

Section 5

REIT Fund Financials



Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

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

31 DECEMBER 2022

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

FINANCIAL STATEMENTS

31 December 2022

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jadwa REIT Saudi Fund (the "Fund") managed by Jadwa Investment Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2022, and the related statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Fund as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How the key matter was addressed in the audit
<p>Impairment of investment properties</p> <p>The Fund owns a portfolio of investment properties comprising of land and commercial buildings being located in the Kingdom of Saudi Arabia.</p> <p>Investment properties are held for capital appreciation and/or rental yields and are stated at cost less accumulated depreciation and any impairment losses.</p> <p>As at 31 December 2022, the carrying value of investment properties was SR 1,634 million (2021: SR 1,833 million) which was net of accumulated depreciation of SR 175 million (2021: SR 151 million) and an accumulated impairment allowance of SR 63 million (2021: SR 46 million).</p>	<ul style="list-style-type: none"> - We agreed the value of all the properties held at the year end to the valuation included in the independent management expert valuation report; - We evaluated the competency, capabilities and objectivity of work performed by the independent management expert; - On sample basis, with the help of our independent expert, we performed the following: <ul style="list-style-type: none"> o We assessed the appropriateness of valuation methods, assumptions, and estimates used by management in the investment properties valuation process;

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>For assessing the impairment of investment properties, the Fund management monitors volatility of fair value of properties by engaging independent certified property valuers to perform a formal valuation of the Fund's investment properties on semi-annual basis.</p> <p>We considered this as a key audit matter since the impairment assessment of investment properties requires significant judgement, assumptions and estimates Any input inaccuracies or unreasonable bases used in these judgements and estimates (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement in the statement of financial position and in the statement of comprehensive income.</p> <p><i>The Fund's accounting policy for investment properties is disclosed in note 5.1, the significant accounting estimates, judgement and assumptions relating to investment properties are disclosed in note 4 and related disclosures about investment properties are included in notes 6 and 7 of the accompanying financial statements.</i></p>	<ul style="list-style-type: none"> o We engaged in discussions with management and assessed the relevant assumptions used based on market data where possible; o We tested the appropriateness of the key assumptions used in the valuation of investment properties, such as estimated rental value and yield profile applied; - We checked the accuracy of impairment loss recognized in the statement of comprehensive income during the year; and - We ensured that the financial statements contain adequate disclosures regarding the valuation methods, judgement, assumptions and estimates used in the valuation.

Other Information included in the Fund's 2022 Annual Report

Fund Manager is responsible for the other information. The other information comprises the information included in the Fund's 2022 annual report other than the financial statements and our auditor's report thereon. The Fund's 2022 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Fund's 2022 annual report, 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 the Fund Manager and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

As at 31 December 2022, the Fund has not complied with the condition under Article 46 of the Real Estate Investment Fund Regulations as to the following:

- The Fund's investment value in constructionally developed real estate, and qualified to generate periodic rental income represents 71.2% of the Fund's total assets value, which is less than the minimum requirement of 75%.

For Alluhaid & Alyahya Chartered Accountants


Turki A. Alluhaid
Certified Public Accountant
License No. 438

Riyadh: 8 Ramadan 1444 H
(30 March 2023)



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Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 SR	2021 SR
ASSETS			
NON-CURRENT ASSETS			
Investment properties	6	1,634,115,765	1,832,526,370
Financial assets at fair value through profit or loss ("FVTPL")	8	530,100,000	518,400,000
TOTAL NON-CURRENT ASSETS		2,164,215,765	2,350,926,370
CURRENT ASSETS			
Prepayments and other assets	9	15,228,213	31,084,497
Rent receivables	10	68,605,957	18,372,857
Cash and cash equivalents	11	45,636,276	62,169,492
TOTAL CURRENT ASSETS		129,470,446	111,626,846
TOTAL ASSETS		2,293,686,211	2,462,553,216
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term loan	12	-	599,990,035
TOTAL NON-CURRENT LIABILITIES		-	599,990,035
CURRENT LIABILITIES			
Long-term loan – current portion	12	451,235,466	-
Due to related parties	14	39,669,175	449,772
Contract liability		1,689,253	1,851,657
Accrued management fees	14	16,222,974	6,745,029
Accrued expenses and other liabilities	13	5,377,040	2,458,084
TOTAL CURRENT LIABILITIES		514,193,908	11,504,542
TOTAL LIABILITIES		514,193,908	611,494,577
EQUITY			
Net assets attributable to unitholders		1,779,492,303	1,851,058,639
TOTAL LIABILITIES AND EQUITY		2,293,686,211	2,462,553,216
Units in issue (in units)	16	186,509,785	186,509,785
Per unit value		9.54	9.92
Per unit fair value	7	10.82	11.22

The attached notes 1 to 25 form an integral part of these financial statements.

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Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	2022 SR	2021 SR
REVENUE			
Rental income from investment properties	18	158,453,725	145,197,306
Gain on disposal of investments properties	6	24,870,401	-
Unrealised gain (loss) on financial assets at FVTPL	8	11,700,000	(11,990,020)
Realised gain on financial assets at FVTPL	8	1,590,554	71,227
Dividend income	8	13,500,000	18,000,000
Other income		-	4,583
		210,114,680	151,283,096
EXPENSES			
Depreciation	6	(41,223,214)	(39,429,341)
Management fees	14	(15,517,584)	(13,485,753)
Amortisation of transaction cost	12	(2,995,431)	(1,981,542)
Provision for expected credit losses	9, 10	(19,715,577)	-
General and administrative expenses	15	(10,152,673)	(6,052,378)
		(89,604,479)	(60,949,014)
OPERATING PROFIT		120,510,201	90,334,082
Finance charges	12, 14	(25,516,835)	(16,772,483)
PROFIT FOR THE YEAR		94,993,366	73,561,599
Impairment loss on investment properties	6	(17,351,874)	(45,714,026)
NET INCOME FOR THE YEAR		77,641,492	27,847,573
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		77,641,492	27,847,573

The attached notes 1 to 25 form an integral part of these financial statements.

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Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	2022 SR	2021 SR
OPERATING ACTIVITIES			
Net income for the year		77,641,492	27,847,573
<i>Adjustments for non-cash and other items:</i>			
Depreciation on investment properties	6	41,223,214	39,429,341
Impairment loss on investment properties	6	17,351,874	45,714,026
Gain on disposal of investments properties		(24,870,401)	-
Amortisation of transaction cost	12	2,995,431	1,981,542
Finance charges	12, 14	25,516,835	16,772,483
Provision for expected credit losses	9, 10	19,715,577	-
Unrealised (gain) loss on financial assets at FVTPL	8	(11,700,000)	11,990,020
Realised gain on financial assets at FVTPL		(1,590,554)	(71,227)
		<u>146,283,468</u>	<u>143,663,758</u>
<i>Changes in operating assets and liabilities:</i>			
Prepayments and other assets		706,284	(30,678,517)
Rent receivables		(54,798,677)	4,147,651
Due to related parties		38,755,734	203,879
Contract liability		(162,404)	(1,139,299)
Accrued management fees		9,477,945	(610,478)
Accrued expenses and other liabilities		2,918,956	1,112,449
		<u>143,181,306</u>	<u>116,699,443</u>
Finance charges paid		(25,053,166)	(16,888,664)
Net cash flows from operating activities		<u>118,128,140</u>	<u>99,810,779</u>
INVESTING ACTIVITIES			
Proceed from disposal of financial assets at FVTPL		188,590,554	14,123,489
Payments for financial assets at FVTPL		(187,000,000)	-
Additions to investment properties	6	(2,294,082)	(227,061,640)
Proceed from disposal of investment properties		167,000,000	-
Net cash flows from (used in) investing activities		<u>166,296,472</u>	<u>(212,938,151)</u>
FINANCING ACTIVITIES			
Proceeds from units issued	6, 16	-	250,000,000
Distributions	21	(149,207,828)	(123,240,000)
Transaction cost	12	(1,750,000)	-
Proceeds from long-term loan	12	-	30,000,000
Repayment of long-term loan	12	(150,000,000)	-
Net cash flows (used in) from financing activities		<u>(300,957,828)</u>	<u>156,760,000</u>
Net (decrease) increase in cash and cash equivalents		<u>(16,533,216)</u>	<u>43,632,628</u>
Cash and cash equivalents at beginning of the year		62,169,492	18,536,864
Cash and cash equivalents at end of the year		<u>45,636,276</u>	<u>62,169,492</u>
NON-CASH TRANSACTIONS			
Subscription against investment properties	6	-	120,000,000

The attached notes 1 to 25 form an integral part of these financial statements.

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Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Notes	2022 SR	2021 SR
Equity attributed to the Unitholders at beginning of the year		1,851,058,639	1,576,451,066
Contribution by unitholders			
Proceeds from issuance of units	6, 16	-	250,000,000
Issuance of units against investment properties	6, 16	-	120,000,000
Total contributions by unitholders		-	370,000,000
Comprehensive income			
Net income for the year		77,641,492	27,847,573
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>77,641,492</u>	<u>27,847,573</u>
Distributions	21	(149,207,828)	(123,240,000)
Equity attributed to the Unitholders at end of the year		1,779,492,303	1,851,058,639

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

	Notes	2022 Units	2021 Units
Units at the beginning of the year		186,509,785	158,000,000
Units issued during the year	16	-	19,263,368
Units issued against investment properties	16	-	9,246,417
Units at the end of the year		186,509,785	186,509,785

The attached notes 1 to 25 form an integral part of these financial statements.

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Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

1 CORPORATE INFORMATION

Jadwa REIT Saudi Fund (the "Fund") is a closed-ended Shariah compliant real estate investment traded fund. The Fund operates in accordance with Real Estate Investment Fund Regulations ("REIFR") and Real Estate Investment Traded Funds ("REITF") Instructions issued by the Capital Market Authority ("CMA"). The Fund is listed on Saudi Stock Exchange ("Tadawul") and the units of the Fund started to be traded on Tadawul in accordance with its rules and regulations. The Capital of the Fund is SR 1,950,000,000 divided into 186,509,785 units (2021: SR 1,950,000,000 divided into 186,509,785 units). The Fund has a term of 99 years, which is extendable at the discretion of the Fund Manager following the approval of the CMA.

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

The following entities have been established and approved by the CMA as special purpose vehicles (the "SPVs") for the beneficial interest of the Fund. The SPVs own all the assets of the Fund and have entered into financing agreement on behalf of the Fund.

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

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

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

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

2 REGULATING AUTHORITY

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

As at 31 December 2022, the Fund has not complied with the condition under Article 46 of the REIFR as to the following:

- The Fund's investment value in constructionally developed real estate, and qualified to generate periodic rental income represents 71.24% of the Fund's total assets value, which is less than the minimum requirement of 75%. This was mainly due to the significant change in the fair value of its investment in private real estate investment fund.

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

3.2 Basis of measurement

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

The management has prepared the financial statements on the basis that it will continue to operate as a going concern.

3.3 Functional and presentation currency

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Assumptions and estimation uncertainties

Useful lives of investment properties

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

Impairment of investment properties

The Fund assesses whether there are any indicators of impairment for 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.

5 SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Investment properties

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

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

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

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

5.2 Impairment of non-financial assets

The carrying values of non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset or cash generating unit ("CGU") exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets 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 recognised for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately in the statement of comprehensive income.

5.3 Cash and cash equivalents

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

5.4 Financial instruments

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

5.4.1 Initial recognition and measurement of financial instruments

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

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

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:

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

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

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

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

The Fund has no financial assets measured at FVOCI.

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

5.4.3 Impairment of financial assets

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

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

Presentation of impairment:

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

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

5.4.4 Financial liabilities – subsequent classification and measurement

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

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 Financial instruments (continued)

5.4.4 Financial liabilities – subsequent classification and measurement (continued)

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

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

5.4.5 Modification of financial assets and financial liabilities

Financial assets

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

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

Financial liabilities

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

5.4.6 Offsetting of financial instruments

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

5.5 Current versus non-current classification

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

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

All other assets are classified as non-current

A liability is current when:

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

The Fund classifies all other liabilities as non-current.

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Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.6 Fair value measurement

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

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

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

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

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

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

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

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

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

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

5.7 Provisions

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

5.8 Revenue recognition

Revenue includes rental income from investment properties.

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

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Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.8 Revenue recognition (continued)

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

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

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

5.9 Management fees

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

5.10 Expenses

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

5.11 Net asset value

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

5.12 Units in issue

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

5.13 Zakat

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

5.14 Dividends distribution

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

5.15 Amendments to existing standards effective 1 January 2022

The Fund has adopted the following amendments to existing standards which have been issued and effective from 1 January 2022:

Amendments to standards

Effective date

Amendments to IFRS 3 - Reference to the Conceptual Framework, with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. 1 January 2022

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use, regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. 1 January 2022

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.15 Amendments to existing standards effective 1 January 2022 (continued)

Amendments to standards

Effective date

Amendments to IAS 37 - Onerous Contracts - Costs of Fulfilling a Contract, amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. 1 January 2022

Annual improvements to IFRS Standards 2018-2020 cycle

The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project, i.e. Amendment to IFRS 1 *First-time Adoption of IFRS*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, and IAS 41 *Agriculture*.

The amendments to IFRS 1, IFRS 9 and IAS 41 are effective from 1 January 2022 and the effective date for amendments to IFRS 16 Leases are not yet decided.

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

5.16 New standards, amendments and interpretations effective after 1 January 2022 and have not been early adopted

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

Standards / amendments to standards / interpretations

Effective date

<i>IFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to IFRS 17 and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)</i>	1 January 2023
<i>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</i>	1 January 2023
<i>Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)</i>	1 January 2023
<i>Definition of Accounting Estimates (Amendments to IAS 8)</i>	1 January 2023
<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)</i>	1 January 2023
<i>Non-current Liabilities with Covenants (Amendments to IAS 1)</i>	1 January 2024
<i>Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)</i>	1 January 2024

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

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

6 INVESTMENT PROPERTIES

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

31 December 2022

Description	Cost SR	Accumulated depreciation SR	Impairment loss SR	Net book value SR
Alyaum Newspaper Tower	280,292,257	15,388,926	63,065,900	201,837,431
Almaarefa College	203,500,000	14,030,491	-	189,469,509
Al-Sulay Warehouse	223,342,600	27,600,389	-	195,742,211
Marvela Residential Compound	610,545,000	88,851,754	-	521,693,246
Al Fanar Residential	112,791,836	17,592,552	-	95,199,284
Aber Al Yasmin Hotel	34,601,250	1,953,357	-	32,647,893
Olaya Court Tower	60,917,500	3,998,077	-	56,919,423
Boulevard	346,512,000	5,905,232	-	340,606,768
	1,872,502,443	175,320,778	63,065,900	1,634,115,765

On 27 July 2022, the Fund sold the commercial portion of Al Fanar Compound with a selling price of SR 140,000,000 and carrying value of SR 118,361,125 generating gain on disposal of SR 21,638,875.

On 5 July 2022, the Fund sold Rawd Aljnan School with a selling price of SR 27,000,000 and carrying value of SR 23,768,474 generating gain on disposal of SR 3,231,526.

31 December 2021

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

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

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Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

6 INVESTMENT PROPERTIES (continued)

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

	2022 SR	2021 SR
Cost		
Balance at beginning of the year	2,029,003,262	1,681,941,622
Additions during the year	2,294,082	347,061,640
Disposals during the year	(158,794,901)	-
Balance at end of the year	1,872,502,443	2,029,003,262
Accumulated depreciation		
Balance at beginning of the year	150,762,866	111,333,525
Depreciation charge for the year	41,223,214	39,429,341
Depreciation related to disposals	(16,665,302)	-
Balance at end of the year	175,320,778	150,762,866
Accumulated impairment		
Balance at beginning of the year	45,714,026	-
Impairment of investment properties	17,351,874	45,714,026
Balance at end of the year	63,065,900	45,714,026
Net book value	1,634,115,765	1,832,526,370

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

Freehold land comprises of the lands acquired on which the buildings are built. The Fund has acquired properties in Riyadh, Al Khobar and Dammam with an aggregate area 348,345.72 square meters of land (2021: 406,296.74 square meters).

6.1 Brief details of the investment properties:

6.1.1 Alyaum Newspaper Tower

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

6.1.2 Almaarefa University for Science & Technology

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

6.1.3 Al-Sulay Warehouse

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

6.1.4 Marvela Residential Compound

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

6.1.5 Al Fanar Residential

This property is a residential compound located at the southwest corner of King Faisal Road and 1 Street, within Ar Rawabi District, Al Khobar.

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Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

6 INVESTMENT PROPERTIES (continued)

6.1.6 Aber Al Yasmin Hotel

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

6.1.7 Olaya Court Tower

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

6.1.8 Boulevard

This property is a prime commercial and office complex located in Hittin District, Riyadh. The consideration for the property was partly paid in cash and partly settled through issuance of 9,246,417 units of the fund (note 16).

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

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

The fair value of the investment properties is determined by two selected appraisers, i.e. Barcode and Menassat (2021: White Cubes and Menassat). As at reporting date, the valuation of investment properties is as follows:

31 December 2022	Appraiser 1 SR	Appraiser 2 SR	Average SR
Alyaum Newspaper Tower	201,838,000	201,836,863	201,837,432
Almareefa University for Science & Technology	235,429,000	219,733,333	227,581,167
Al-Sulay Warehouse	266,667,000	258,064,516	262,365,758
Marvela Residential Compound	625,000,000	602,409,639	613,704,820
Al Fanar Residential	125,000,000	93,750,000	109,375,000
Aber Al Yasmin Hotel	46,702,142	40,864,350	43,783,246
Olaya Court Tower	73,720,000	73,076,923	73,398,462
Boulevard	336,177,882	346,057,627	341,117,755
	1,910,534,024	1,835,793,251	1,873,163,640
31 December 2021	Appraiser 1 SR	Appraiser 2 SR	Average SR
Alyaum Newspaper Tower	215,300,000	223,000,000	219,150,000
Almareefa University for Science & Technology	235,430,000	220,000,000	227,715,000
Al-Sulay Warehouse	266,700,000	217,500,000	242,100,000
Marvela Residential Compound	645,000,000	580,000,000	612,500,000
Al Fanar Residential & Commercial Compound	268,300,000	261,000,000	264,650,000
Rawd Aljinan School	31,250,000	32,400,000	31,825,000
Aber Al Yasmin Hotel	39,640,000	41,000,000	40,320,000
Olaya Court Tower	77,420,000	64,175,000	70,797,500
Boulevard	392,320,000	338,700,000	365,510,000
	2,171,360,000	1,977,775,000	2,074,567,500

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Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

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

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

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

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

	2022 SR	2021 SR
Fair value of investments in real estate properties	1,873,163,640	2,074,567,500
Less: Carrying value of investments in real estate properties (Note 6)	1,634,115,765	1,832,526,370
Unrealised gain based on fair value evaluation	239,047,875	242,041,130
Units in issue	186,509,785	186,509,785
Per unit share in unrealised gain based on fair value valuation	1.28	1.30

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

	2022 SR	2021 SR
Net asset value at cost, as presented in these financial statements	1,779,492,303	1,851,058,639
Unrealised gain based on real estate evaluations (Note 7.1)	239,047,875	242,041,130
Net asset based on fair value	2,018,540,178	2,093,099,769

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

	2022 SR	2021 SR
Net asset value per unit, at cost as presented in these financial statements	9.54	9.92
Impact on net asset value per unit on account of unrealised gain based on fair value evaluations (Note 7.1)	1.28	1.30
Net asset value per unit at fair value	10.82	11.22

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Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 SR	2021 SR
Non-current		
Investment in associate (Note 8.1)	530,100,000	518,400,000

8.1 Investment in associate

This represents investment of 45,000,000 units (2021: 45,000,000) in Real Estate Investment Fund, a closed-ended Shariah-compliant private real estate investment fund managed by Jadwa Investment Company, the cost of which is SR 450,000,000 (2021: 450,000,000).

As at 31 December 2022, the Fund holds 27.74% of Real Estate Investment Fund (2021: 27.74%).

The unrealised gain on this investment amounted to SR 11,700,000 for the year ended 31 December 2022 (2021: loss of SR 11,990,020).

During 2022, the Fund recognised dividend income amounting to SR 13,500,000 (2021: SR 18,000,000) from its investment in associate.

8.2 Investment in mutual fund

As at 31 December 2022 and 2021, the Fund does not hold any unit of Jadwa Saudi Riyal Murabaha Fund managed by Jadwa Investment Company. The Fund redeemed its investment in mutual fund during 2022.

The realised gain on the redemption of investment amounted to SR 1,590,554 for the year ended 31 December 2022 (2021: realised gain of SR 71,227).

9 PREPAYMENTS AND OTHER ASSETS

	2022 SR	2021 SR
VAT Input receivable (i)	15,150,000	30,300,000
Prepaid expenses	-	95,975
Other receivables	78,213	688,522
	<u>15,228,213</u>	<u>31,084,497</u>

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

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

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

9 PREPAYMENTS AND OTHER ASSETS (continued)

In relation to the above assessment, the Fund decided to raise an appeal with ZATCA considering the fact that the transaction was already completed before effective date of VAT Law. In order to be eligible to file an appeal, VAT amounting to 5% of the acquisition price was paid to ZATCA through seller during the year 2021 and the response from ZATCA is still awaited against the appeal as at 31 December 2022. The Fund has made an impairment provision of SR 15,150,000 against the said receivable during the year ended 31 December 2022 (2021: SR Nil) given the current status of the appeal in progress and the expected recovery from ZATCA.

10 RENT RECEIVABLES

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

	2022 SR	2021 SR
Rent receivables	73,171,534	18,372,857
Less: Allowance for expected credit loss	(4,565,577)	-
	<u>68,605,957</u>	<u>18,372,857</u>

Following is the ageing analysis of the rent receivables:

	2022 SR	2021 SR
Less than 30 days	36,904,296	4,711,397
Between 91 to 120 days	3,754,467	6,941,159
More than 120 days	32,512,771	6,720,301
	<u>73,171,534</u>	<u>18,372,857</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 2022, there are bank accounts maintained with Banque Saudi Fransi under the name of the SPVs with a total balance of SR 4,486,101 (2021: SR 42,250,009).

12 LONG-TERM LOAN, NET

	2022 SR	2021 SR
Long-term loan	453,122,500	603,122,500
Less:		
Transaction costs	11,750,000	10,000,000
Amortisation of transaction costs	(9,862,966)	(6,867,535)
	<u>1,887,034</u>	<u>3,132,465</u>
Long-term loan, net	<u>451,235,466</u>	<u>599,990,035</u>

On 1 October 2018, Banque Saudi Fransi 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 available by it under the facility to the Fund on terms and conditions same as that of the facility.

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

12 LONG-TERM LOAN (continued)

On 15 March 2022, Banque Saudi Fransi has increased the limits of the shariah-compliant banking facility by SR 170,300,000, bringing the total available banking facility to SR 1,170,300,000.

The loan is repayable in full on 31 July 2023. As at 31 December 2022, the Fund has drawn SR 453,122,500 (2021: SR 603,122,500) from the facility.

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

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

	2022 SR	2021 SR
At beginning of the year	603,122,500	573,122,500
Proceeds from loan	-	30,000,000
Repayment of loan	(150,000,000)	-
At end of the year	<u>453,122,500</u>	<u>603,122,500</u>

Finance charges for the year ended 31 December 2022 amounted to SR 25,516,835 (2021: SR 16,772,483) which are reflected under the statement of comprehensive income.

Transaction costs charged by Banque Saudi Fransi for loan servicing amounting to 1.0% of the loan facility has been capitalised in the carrying amount of the loan and is amortised over the period of the loan facility.

The movement in the transaction costs is as follows:

	2022 SR	2021 SR
At beginning of the year	3,132,465	5,114,007
Additions during the year	1,750,000	-
Amortisation charged during the year	(2,995,431)	(1,981,542)
At end of the year	<u>1,887,034</u>	<u>3,132,465</u>

13 ACCRUED EXPENSES AND OTHER LIABILITIES

	2022 SR	2021 SR
Output value-added tax	3,458,527	1,008,336
Security deposits	540,676	500,667
Property valuation fees	206,430	87,620
Custody fee	80,000	80,000
Administration fee	58,237	31,470
Professional fees	46,125	63,625
Independent board member fee	20,000	15,000
Others	967,045	671,366
	<u>5,377,040</u>	<u>2,458,084</u>

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Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

14 RELATED PARTY TRANSACTIONS AND BALANCES

14.1 Related party transactions

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

Name of related party	Nature of relationship	Nature of transaction	2022 SR	2021 SR
Jadwa Investment Company	Fund Manager	Management fees (i)	15,517,584	13,485,753
		Transaction fee	1,252,500	2,400,000
		Expenses paid on behalf of the Fund	-	30,000
Real Estate Development Areas Company		Finance charges	25,516,835	16,772,483
Jadwa Saudi Riyal Murabaha Fund	Affiliate	Investment in mutual fund	187,000,000	-
		Redemption	187,000,000	14,000,000
Real Estate Investment Fund	Associate	Dividend income	13,500,000	18,000,000

(i) Management fees

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

As at 31 December 2022, the Fund Manager held 10,558,353 units in the Fund (2021: 10,558,353 units).

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

14.2 Related party balances

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

Amounts due to related parties

	2022 SR	2021 SR
Distribution payable	37,831,188	327,954
Jadwa Investment Company	1,324,512	72,012
Real Estate Development Areas Company	513,475	49,806
	<u>39,669,175</u>	<u>449,772</u>

Accrued management fees

	2022 SR	2021 SR
Jadwa Investment Company	<u>16,222,974</u>	<u>6,745,029</u>

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Jadwa REIT Saudi Fund
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15 GENERAL AND ADMINISTRATIVE EXPENSES

	2022 SR	2021 SR
Property expense	4,271,763	97,400
VAT expense	1,264,792	2,367,198
Transaction fee	1,252,500	-
Property management fees	1,182,172	430,222
Registration fee	400,000	400,000
Custody fee	320,000	320,877
Administration fees	342,628	259,951
Tadawul listing fee	300,000	500,539
Property valuation fees	161,620	155,620
Professional fees	157,758	455,398
Insurance	42,098	145,265
Legal fee	24,975	342,575
Independent board member fee (i)	20,000	20,000
Others	412,367	557,332
	10,152,673	6,052,378

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

16 UNIT TRANSACTION

	2022 In numbers	2021 In numbers
Units at the beginning of the year	186,509,785	158,000,000
Units issued during the year for consideration in cash (Note 16.1)	-	19,263,368
Units issued during the year for consideration other than cash (Note 16.2)	-	9,246,417
Units at the end of the year	186,509,785	186,509,785

16.1 During the year ended 31 December 2021, the Fund issued 19,263,368 units for SAR 250,000,000.

16.2 During the year ended 31 December 2021, the Fund issued 9,246,417 units as a consideration for the acquisition of investment properties for SAR 120,000,000 (Note 6).

17 FAIR VALUE MEASUREMENT

17.1 Financial instruments

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

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

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31 December 2022

17 FAIR VALUE MEASUREMENT (continued)

17.1 Financial instruments (continued)

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

31 December 2022	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets at fair value through profit or loss (Note 8)	-	530,100,000	-	530,100,000
31 December 2021	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets at fair value through profit or loss (Note 8)	-	518,400,000	-	518,400,000

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 2022	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Marvela Residential Compound Boulevard	-	-	613,704,820	613,704,820
Al Fanar Residential Compound	-	-	341,117,755	341,117,755
Alyaum Newspaper Tower	-	-	109,375,000	109,375,000
Al-Sulay Warehouse	-	-	201,837,432	201,837,432
Almareefa University for Science & Technology	-	-	262,365,758	262,365,758
Olaya Court Tower	-	-	227,581,167	227,581,167
Aber Al Yasmin Hotel	-	-	73,398,462	73,398,462
	-	-	43,783,246	43,783,246
	-	-	1,873,163,640	1,873,163,640
31 December 2021	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Marvela Residential Compound Boulevard	-	-	612,500,000	612,500,000
Al Fanar Residential & Commercial Compound	-	-	365,510,000	365,510,000
Alyaum Newspaper Tower	-	-	219,150,000	219,150,000
Al-Sulay Warehouse	-	-	264,650,000	264,650,000
Almareefa University for Science & Technology	-	-	242,100,000	242,100,000
Olaya Court Tower	-	-	227,715,000	227,715,000
Aber Al Yasmin Hotel	-	-	70,797,500	70,797,500
Rawd Aljinan School	-	-	40,320,000	40,320,000
	-	-	31,825,000	31,825,000
	-	-	2,074,567,500	2,074,567,500

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17 FAIR VALUE MEASUREMENT (continued)

17.2 Non-financial assets (continued)

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 capitalisation rate, and discount rate.

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

The fair values of investment properties were assessed by Menassat (TAQEEM license number: 1210000163) and Barcode (TAQEEM license number: 1210000001) (2021: Menassat and Barcode) as disclosed in Note 7. They are accredited independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

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

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

Valuation approach	Key assumptions	Range	
		2022	2021
Income capitalisation	Capitalisation rate (%)	6.00-8.30	7.00-8.00
Discounted cash flow	Discount rate (%)	8.00	3.00-6.50

18 OPERATING LEASES

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

	2022 SR	2021 SR
Not later than one year	41,773,262	44,176,143
Later than one year and not later than five years	141,348,913	161,615,964
Later than five years	197,514,147	232,472,194
	<u>380,636,322</u>	<u>438,264,301</u>

The Fund enters into long-term operating lease contracts with tenants for space in its investment properties. Initial lease terms are generally between 3 and 20 years. Leases generally provide for the tenant to pay the base rent, with provisions for contractual increases in base rent over the term of the lease. Responsibility for repair and maintenance of the property, and its insurance over the lease term lies with the lessee. Rental income from investment properties recognised by the Fund during the year is SR 158,453,725 (2021: SR 145,197,306).

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19 FINANCIAL RISK MANAGEMENT

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

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

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

19.1 Market risk

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

Interest rate risk

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

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

An increase/decrease in interest rate of 1%, with all other variables held constant, would have resulted in a net increase/decrease in the Fund's total comprehensive income of SR 6,089,992 for the year ended 31 December 2022 (2021: SR 5,969,159).

19.2 Credit risk

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

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

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

As at 31 December 2022 and 2021, management considers the probability of default to be insignificant as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised as any such impairment would be wholly insignificant to the Fund.

19.3 Liquidity risk

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

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31 December 2022

19 FINANCIAL RISK MANAGEMENT (continued)

19.3 Liquidity risk (continued)

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

	On demand SR	Within 12 months SR	More than 12 months SR	Total SR
31 December 2022				
Long-term loan	-	453,122,500	-	453,122,500
Due to related parties	39,155,701	513,474	-	39,669,175
Other liabilities	-	1,507,721	-	1,507,721
	<u>39,155,701</u>	<u>455,143,695</u>	<u>-</u>	<u>494,299,396</u>
31 December 2021				
Long-term loan	-	-	603,122,500	603,122,500
Due to related parties	399,966	49,806	-	449,772
Other liabilities	-	1,172,033	-	1,172,033
	<u>399,966</u>	<u>1,221,839</u>	<u>603,122,500</u>	<u>604,744,305</u>

20 OPERATING SEGMENT

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

21 DIVIDENDS DISTRIBUTION

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

31 December 2022

Dividend declaration date	Dividend period	SR
7 March 2022	From 1 October 2021 to 31 December 2021	37,301,957
25 May 2022	From 1 January 2022 to 31 March 2022	37,301,957
1 September 2022	From 1 April 2022 to 30 June 2022	37,301,957
28 November 2022	From 1 July 2022 to 30 September 2022	37,301,957
		<u>149,207,828</u>

31 December 2021

Dividend declaration date	Dividend period	SR
25 January 2021	From 1 October 2020 to 31 December 2020	30,020,000
24 June 2021	From 1 January 2021 to 31 March 2021	30,020,000
22 August 2021	From 1 April 2021 to 30 June 2021	31,600,000
13 October 2021	From 1 July 2021 to 30 September 2021	31,600,000
		<u>123,240,000</u>

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22 EVENTS AFTER THE REPORTING DATE

The Ministry of Finance has issued a Ministerial resolution ("MR") numbered 29791, dated 9 Jumada Al-Awwal 1444H (corresponding to 3 December 2022) publishing certain zakat filing rules to be complied by investment funds in the Kingdom of Saudi Arabia, applicable for the financial year 2023. According to the MR, the Fund is not subject to zakat or tax, however, will be required to file certain financial information with Zakat, Tax and Customs Authority.

On 7 March 2023, the Fund Manager approved to distribute dividends to the Unitholders for the period from 1 October 2022 to 31 December 2022 for an amount of SR 37,301,957 in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.

23 COMPARATIVE INFORMATION

Certain prior year information have been reclassified to conform with the current year presentation.

24 LAST VALUATION DAY

The last valuation day of the year was 29 December 2022 (2021: 30 December 2021).

25 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund's Board on 8 Ramadan 1444 H (corresponding to 30 March 2023).



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This document has been prepared specifically as part of a contractual agreement between Auronova and the client and based on the defined scope of the engagement. The document is to be read in conjunction with the scope of the engagement.

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