT. The management fee is calculated and payable semi-annually in arrears.

Zakat

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

Net asset value

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

Financial instruments

Financial assets and liabilities are recognised at the time when the REIT becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of financial assets and financial liabilities is taken directly to the statement of comprehensive income.

Dividend distribution

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

Expenses

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

Standards, amendments and interpretations issued but not yet effective

The REIT has chosen not to early adopt the following new standard, which have been issued but are not yet effective for the REIT's accounting year beginning on or after January 1, 2018 and is currently assessing their impact.

Following is a brief on the new IFRS and amendments to IFRS effective for annual periods beginning on or after January 1, 2018:

Effective for annual periods	Standard, amendment or interpretation	Summary of requirements
January 1, 2019	(2015-2017 annual improvements cycle) IFRS 3, IAS 12 and IAS 23	The standards affected under the 2015-2017 annual improvements cycle, and the subjects of the amendments are: - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements previously held interest in a joint operation. - IAS 12 Income Taxes: income tax consequences of payments on financial instruments classified as equity. - IAS 23 Borrowing Costs: borrowing costs eligible for capitalisation. However, the management believes there will not be an impact on the financial statements of the REIT.
January 1, 2019	IFRS 16	IFRS 16 Leases eliminates the current dual-accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. The management believes there will be no impact as the REIT does not have any arrangement in which it is a lessee.
January 1, 2018	Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions. The REIT does not have any Share-Based Payment Transaction, accordingly the amendment will have no impact on the REIT's financial statements.
January 1, 2018	IFRS 15	IFRS 15 Revenue from contracts with customers provides a framework that replaces the existing revenue-recognition model under IAS 18. Entities applying IFRS 15 would need to apply a five-step model to determine when to recognize revenue and at what amount. The model specifies that revenue should be recognized when an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. The REIT is in the process of evaluating how the new revenue recognition model will impact its revenue generating arrangements.

Effective for annual periods	Standard, amendment or interpretation	Summary of requirements
January 1, 2018	Amendment to IAS 40	The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The REIT's management believes that it will not have an impact on the financial statements.
January 1, 2018	IFRIC 22	The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration. The REIT's management believes that it will not have an impact on the financial statements.
January 1, 2018	Amendments to IAS 28	IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice. The mentioned standard is not applicable to the REIT as at the period end and the management believes it will continue to remain not applicable in 2018.
January 1, 2019	Amendments to IAS 28	The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). The mentioned standard is not applicable to the REIT as at the period end and the management believes it will continue to remain not applicable in 2018.
January 1, 2019	Amendments to IFRS 9	Under IFRS 9, a debt instrument can be measured at mortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstances that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

5. INVESTMENT PROPERTIES

The composition of the investment properties on the balance sheet date is summarized below:

Description	Cost	Accumulated depreciation	Net book value
	SR	SR	SR
Land (note 5.2)	463,491,500	-	463,491,500
Thrawat Al Andalosiya Hotel (note 5.2)	152,000,000	4,900,174	147,099,826
Tharawat Al Taqwa Hotel (note 5.2)	158,000,000	3,475,053	154,524,947
Ibrahim Al-Khalil I (note 5.2)	3,408,500	3,273	3,405,227
Pharmacy Building (note 5.2)	100,000	639	99,361
	777,000,000	8,379,139	768,620,861

5.1 Useful life

The useful life of the investment properties as estimated by an independent valuator to be between 22 to 32 years.

5.2 Freehold land comprises of the lands acquired on which the three hotels are built and a land with a fully depreciated building. Freehold land, along with the hotels, is kept in the custody of Al Bilad Investment Company (the "Custodian").

The REIT acquired properties in Makkah in different locations with an aggregate area of 3,169.21 square meter of land. The consideration for the first two properties was partly paid in cash and partly settled through issuance of 30,000,000 units of the REIT.

Thrawat Al Andalosiya 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.

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.

Ibrahim Al-Khalil I:

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

Pharmacy Building:

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

5.3 These investment properties have been pledged with the Bank in order to secure a debt facility obtained by the SPV for the purposes of the REIT. In accordance with the debt facility agreement signed by the SPV with the Bank, the title deed of the investment properties shall be transferred to the SPV formed by the Bank. However, as at the period end the bank has not yet established any special purpose vehicle to take the transfer of title deeds.

5.4 Title deeds of the investment properties are registered in the name of the SPV.

5.5 Rental revenue from these properties are disclosed in note 12.

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

In accordance with Article 21 of the Real Estate Investment Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the REIT's real estate assets based on two evaluations prepared by independent evaluators. However, in accordance with accounting standards as endorsed in the Kingdom of Saudi Arabia, investment in real estate properties are carried at cost in these financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the REIT's books.

The fair value of the investment properties is determined by two selected appraisers i.e, ValuStrat and White Cubes. As of 31 December, the valuation of investment properties are as follows:

	Appraiser 1	Appraiser 2	Average
	SR	SR	SR
Thrawat Al Andalosiya Hotel	400,000,000	410,000,000	405,000,000
Tharawat Al Taqwa Hotel	270,000,000	267,200,000	268,600,000
Ibrahim Al Khalil I Hotel	133,000,000	125,000,000	129,000,000
Pharmacy Building	25,000,000	23,000,000	24,000,000
	828,000,000	825,200,000	826,600,000

Management has used the average of the two valuations for the purposes of disclosing the fair value of the investment properties. Based on the assessment by the management and by comparing the fair value of the investment properties with the book value, there are no indicators of impairment as at the period end.

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 versus cost:

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

	December 31, 2017
	SR
Fair value of investment in real estate properties	826,600,000
Less: Cost of investment in real estate properties (refer note 5)	768,620,861
Unrealised gain based on fair value evaluation	57,979,139
Units in issue	66,000,000
Per unit share in unrealised gain based on fair value evaluation	0.88

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

	December 31, 2017
	SR
Net asset value at cost, as presented in these financial statements	658,603,806
Unrealised gain based on real estate evaluations (note (i))	57,979,139
Net asset value based on fair value	716,582,945

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

	December 31, 2017
	SR
Net asset value per unit, at cost as presented in these financial statements	9.98
Impact on net asset value per unit on account of unrealised gain based on fair value evaluations (note (i))	0.88
Net asset value per unit at fair value	10.86

7. PREPAYMENTS AND RENTAL INCOME RECEIVABLE

	December 31, 2017
	SR
Rental income receivable (note 7.1)	11,902,139
Prepaid insurance	35,827
Prepayments and rental income receivable	11,937,966

7.1 This amount represents the rental income receivable from the operating leases. Following is the ageing analysis of the receivable:

	December 31, 2017
	SR
Less than 30 days	187,853
Between 31 to 60 days	-
Between 61 to 90 days	10,565,827
Between 91 to 120 days	1,148,459
More than 120 days	-
	11,902,139

No provision has been booked on the above receivables, as the REIT expects the receivable to be fully recoverable. It is not the practice of the REIT to obtain collateral over receivables and are, therefore, unsecured.

8. LONG-TERM LOAN

	December 31, 2017
	SR
Long-term loan (note 8.1)	183,000,000
Less:	
Transaction cost (note 8.2)	5,970,000
Amortization of transaction cost	(53,975)
	5,916,025
Long-term loan	177,083,975

8.1 On July 20, 2017, Banque Saudi Fransi (the "Bank") has extended an Islamic finance facility (Tawaruq) (the "Facility") to the SPV amounting to SR 500,000,000 for the purposes of financing the real estate investments of the REIT. The SPV has made an arrangement with the REIT under a Long-term loan arrangement (the "Loan") to extend all the loan proceeds availed by it under the Facility to the REIT on terms and conditions same as that of the Facility.

The Facility and correspondingly the Loan is available till July 20, 2020 and is repayable in full on August 31, 2022.

The Loan carries mark-up at the rate of SIBOR as announced by the Bank plus 2% per annum, payable on semi-annual basis. As at December 31, 2017, SR 183,000,000 have been drawn from the available Facility.

8.2 Transaction cost related to the Loan have been capitalized in the carrying amount of the Loan and are being amortized over the period of the Loan.

8.3 The Facility is secured by a pledge over all the current and future rights and interests in the current investment properties of the REIT (please refer to note 9 for more details).

9. DUE TO RELATED PARTIES

	December 31, 2017
	SR
Due to Jadwa Al-Khalil Real Estate Company:	
- Loan arrangement fee (note 9.1)	3,750,000
- Debt structuring fee (note 9.2)	2,220,000
Due to Jadwa Investment Company:	
- SPV legal expenses	23,710
Due to unitholders:	
- Unpaid dividend	19,469
	6,013,179

9.1 This amounts pertains to the arrangement fee paid upon signing the arrangement for obtaining the Loan. The arrangement fee is recognised in the carrying amount of the Loan as a transaction cost and is amortised on a straight-line basis over the period for which the Loan is available.

9.2 The Fund Manager charges the Fund a debt structuring fee equal to 1.5% of the amount drawn pursuant to any debt financing obtained by the Fund. The debt structuring fee is calculated on the amount utilized from the draw-down amount of the Facility. This amount is recognised in the carrying amount of the Loan as a transaction cost and is amortised on a straight line basis over the period for which the Loan is available.

10. ACCRUED LIABILITIES

	December 31, 2017
	SR
Finance cost accrued	166,219
Property valuation fee	140,000
Custodian fee (note 10.1)	82,466
Administrator fee (note 14.2)	31,409
Auditor fee	17,500
Legal and professional fee	16,589
Board oversight fee (note 15)	10,000
Accrued liabilities	464,183

10.1 The Custodian charges the Fund an annual custody fee equal to 0.025% of the net asset value, payable semi-annually.

11. UNIT TRANSACTION

Transaction in units of the REIT for the period is summarized as follows:

	December 31, 2017
	SR
Units issued during the period for consideration in cash (note 11.2)	36,000,000
Units issued during the period for consideration other than cash (note 11.2)	30,000,000
Units at the end of the period	66,000,000

11.1 During the period, the REIT issued 36,000,000 units for SAR 360,000,000 to the general public. Equity Structuring Fee (transaction costs) incurred for issuance of the units amounted to SAR 9,900,000.

11.2 During the period, the REIT issued 30,000,000 units as a consideration for the purchase of investment properties.

12. RENTAL REVENUE FROM INVESTMENT PROPERTIES

	December 31, 2017
	SR
Rental revenue (note 12.1)	29,876,715
	29,876,715

12.1 The REIT enters into long-term operating lease contracts with tenants for space in its investment properties. Initial lease terms are generally between three and 16 years. Leases generally provide for the tenant to pay the base rent, with provisions for contractual increases in base rent over the term of the lease. Responsibility for repair and maintenance of the property, and its insurance over the lease term lies with the lessee.

12.2 Future minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2017
	SR
Not later than 1 year	51,705,000
Later than 1 year and not later than 5 years	277,754,391
Later than 5 years	376,055,137
	705,514,528

13. GENERAL & ADMINISTRATIVE EXPENSES

	December 31, 2017
	SR
Depreciation expense	8,379,139
Registrar fee	282,740
Listing fee	225,806
Property valuation fee	170,000
Custodian fee	116,370
Administrator fee	98,197
Insurance premium	85,922
Tadawul registration fee	53,628
Auditor fee	35,000
Board oversight fee	20,000
Loan processing fee	9,150
Others	40,344
General & administrative expenses	9,516,296

14. TRANSACTIONS WITH RELATED PARTIES

The significant related party transactions entered into by the REIT during the period and the balances resulting from such transactions are as follows:

Related Party	Nature of transaction	Amount of transaction	Balance
Jadwa Investment	Equity structuring fee (note 11.1)	9,900,000	-
	Management fee (note 14.1)	5,036,419	5,036,419
	Debt structuring fee (note 9.2)	2,220,000	2,220,000
	Administrator fee (note 14.2)	98,197	31,409
	SPV legal expenses	23,710	23,710

14.1 Management fee

In consideration for managing the assets of the fund, the fund manager in accordance with the Terms and Conditions of the REIT charges the fund a management fee equal to 1% of the total net asset value of the fund calculated and payable semi-annually in arrears.

14.2 Administrator fee

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

15. REMUNERATION TO INDEPENDENT DIRECTORS

During the period, the following expense in relation to the independent directors is included in the general and administrative expenses:

	December 31, 2017
	SR
Board oversight fee	20,000

16. FINANCIAL INSTRUMENTS BY CATEGORY

16.1 Financial assets as per balance sheet

Loans and receivables	
Rental income receivable	11,902,139
Bank balances	66,642,735
	78,544,874

16.2 Financial liabilities as per balance sheet

Financial liabilities measured at amortized cost	
Long-term loan	177,083,975
Due to related parties	6,013,179
Accrued Management fee	5,036,419
Accrued liabilities	464,183
	11,513,781

17. FINANCIAL RISK MANAGEMENT

The REIT's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The REIT's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the REIT's financial performance.

Market risk

The REIT 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 REIT 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 REIT.

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 REIT's interest rate risk arises from the long-term loan. This is benchmarked to SAIBOR which expose the REIT to cashflow interest rate risk.

The REIT 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 REIT.

As at December 31, 2017, if interest rates on REIT's borrowings had been 1% higher / lower with all other variables held constant, total comprehensive income for the period would have been lower / higher by SR 45,000 as a result of interest exposure on the long-term loan.

The fund's exposure to interest rate risk on its financial assets and liabilities as at the balance sheet date is analysed in the following table and categorised by their maturity dates:

As at December 31, 2017	Maturity up to one year	Maturity after one year	Total
	SR	SR	SR
Assets			
Rental income receivable	11,902,139	-	11,902,139
Bank balances	66,642,735	-	66,642,735
Total assets	78,544,874	-	78,544,874
Variable rate liabilities			
Long-term loan	-	177,083,975	177,083,975
Liabilities			
Due to related parties	6,013,179	-	6,013,179
Accrued Management fee	5,036,419	-	5,036,419
Accrued liabilities	464,183	-	464,183
Total liabilities	11,513,781	177,083,975	188,597,756

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The maximum exposure to credit risk applicable to the REIT approximates to the carrying value of the financial assets as disclosed in these financial statements. Cash is placed with a reputable bank having a sound credit rating.

Liquidity risk

Liquidity risk is the risk that the REIT will encounter difficulty in raising funds to meet the 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.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The REIT does not have any significant exposure to currency risk as all its monetary assets and monetary liabilities are denominated in Saudi riyals.

Property risk

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

- A tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property. To reduce this risk, the fund reviews the financial status of all prospective tenants and decides on the appropriate level of security required via promissory notes.
- Concentration risk as all the fund's investment properties are located in the vicinity of the Holy Mosque in Makkah. This causes changes in economic, political or other conditions to similarly affect all the fund's properties at the same time. The fund's management regularly assess the changes in the market indicators and diversifies its investment in different areas within the macro location, as this is a premium location with high level of demand for hospitality units.

18. FAIR VALUE OF ASSETS AND LIABILITIES

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. As the accompanying financial statements are prepared under the historical cost convention, difference may arise between the book values and the fair value estimates. Management believes that the fair values of the REIT's financial assets and liabilities, other than investment properties, are not materially different from their carrying values.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, 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; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

As at December 31, 2017				
Financial assets	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Investment properties (note 6)				
Thrawat Al Andalsiya Hotel	-	405,000,000	-	405,000,000
Tharawat Al Taqwa Hotel	-	268,600,000	-	268,600,000
Ibrahim Al Khalil I Hotel	-	129,000,000	-	129,000,000
Pharmacy Building	-	24,000,000	-	24,000,000
	-	826,600,000	-	826,600,000

Valuation technique

When the fair values 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 statement and the level where the items are disclosed in the fair value hierarchy.

Investment property

The fair value of investment properties was assessed by ValuStrat 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 recently published International Valuation Standards issued by IVSC (International Valuation Standards Council) and applied by TAQEEM (Saudi Authority for Accredited Valuers). These models comprise both the discounted cash flow (DCF) method and income capitalisation method.

19. OPERATING SEGMENT

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

20. LAST VALUATION DAY

The last valuation day of the period was December 31, 2017.

21. DIVIDEND DISTRIBUTION

21.1 On August 20, 2017, the fund's board of directors approved to distribute dividends to the unitholders for the period from April 16, 2017 to June 30, 2017 amounting to SR 6,600,000 in accordance with the initial terms and conditions of the fund which was 90% of the fund's net profits.

21.2 Subsequently, on January 2, 2018, the fund's board of directors approved to distribute dividends to the unitholders for the period from July 1, 2017 to December 31, 2017 amounting to SR 17,160,000 in accordance with the initial terms and conditions of the fund which was 90% of the fund's net profits.

22. COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies as at the period end.

23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the REIT's Board on 09/05/1439 H (Corresponding to 25/02/2017 G).

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