

**Jadwa REIT Saudi Fund**  
**(Managed by Jadwa Investment Company)**

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

**31 DECEMBER 2020**

Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)

FINANCIAL STATEMENTS

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31 December 2020

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

**Opinion**

We have audited the accompanying financial statements of Jadwa REIT Saudi Fund (the "Fund") being managed by Jadwa Investment Company, which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of cash flows and statement of changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements taken as a whole, present fairly, in all material respects, the financial position of the Fund as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) (collectively referred to as "IFRSs as endorsed in KSA").

**Basis for Opinion**

We conducted our audit in accordance with the International Standards on Auditing ("ISA") that are 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 that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

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

Key Audit Matter	How the key matter was addressed in the audit
<p><b><u>Valuation of investment properties</u></b></p> <p>The Fund owns a portfolio of investment properties comprising of land and commercial buildings being located in the Kingdom of Saudi Arabia.</p> <p>As at 31 December 2020, the carrying value of Fund's investment properties aggregated to SR 1,570,608,097 (2019: SR 1,611,861,724) and the fair value of these properties amounted to SR 1,844,170,000 (2019: SR 1,839,735,000).</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>For impairment of investment properties, we have carried out the following audit procedures:</p> <ul style="list-style-type: none"><li>- We assessed the credentials, independence, professional qualification, competence and experience of the Fund's valuers, and also assessed that they are certified by the Saudi Authority for Accredited Valuers (TAQEEM);</li><li>- We involved our specialist and assessed the reasonableness of valuation methodology, approach and assumptions of the Fund's independent valuers;</li></ul>



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

**Key Audit Matters (continued)**

Key Audit Matter	How the key matter was addressed in the audit
<p>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 Manager 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 a key audit matter since the assessment of impairment requires significant judgment by the Fund Manager and assessed the recoverable amount, which is higher of fair value or value in use of the related investment properties based on the independent valuation reports.</p> <p><i>The Fund's policies for investment properties are disclosed in note 5.1 and related disclosures about the above-mentioned key audit matter are included in notes 6 and 7 of the accompanying financial statements.</i></p>	<ul style="list-style-type: none"><li>- We reconciled the average fair value of the investment properties as presented in the accompanying financial statements to the external valuers' reports;</li><li>- We assessed the recoverable amount which is higher of fair value and value in use of the related investment properties as per the above-mentioned valuation reports and ensured that appropriate impairment, if any, was recognized in the statement of comprehensive income during the year; and</li><li>- We have also reviewed the adequacy of the investment properties disclosures included in the accompanying financial statements.</li></ul>

**Other Information**

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

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

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

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



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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

As at 31 December 2020, the Fund has not complied with the conditions of Part 4 of the Real Estate Investment Traded Funds ("REITF") Instructions as to the following:

- The Fund's investment value in constructionally developed real estate, and qualified to generate periodic rental income, represents 72.7% of the Fund's total assets value, which is less than the minimum requirement of 75%.
- The Fund has distributed dividends amounting to SR 115,340,000 representing 83.2% of the Fund's net profit, which is less than the minimum requirement of 90%.
- The Fund's investments in mutual fund and private real estate investment fund represent 25.2% of the Fund's total assets value, which exceeded the allowable limit of 25%.

The Fund's management has disclosed the justifications for non-compliance to the REITF Instructions in note 2 to the accompanying financial statements.

for Alluhaid & Alyahya Chartered Accountants

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

Riyadh: 16 Sha'ban 1442 H  
(29 March 2021)



Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 SR	2019 SR
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investment properties	6	1,570,608,097	1,611,861,724
Financial assets at fair value through profit or loss	8	530,390,020	-
Deferred charges	12	3,132,465	5,114,007
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,104,130,582</b>	<b>1,616,975,731</b>
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	8	14,052,262	-
Deferred charges – current portion	12	1,981,542	1,986,970
Prepayments and other assets	9	21,946	7,135,159
Rent receivables	10	22,520,508	25,479,039
Other receivables		384,034	-
Cash and cash equivalents	11	18,536,864	29,412,753
<b>TOTAL CURRENT ASSETS</b>		<b>57,497,156</b>	<b>64,013,921</b>
<b>TOTAL ASSETS</b>		<b>2,161,627,738</b>	<b>1,680,989,652</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long-term loan	12	573,122,500	127,772,500
<b>CURRENT LIABILITIES</b>			
Due to related parties	15	362,074	2,342,815
Unearned rental income		2,990,956	2,267,943
Accrued management fee	15	7,355,507	6,664,092
Accruals and other liabilities	13	1,345,635	1,243,947
Provision for legal claim	14	-	3,000,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>12,054,172</b>	<b>15,518,797</b>
<b>TOTAL LIABILITIES</b>		<b>585,176,672</b>	<b>143,291,297</b>
<b>NET ASSETS</b>		<b>1,576,451,066</b>	<b>1,537,698,355</b>
Units in issue		<b>158,000,000</b>	<b>158,000,000</b>
Per unit value		<b>9.98</b>	<b>9.73</b>
Per unit fair value	7	<b>11.71</b>	<b>11.17</b>

The attached notes 1 to 27 form an integral part of these financial statements.

Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	<b>2020 SR</b>	<b>2019 SR</b>
<b>INCOME</b>			
Rental income from investment properties	18	<b>136,628,160</b>	133,733,888
Unrealized gain on financial assets at fair value through profit or loss	8	<b>80,442,282</b>	-
		<u><b>217,070,442</b></u>	<u>133,733,888</u>
<b>EXPENSES</b>			
Depreciation	6	<b>(38,639,662)</b>	(36,869,430)
Management fees	15	<b>(13,979,947)</b>	(13,185,722)
Amortization of deferred charges	12	<b>(1,986,970)</b>	(2,899,023)
General and administrative expenses	16	<b>(2,756,173)</b>	(2,224,764)
		<u><b>(57,362,752)</b></u>	<u>(55,178,939)</u>
<b>OPERATING PROFIT</b>		<b>159,707,690</b>	78,554,949
Finance charges	12, 15	<b>(5,614,979)</b>	(1,905,456)
<b>NET INCOME FOR THE YEAR</b>		<b>154,092,711</b>	76,649,493
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<u><b>154,092,711</b></u>	<u>76,649,493</u>

The attached notes 1 to 27 form an integral part of these financial statements.



Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	<i>Notes</i>	<b>2020 SR</b>	<b>2019 SR</b>
<b>OPERATING ACTIVITIES</b>			
Net income for the year		154,092,711	76,649,493
Adjustments for non-cash and other items:			
Depreciation	6	38,639,662	36,869,430
Amortisation of deferred charges	12	1,986,970	2,899,023
Finance charges	12, 15	5,614,979	1,905,456
Unrealised gain on financial assets at fair value through profit or loss	8	(80,442,282)	-
		<u>119,892,040</u>	<u>118,323,402</u>
Changes in operating assets and liabilities:			
Prepayments and other assets		7,113,213	3,210,957
Rent receivables		2,958,531	1,103,651
Other receivables		(384,034)	-
Due to related parties		(833,048)	1,069,306
Unearned rental income		723,013	2,267,943
Accrued management fee		691,415	44,939
Accruals and other liabilities		101,688	947,952
		<u>130,262,818</u>	<u>126,968,150</u>
Finance charges paid		(6,762,672)	(691,388)
Net cash from operating activities		<u>123,500,146</u>	<u>126,276,762</u>
<b>INVESTING ACTIVITIES</b>			
Payments for financial assets at fair value through profit or loss	8	(464,000,000)	-
Addition to investment properties	6	(386,035)	(121,335,937)
Net cash used in investing activities		<u>(464,386,035)</u>	<u>(121,335,937)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from long-term loan	12	450,000,000	127,772,500
Dividends distributed	21	(115,340,000)	(113,760,000)
Deferred charges	12	-	(10,000,000)
Loan repayment	12	(4,650,000)	-
Net cash from financing activities		<u>330,010,000</u>	<u>4,012,500</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(10,875,889)</b>	<b>8,953,325</b>
Cash and cash equivalents at beginning of the year		<u>29,412,753</u>	<u>20,459,428</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b><u>18,536,864</u></b>	<b><u>29,412,753</u></b>
<b>NON-CASH TRANSACTIONS</b>			
Reversal of (provision for) legal claim on investment properties	6, 14	<u>3,000,000</u>	<u>(3,000,000)</u>

The attached notes 1 to 27 form an integral part of these financial statements.

Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2020

	<i>Notes</i>	<b>2020</b> <b>SR</b>	<b>2019</b> <b>SR</b>
<b>Net asset value attributed to the unitholders at beginning of the year</b>		<b>1,537,698,355</b>	1,574,808,862
<b>Comprehensive income</b>			
Net income for the year		<b>154,092,711</b>	76,649,493
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<b>154,092,711</b>	76,649,493
Dividend distribution	21	<b>(115,340,000)</b>	(113,760,000)
<b>Net asset value attributed to the unitholders at end of the year</b>		<b><u>1,576,451,066</u></b>	<u>1,537,698,355</u>

The attached notes 1 to 27 form an integral part of these financial statements.

# Jadwa REIT Saudi Fund (Managed by Jadwa Investment Company)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 1 GENERAL

Jadwa REIT Saudi Fund (the "Fund") is a closed-ended Shariah compliant real estate investment traded fund. The Fund operates in accordance with Real Estate Investment Fund Regulations ("REIFR") and Real Estate Investment Traded Funds ("REITF") Instructions issued by the Capital Market Authority ("CMA"). The Fund is listed on Saudi Stock Exchange ("Tadawul") and the units of the Fund started to be traded on Tadawul in accordance with its rules and regulations. The Capital of the Fund is SR 1,580,000,000 divided into 158,000,000 units of SR 10 each. The Fund has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of the CMA.

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

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

1. Real Estate Development Areas Company, a Limited Liability Company with commercial registration number 1010385322.
2. Jadwa Al Masha'ar Real Estate Company, a Limited Liability Company with commercial registration number 1010495554.

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

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

### 2 REGULATING AUTHORITY

The Fund is governed by the REIFR published by the CMA in the Kingdom of Saudi Arabia on 19 Jumada II 1427 H (corresponding to 15 July 2006) and REITF instructions published by CMA on 23 Muharram 1438 H (corresponding to 24 October 2016) and amended by Resolution Number 2-115-2018 dated 13 Safar 1440H (corresponding to 22 October 2018), detailing requirements for all real estate funds operating within the Kingdom of Saudi Arabia.

As at 31 December 2020, the Fund has not complied with the conditions of Part 4 of the REITF Instructions as to the following:

- The Fund's investment value in constructionally developed real estate, and qualified to generate periodic rental income represents 72.7% of the Fund's total assets value, which is less than the minimum requirement of 75%. This was mainly due to the significant change in the fair value of its investment in private real estate investment fund.
- The Fund has distributed dividends amounting to SR 115,340,000 representing 83.2% of the Fund's net profit, which is less than the minimum requirement of 90%. This was mainly due to the exclusion of unrealised gain on financial assets at fair value through profit or loss ("FVTPL") from the net profit available for distribution.
- The Fund's investments in mutual fund and private real estate investment fund represent 25.2% of the Fund's total assets value, which exceeded the allowable limit of 25%. This was mainly due to the significant change in the fair value of its investment in private real estate investment fund.

Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

**3 BASIS OF PREPARATION**

**3.1 Statement of compliance**

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

**3.2 Basis of measurement**

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

**3.3 Functional and presentation currency**

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

**4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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

***Judgments***

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements. Judgments have been applied in the cases of determining whether an arrangement contains a lease and classification of leases and whether the Fund meets the definition of an investment entity within IFRS 10.

***Assumptions and estimation uncertainties***

Useful lives of investment properties

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

Impairment of investment properties

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

Impairment of financial assets held at amortised cost

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

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

Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

**5 SIGNIFICANT ACCOUNTING POLICIES**

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

**5.1 Investment properties**

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

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

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

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

**5.2 Impairment of non-financial assets**

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been 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.

**5.3 Cash and cash equivalents**

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

**5.4 Financial instruments**

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

**5.4.1 Initial recognition and measurement of financial instruments**

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

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

Jadwa REIT Saudi Fund  
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

**5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.4 Financial instruments (continued)**

**5.4.2 Financial assets – subsequent classification and measurement**

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

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

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

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

In accordance with the exemption in IAS 28 Investments in Associates and Joint Ventures, the Fund does not account for its investment in an associate using the equity method. Instead, the Fund has elected to measure its investments in associates at FVTPL.

The Fund has no financial assets measured at FVOCI.

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

**5.4.3 Impairment of financial assets**

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

**Expected credit loss assessment for rent receivables**

The Fund applies IFRS 9 simplified approach for measuring ECL, which uses a lifetime expected loss allowance. The method is applied for assessing an allowance against financial assets measured at amortised cost.

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical rates are adjusted to reflect the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Fund has identified inflation rate to be the most relevant factor and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks the total loss amount modelling into the following parts: Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD). These are briefly described below:

**Probability of Default (PD):** The likelihood of a default over a particular time horizon.

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

31 December 2020

**5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.4 Financial instruments (continued)**

**5.4.3 Impairment of financial assets (continued)**

**Loss Given Default (LGD):** This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

**Exposure at Default (EAD):** This is an estimate of the exposure at a future default rate, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Presentation of impairment

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

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

**5.4.4 Financial liabilities – subsequent classification and measurement**

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

The Fund derecognises a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.

The Fund’s financial liabilities include due to related parties, accrued management fee, accruals and other liabilities and long-term loan.

**5.4.5 Modification of financial assets and financial liabilities**

Financial assets

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

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

Financial liabilities

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

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

31 December 2020

**5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.4 Financial instruments (continued)**

**5.4.6 Offsetting of financial instruments**

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

**5.5 Provision**

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

**5.6 Revenue recognition**

Revenue includes rental income from investment properties.

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

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

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

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

**5.7 Management fees**

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

**5.8 Expenses**

General and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under International Financial Reporting Standards.

**5.9 Net assets value**

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

**5.10 Units in issue**

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



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

31 December 2020

**5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.11 Zakat**

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

**5.12 Dividend distribution**

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

**5.13 Amendments to existing standards effective 1 January 2020**

The Fund has adopted the following amendments to existing standards which have been issued and effective from 1 January 2020:

<b><u>Amendments to standards</u></b>	<b><u>Effective date</u></b>
<i>Definition of a Business (Amendments to IFRS 3)</i>	1 January 2020
<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>	1 January 2020
<i>Definition of Material (Amendments to IAS 1 and IAS 8)</i>	1 January 2020
<i>Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)</i>	1 January 2020

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

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

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

<b><u>Standards / amendments to standards</u></b>	<b><u>Effective date</u></b>
<i>IFRS 17 Insurance Contracts</i>	1 January 2023
<i>Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)</i>	1 January 2021
<i>Reference to the Conceptual Framework (Amendments to IFRS 3)</i>	1 January 2022
<i>Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)</i>	1 January 2022
<i>Annual Improvements to IFRS Standards 2018 — 2020</i>	1 January 2022
<i>Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)</i>	1 January 2022
<i>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</i>	1 January 2023

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

**6 INVESTMENT PROPERTIES**

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

**31 December 2020**

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Net book value SR</i>
Land	498,249,675	-	498,249,675
Alyaum Newspaper Tower	160,559,990	9,773,815	150,786,175
Almaarefa University for Science & Technology	97,439,857	8,424,320	89,015,537
Al-Sulay Warehouse	147,534,425	16,572,319	130,962,106
Marvela Residential Compound	492,696,838	53,349,959	439,346,879
Al Fanar Residential & Commercial Compound	205,902,564	19,896,412	186,006,152
Rawd Aljinan School	19,016,563	1,153,013	17,863,550
Aber Al Yasmin Hotel	19,870,771	710,157	19,160,614
Olaya Court Tower	40,670,939	1,453,530	39,217,409
	<b>1,681,941,622</b>	<b>111,333,525</b>	<b>1,570,608,097</b>

31 December 2019

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Net book value SR</i>
Land	499,871,870	-	499,871,870
Alyaum Newspaper Tower	160,173,955	6,406,590	153,767,365
Almaarefa University for Science & Technology	98,817,662	5,613,850	93,203,812
Al-Sulay Warehouse	147,534,425	11,043,177	136,491,248
Marvela Residential Compound	492,696,838	35,550,428	457,146,410
Al Fanar Residential & Commercial Compound	205,902,564	13,258,229	192,644,335
Rawd Aljinan School	19,016,563	556,964	18,459,599
Aber Al Yasmin Hotel	19,870,771	86,855	19,783,916
Olaya Court Tower	40,670,939	177,770	40,493,169
	<b>1,684,555,587</b>	<b>72,693,863</b>	<b>1,611,861,724</b>

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

	<b>2020 SR</b>	<b>2019 SR</b>
<b>Cost</b>		
Balance at beginning of the year	<b>1,684,555,587</b>	1,560,219,650
Additions during the year	<b>386,035</b>	124,335,937
Reversal of capitalised cost (note 14)	<b>(3,000,000)</b>	-
Balance at end of the year	<b>1,681,941,622</b>	1,684,555,587
<b>Accumulated depreciation</b>		
Balance at beginning of the year	<b>72,693,863</b>	35,824,433
Depreciation charge for the year	<b>38,639,662</b>	36,869,430
Balance at end of the year	<b>111,333,525</b>	72,693,863
<b>Net book value</b>	<b>1,570,608,097</b>	1,611,861,724

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

31 December 2020

**6 INVESTMENT PROPERTIES (continued)**

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

**6.2** Freehold land comprises of the lands acquired on which the buildings are built. The Fund acquired properties in Riyadh, Al Khobar and Dammam with an aggregate area of 387,442.39 square meters of land (2019: 387,442.39 square meters).

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

**6.3.1 *Alyaum Newspaper Tower***

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

**6.3.2 *Almaarefa University for Science & Technology***

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

**6.3.3 *Al-Sulay Warehouse***

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

**6.3.4 *Marvela Residential Compound***

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

**6.3.5 *Al Fanar Residential & Commercial Compound***

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

**6.3.6 *Rawd Aljinan School***

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

**6.3.7 *Aber Al Yasmin Hotel***

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

**6.3.8 *Olaya Court Tower***

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

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

In accordance with Article 22 of the REIFR issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's real estate assets based on two evaluations prepared by independent evaluators. However, in accordance with the requirement of CMA in the Kingdom of Saudi Arabia, investment in real estate properties are carried at cost less depreciation and impairment, if any, in these financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's books.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

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

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

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

  

31 December 2019	Appraiser 1 SR	Appraiser 2 SR	Average SR
Alyaum Newspaper Tower	318,000,000	288,900,000	303,450,000
Almareefa University for Science & Technology	228,500,000	220,700,000	224,600,000
Al-Sulay Warehouse	276,000,000	235,300,000	255,650,000
Marvela Residential Compound	645,000,000	645,200,000	645,100,000
Al Fanar Residential & Commercial Compound	268,300,000	259,700,000	264,000,000
Rawd Aljinan School	31,250,000	31,000,000	31,125,000
Aber Al Yasmin Hotel	44,200,000	40,000,000	42,100,000
Olaya Court Tower	77,420,000	70,000,000	73,710,000
	<b>1,888,670,000</b>	<b>1,790,800,000</b>	<b>1,839,735,000</b>

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

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

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

	2020 SR	2019 SR
Fair value of investments in real estate properties	<b>1,844,170,000</b>	1,839,735,000
Less: Carrying value of investments in real estate properties (note 6)	<b>1,570,608,097</b>	1,611,861,724
Unrealised gain based on fair value evaluation	<b>273,561,903</b>	227,873,276
Units in issue	<b>158,000,000</b>	158,000,000
Per unit share in unrealised gain based on fair value evaluation	<b>1.73</b>	1.44

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

31 December 2020

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

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

	<b>2020</b> <b>SR</b>	<b>2019</b> <b>SR</b>
Net asset value at cost, as presented in these financial statements	<b>1,576,451,066</b>	1,537,698,355
Unrealised gain based on real estate evaluations (note 7.i.)	<b>273,561,903</b>	227,873,276
Net asset based on fair value	<b><u>1,850,012,969</u></b>	<b><u>1,765,571,631</u></b>

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

	<b>2020</b> <b>SR</b>	<b>2019</b> <b>SR</b>
Net asset value per unit, at cost as presented in these financial statements	<b>9.98</b>	9.73
Impact on net asset value per unit on account of unrealised gain based on fair value evaluations (note 7.i.)	<b>1.73</b>	1.44
Net asset value per unit at fair value	<b><u>11.71</u></b>	<b><u>11.17</u></b>

**8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2020</b> <b>SR</b>	<b>2019</b> <b>SR</b>
<b>Non-current</b>		
Investment in associate (note 8.1)	<b><u>530,390,020</u></b>	<u>-</u>
<b>Current</b>		
Investment in mutual fund (note 8.2)	<b><u>14,052,262</u></b>	<u>-</u>

**8.1 Investment in associate**

This represents investment in 45,000,000 units (2019: Nil) in Real Estate Investment Fund, a closed-ended Shariah-compliant private real estate investment fund managed by Jadwa Investment Company, the cost of which is SR 450,000,000 (2019: Nil). The Fund's principal place of business is in Riyadh, Kingdom of Saudi Arabia.

As at 31 December 2020, the Fund holds 42.36% of Real Estate Investment Fund (2019: Nil).

The unrealised gain on this investment amounted to SR 80,390,020 for the year ended 31 December 2020 (2019: Nil).

**8.2 Investment in mutual fund**

This represents the Fund's investment in 138,626.49 units (2019: Nil) of Jadwa Saudi Riyal Murabaha Fund managed by Jadwa Investment Company, the cost of which is SR 14,000,000 (2019: Nil) and is current in nature.

The unrealised gain on this investment amounted to SR 52,262 for the year ended 31 December 2020 (2019: Nil).

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2020

**9 PREPAYMENTS AND OTHER ASSETS**

	<b>2020</b> <b>SR</b>	<b>2019</b> <b>SR</b>
Prepaid expenses	<b>21,946</b>	21,648
Input value-added tax ("VAT")	-	7,113,511
	<u><b>21,946</b></u>	<u>7,135,159</u>

**10 RENT RECEIVABLES**

This account represents the rent receivable from the operating leases (see note 18).

Following is the ageing analysis of the receivable:

	<b>2020</b> <b>SR</b>	<b>2019</b> <b>SR</b>
Less than 30 days	<b>21,154,798</b>	23,344,043
Between 31 to 60 days	-	-
Between 61 to 90 days	-	-
Between 91 to 120 days	-	-
More than 120 days	<b>1,365,710</b>	2,134,996
	<u><b>22,520,508</b></u>	<u>25,479,039</u>

***Impairment and risk exposure***

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

**11 CASH AND CASH EQUIVALENTS**

As of 31 December 2020, seven of the 15 bank accounts are maintained with Banque Saudi Fransi under the name of the SPVs with a total balance of SR 18,057,183 (2019: five of the nine bank accounts with a total balance of SR 22,408,786).

**12 LONG-TERM LOAN AND DEFERRED CHARGES**

On 1 October 2018, BSF has extended an Islamic finance facility to one of the SPVs, Real Estate Development Areas Company, amounting to SR 1,000,000,000 for the purposes of financing the real estate investments of the Fund. The SPV has made an arrangement with the Fund under a long-term loan agreement to lend all the loan proceeds availed by it under the facility to the Fund on terms and conditions same as that of the facility.

The facility and correspondingly the loan is available until 1 October 2021 and is repayable in full on 31 July 2023. As at 31 December 2020, the Fund has drawn SR 573,122,500 (2019: SR 127,772,500) from the facility.

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

Jadwa REIT Saudi Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2020

**12 LONG-TERM LOAN AND DEFERRED CHARGES (continued)**

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

	2020 SR	2019 SR
At beginning of the year	127,772,500	-
Proceeds from loans	450,000,000	127,772,500
Repayment of loans	(4,650,000)	-
At end of the year	<u>573,122,500</u>	<u>127,772,500</u>

Finance charges for the year ended 31 December 2020 amounted to SR 5,614,979 (2019: SR 1,905,456) which are reflected under the statement of comprehensive income.

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

The movement in the deferred charges is as follows:

	2020 SR	2019 SR
At beginning of the year	7,100,977	-
Additions during the year	-	10,000,000
Amortisation charged during the year	(1,986,970)	(2,899,023)
At end of the year	<u>5,114,007</u>	<u>7,100,977</u>

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

	2020 SR	2019 SR
Non-current portion	3,132,465	5,114,007
Current portion	1,981,542	1,986,970
	<u>5,114,007</u>	<u>7,100,977</u>

**13 ACCRUALS AND OTHER LIABILITIES**

	2020 SR	2019 SR
Output VAT	996,897	979,109
Custody fee	247,320	80,658
Property Valuation fees	58,810	49,059
Professional fees	32,250	68,001
Administration fee	-	29,664
Legal fees	-	21,000
Independent board member fee	-	10,000
Others	10,358	6,456
	<u>1,345,635</u>	<u>1,243,947</u>

**Jadwa REIT Saudi Fund  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
31 December 2020

**14 PROVISION FOR LEGAL CLAIM**

	<b>2020</b>	<b>2019</b>
	<b>SR</b>	<b>SR</b>
At beginning of the year	<b>3,000,000</b>	-
Arising during the year	-	3,000,000
Reversal of provision	<b>(3,000,000)</b>	-
At end of the year	<b>-</b>	<b>3,000,000</b>

During 2019, provision amounting to SR 3,000,000 was recognised for legal claim filed against the Fund relating to a dispute in one of its investment properties. During 2020, the court dismissed the case – No. 2570 of 1441H and ruled in favor of the Fund due to lack of jurisdiction of the Commercial Court. Accordingly, this provision was reversed.

**15 RELATED PARTY TRANSACTIONS AND BALANCES**

**15.1 Related party transactions**

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

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Nature of transaction</i>	<b>2020</b>	<b>2019</b>
			<b>SR</b>	<b>SR</b>
Jadwa Investment Company	Fund Manager	Management fee (i)	<b>13,979,947</b>	13,185,722
		Transaction fee for acquisition of properties	-	885,938
		Expenses paid on behalf of the Fund	<b>21,825</b>	-
Real Estate Development Areas Company	SPV	Finance charges	<b>5,614,979</b>	1,905,456
AbdulKadir Al Muhaidib & Sons Co.	Unitholder	Rental income from investment properties	<b>38,196,959</b>	90,125,000
Almareefa University for Science & Technology	Unitholder	Rental income from investment properties	-	14,666,667
Jadwa Saudi Riyal Murabaha Fund	Affiliate	Investment in mutual fund	<b>14,052,262</b>	-
		Unrealised gain	<b>52,262</b>	-
Real Estate Investment Fund	Associate	Investment in private real estate investment fund	<b>530,390,020</b>	-
		Unrealised gain	<b>80,390,020</b>	-

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

During the year ended 31 December 2020, Almareefa University for Science & Technology no longer holds units in the Fund.

**i. Management fee**

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

As at 31 December 2020, the Fund Manager held 8,944,700 units in the Fund (2019: 8,944,700 units).

For the dividends distributed to the unitholders, please refer to note 21.



Jadwa REIT Saudi Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2020

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

**15.2 Related party balances**

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

**a. Amounts due to related parties**

	2020 SR	2019 SR
Unitholders - Unpaid dividends	223,687	208,789
Jadwa Investment Company	72,012	919,958
Real Estate Development Areas Company	66,375	1,214,068
	<u>362,074</u>	<u>2,342,815</u>

**b. Accrued management fee**

	2020 SR	2019 SR
Jadwa Investment Company	<u>7,355,507</u>	<u>6,664,092</u>

**16 GENERAL AND ADMINISTRATIVE EXPENSES**

	2020 SR	2019 SR
Indirect tax	530,248	309,063
Registration fee	400,000	400,000
Professional fees	321,285	312,975
Custody fee	320,000	320,000
Insurance	306,782	170,925
Tadawul listing fee	300,000	300,000
Property valuation fees	147,790	112,345
Legal fee	145,287	53,801
Administration fees	136,856	132,870
Independent board member fee (i)	20,000	20,000
Others	127,925	92,785
	<u>2,756,173</u>	<u>2,224,764</u>

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

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**17 FAIR VALUE MEASUREMENT**

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

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

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

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

**17.1 Financial instruments**

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

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

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

31 December 2020	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets at fair value through profit or loss (note 8)	14,052,262	530,390,020	-	544,442,282

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

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

**17.2 Non-financial assets**

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

31 December 2020	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Marvela Residential Compound	-	-	645,100,000	645,100,000
Alyaum Newspaper Tower	-	-	317,100,000	317,100,000
Al Fanar Residential & Commercial Compound	-	-	264,000,000	264,000,000
Al-Sulay Warehouse	-	-	251,000,000	251,000,000
Almareefa University for Science & Technology	-	-	224,365,000	224,365,000
Olaya Court Tower	-	-	73,710,000	73,710,000
Aber Al Yasmin Hotel	-	-	37,770,000	37,770,000
Rawd Aljnan School	-	-	31,125,000	31,125,000
	-	-	1,844,170,000	1,844,170,000

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17 FAIR VALUE MEASUREMENT (continued)

17.2 Non-financial assets (continued)

31 December 2019	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Marvela Residential Compound	-	-	645,100,000	645,100,000
Alyaum Newspaper Tower	-	-	303,450,000	303,450,000
Al Fanar Residential & Commercial Compound	-	-	264,000,000	264,000,000
Al-Sulay Warehouse	-	-	255,650,000	255,650,000
Almareefa University for Science & Technology	-	-	224,600,000	224,600,000
Olaya Court Tower	-	-	73,710,000	73,710,000
Aber Al Yasmin Hotel	-	-	42,100,000	42,100,000
Rawd Aljinan School	-	-	31,125,000	31,125,000
	-	-	1,839,735,000	1,839,735,000

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

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

The fair values of investment properties were assessed by ValuStrat Consulting and White Cubes as disclosed in note 8. They are accredited independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

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

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

<i>Description</i>	<i>Valuation approach</i>	<i>Key assumptions</i>
<b>Evaluator: ValuStrat</b>		
Alyaum Newspaper Tower	Income capitalisation	Capitalisation rate
Almareefa University for Science & Technology	Income capitalisation	Capitalisation rate
Al-Sulay Warehouse	Income capitalisation	Capitalisation rate
Marvela Residential Compound	Income capitalisation	Capitalisation rate
Al Fanar Residential & Commercial Compound	Income capitalisation	Capitalisation rate
Rawd Aljinan School	Income capitalisation	Capitalisation rate
Aber Al Yasmin Hotel	Income capitalisation	Capitalisation rate
Olaya Court Tower	Income capitalisation	Capitalisation rate

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17 FAIR VALUE MEASUREMENT (continued)

17.2 Non-financial assets (continued)

Description	Valuation approach	Key assumptions
<b>Evaluator: White Cubes</b>		
Alyaum Newspaper Tower	Income capitalisation	Capitalisation rate
Almareefa University for Science & Technology	Income capitalisation	Capitalisation rate
Al-Sulay Warehouse	Income capitalisation	Capitalisation rate
Marvela Residential Compound	Income capitalisation	Capitalisation rate
Al Fanar Residential & Commercial Compound	Income capitalisation	Capitalisation rate
Rawd Aljnan School	Income capitalisation	Capitalisation rate
Aber Al Yasmin Hotel	Income capitalisation	Capitalisation rate
Olaya Court Tower	Income capitalisation	Capitalisation rate

18 OPERATING LEASES

Future rental commitments under the operating leases are as follows:

	2020 SR	2019 SR
Not later than one year	49,748,452	51,963,192
Later than one year and not later than five years	189,388,021	191,379,543
Later than five years	244,522,948	263,904,384
	<u>483,659,421</u>	<u>507,247,119</u>

The Fund enters into long-term operating lease contracts with tenants for space in its investment properties. Initial lease terms are generally between three and 20 years. Leases generally provide for the tenant to pay the base rent, with provisions for contractual increases in base rent over the term of the lease. Rental income recognised by the Fund during the year is SR 136,628,160 (2019: SR 133,733,888).

19 FINANCIAL RISK MANAGEMENT

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

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

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

19.1 Market risk

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

**19 FINANCIAL RISK MANAGEMENT (continued)**

**19.1 Market risk (continued)**

*Interest rate risk*

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

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

An increase/decrease in interest rate of 1%, with all other variables held constant, would have resulted in a net increase/decrease in the Fund's total comprehensive income of SR 1,656,395 for the year ended 31 December 2020 (2019: SR 409,212).

**19.2 Credit risk**

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk applicable to the Fund approximates to the carrying value of the financial assets as disclosed in these financial statements.

As at year end, the Fund has cash and cash equivalents, rent receivables and other receivables as financial assets carried at amortised cost.

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

With respect to rent receivables and other receivables, these are short-term receivables which are current and are settled within a very short period of time. Considering that there are no historical losses and accordingly very low probability of default, the management assessed the loss allowance to be negligible to the Fund.

**19.3 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

The table below summarises the maturity profile of the Fund's financial liabilities based on contractual undiscounted payments:

	<i>On demand SR</i>	<i>Less than 3 months SR</i>	<i>More than 12 months SR</i>	<i>Total SR</i>
<b>31 December 2020</b>				
Long-term loan	-	-	573,122,500	573,122,500
Due to related parties	295,699	66,375	-	362,074
Accrued management fees	-	7,355,507	-	7,355,507
Accrued expenses	-	1,345,635	-	1,345,635
	<u>295,699</u>	<u>8,767,517</u>	<u>573,122,500</u>	<u>582,185,716</u>

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31 December 2020

**19 FINANCIAL RISK MANAGEMENT (continued)**

**19.3 Liquidity risk (continued)**

	<i>On demand SR</i>	<i>Less than 3 months SR</i>	<i>More than 12 months SR</i>	<i>Total SR</i>
31 December 2019				
Long-term loan	-	-	127,772,500	127,772,500
Due to related parties	1,128,747	1,214,068	-	2,342,815
Accrued management fees	-	6,664,092	-	6,664,092
Accrued expenses	-	1,243,947	-	1,243,947
	<u>1,128,747</u>	<u>9,122,107</u>	<u>127,772,500</u>	<u>138,023,354</u>

**19.4 Property risk**

Property risk is the risk related to the investment properties of the Fund. The Fund's management has identified the risk that a tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associate property. To reduce this risk, the Fund reviews the financial status of all prospective tenants and decides on the appropriate level of security required via promissory notes.

**20 OPERATING SEGMENT**

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

**21 DIVIDENDS DISTRIBUTION**

On 13 January 2020, the Fund Manager approved to distribute dividends to the unitholders for the period from 1 October 2019 to 31 December 2019 for an amount of SR 30,020,000 in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.

On 4 May 2020, the Fund Manager approved to distribute dividends to the unitholders for the period from 1 January 2020 to 31 March 2020 for an amount of SR 28,440,000 in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.

On 28 July 2020, the Fund Manager approved to distribute dividends to the unit holders for the period from 1 April 2020 to 30 June 2020 amounting to SR 28,440,000 in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.

On 02 November 2020, the Fund Manager approved to distribute dividends to the unitholders for the period from 1 July 2020 to 30 September 2020 for an amount of SR 28,440,000 in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.

**22 CHANGES IN THE FUND'S TERMS AND CONDITIONS**

During the year ended 31 December 2020, the Fund Manager has made certain changes to the terms and conditions of the Fund. Investment Concentration Policy section has been amended to include investing in units of investment funds licensed by CMA that invests in the real estate sector and are managed by the Fund Manager or any other person licensed by CMA to expand the Fund's investment universe and achieve better returns for investors.

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**23 IMPACT OF COVID-19**

At the beginning of the year 2020, the presence of Coronavirus disease ("COVID-19") was confirmed, which spread all over the world causing disturbance of commercial and economic activities. Accordingly, on 21 April 2020, the Fund has received a number of requests from some tenants to provide concession on the due rents until the end of precautionary measures that were implemented to contain the spread of COVID-19 outbreak aiming to protect citizens and residents by closing of commercial complexes until further notice in addition to a full curfew. The Fund Manager evaluates these requests on a case-by-case basis subject to the regularity and contractual procedures in a manner that protects the interests of the unitholders in the short and long term.

Accordingly, the Fund Manager has successfully addressed the requests and reduced the rent for four of its properties. The impact of rent concession on rental revenue from investment properties for the year ended 31 December 2020 amounted to SR 5,335,208.

The Fund continues to determine net asset values with the frequency as set out in the offering documents, consistently applying valuation policies and reflective of prevailing market conditions. In determining the investment property valuations as of 31 December 2020, the Fund has considered the potential impact (based on the best available information) of the uncertainties caused by the COVID-19 pandemic and has taken into account the economic and relief measures it has to extend to its tenants.

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

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

**24 SUBSEQUENT EVENTS**

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

On 3 March 2021, the Board of Directors approved the suggested change in the Fund's total asset value which the Fund Manager intends to submit to CMA and Tadawul in connection with the acquisition of a targeted real estate property (retail and offices complex) by the Fund. The total asset value will be increased by SR 370,000,000 through accepting in-kind and cash subscriptions, after obtaining the necessary approvals for the acquisition of the targeted real estate property.

Also, on 3 March 2021, the Fund signed a Sale and Purchase Agreement for Riyadh Boulevard property with a purchase price of SR 320,000,000. The purchase will be financed by increasing the total value of the Fund's assets to SR 370,000,000, by accepting an in-kind contribution from the seller of the property amounting to SR 120,000,000 in addition to the issuance of additional cash units in the Fund amounting to SR 250,000,000, which will finance the purchase of the property, real estate transfer tax and acquisition costs.

**25 COMPARATIVE FIGURES AND DISCLOSURES**

Certain of the prior year figures and disclosures have been reclassified to conform with the 2020 presentation. The major reclassification is as follows:

<i>Reclassified from</i>	<i>Reclassified to</i>	<i>Amount SR</i>
Deferred charges – non-current portion	Deferred charges – current portion	1,986,970

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**26 LAST VALUATION DAY**

The last valuation day of the year was 31 December 2020.

**27 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Fund's Board on 16 Sha'ban 1442 H (corresponding to 29 March 2021).