

Jadwa REIT Saudi Fund
(Managed by Jadwa Investment Company)

**CONDENSED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)**

**FOR THE PERIOD FROM 11 FEBRUARY 2018 TO
30 JUNE 2018**

Alliance Chartered Accountants

License no. (735)
2526 Abo Bakr Al Siddiq Road, Al Taawun
P. O. Box 6888, Riyadh 12475
Kingdom of Saudi Arabia
T: +966 11 269 4419
F: +966 11 269 3516
www.aca.com.sa



الوحيد واليحيى محاسبون قانونيون

ترخيص رقم (٧٣٥)
٢٥٢٦ طريق أبو بكر الصديق، حي التعاون
ص.ب. ٦٨٨٨ الرياض ١٢٤٧٥
المملكة العربية السعودية
تليفون: +٩٦٦١ ١٢٦٩٤٤١٩
فاكس: +٩٦٦١ ١٢٦٩٣٥١٦

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

Introduction:

We have reviewed the accompanying condensed interim statement of financial position of Jadwa REIT Saudi Fund (the "Fund") as at 30 June 2018, and the related condensed interim statements of comprehensive income, changes in net assets and cash flows for period from 11 February 2018 to 30 June 2018, and a summary of significant accounting policies and other explanatory notes. The Fund manager is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with Standard on Interim Financial Reporting IAS 34, as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the Standard on Interim Financial Reporting IAS 34, as endorsed in the Kingdom of Saudi Arabia.

for Alliance Chartered Accountants

Turki A. Alluhaid
Certified Public Accountant
Registration No. 438



Riyadh 12 Dhul-Qa'dah 1439 H
(25 July 2018)

Jadwa REIT Saudi Fund

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

	<i>Notes</i>	SR
ASSETS		
NON-CURRENT ASSETS		
Investment properties	5	1,542,567,279
CURRENT ASSETS		
Rent receivables		33,088,001
Prepayments and value-added tax		13,441,815
Bank balances	7	19,324,091
TOTAL CURRENT ASSETS		65,853,907
TOTAL ASSETS		1,608,421,186
LIABILITIES		
CURRENT LIABILITIES		
Due to related parties	9	10,242,006
Accrued management fee	9	5,684,073
Accrued expenses	8	374,287
TOTAL LIABILITIES		16,300,366
NET ASSETS		1,592,120,820
Units in issue	11	158,000,000
Per unit value		10.08
Per unit fair value	6	11.03

The attached notes 1 to 16 form an integral part of these condensed interim financial statements.

Jadwa REIT Saudi Fund

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period from 11 February 2018 to 30 June 2018

		<i>For the period from 11 February 2018 to 30 June 2018</i>
	<i>Notes</i>	<i>SR</i>
INCOME		
Rental revenue from investment properties		52,128,577
EXPENSES		
Depreciation	5	(17,652,371)
Management fee	9	(5,684,073)
General and administrative expenses		(871,313)
		<hr/>
		(24,207,757)
TOTAL COMPREHENSIVE INCOME		<hr/> 27,920,820 <hr/>

The attached notes 1 to 16 form an integral part of these condensed interim financial statements.

Jadwa REIT Saudi Fund

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the period from 11 February 2018 to 30 June 2018

		<i>For the period from 11 February 2018 to 30 June 2018 SR</i>
OPERATING ACTIVITIES		
Comprehensive income for the period		27,920,820
Adjustments for non-cash and other items:		
Depreciation	5	17,652,371
		<u>45,573,191</u>
Changes in operating assets and liabilities:		
Rent receivables		(33,088,001)
Prepayments and value-added tax		(13,441,815)
Due to related parties		10,242,006
Accrued management fee		5,684,073
Accrued expenses		374,287
		<u>15,343,741</u>
INVESTING ACTIVITY		
Purchase of investment properties	5	(543,666,650)
Net cash used in investing activity		<u>(543,666,650)</u>
FINANCING ACTIVITIES		
Proceeds from units sold	11	563,447,000
Dividends distributed	14	(15,800,000)
Net cash from financing activities		<u>547,647,000</u>
NET INCREASE IN BANK BALANCES		<u>19,324,091</u>
BANK BALANCES AT END OF THE PERIOD		<u>19,324,091</u>
NON-CASH TRANSACTIONS		
Investment properties (compensated against sale of units)		<u>1,016,553,000</u>

The attached notes 1 to 16 form an integral part of these condensed interim financial statements.

Jadwa REIT Saudi Fund

CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)

For the period from 11 February 2018 to 30 June 2018

	<i>REIT units</i> <i>SR</i>	<i>Cumulative</i> <i>income</i> <i>SR</i>	<i>Total</i> <i>unitholders' net</i> <i>assets</i> <i>SR</i>
Issuance of units			
- for cash	563,447,000	-	563,447,000
- for consideration other than cash	1,016,553,000	-	1,016,553,000
	1,580,000,000	-	1,580,000,000
Comprehensive income for the period	-	27,920,820	27,920,820
Dividend distribution	-	(15,800,000)	(15,800,000)
Net asset value attributed to the unitholders at the end of the period	1,580,000,000	12,120,820	1,592,120,820

The attached notes 1 to 16 form an integral part of these condensed interim financial statements.

Jadwa REIT Saudi Fund

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

30 June 2018

1 GENERAL

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

The REIT is being managed by Jadwa Investment Company, a Saudi Arabian closed joint stock company with commercial registration number 1010228782, and an Authorized Person 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 REIT:

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 REIT 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 REIT 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 REIT's total asset value with the aim of achieving an increase in value per unit; provided that (i) at least 75% of the REIT's total assets are invested in developed real estate assets which generate periodic income and (ii) the REIT shall not invest in White Land.

2 REGULATING AUTHORITY

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

3 BASIS OF PREPARATION

3.1 *Statement of compliance*

These unaudited condensed interim financial statements (financial statements) have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia.

3.2 *Basis of measurement*

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

3.3 *Use of estimates*

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

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

30 June 2018

3 BASIS OF PREPARATION (continued)

3.4 *Functional and presentation currency*

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 *Investment properties*

Investment properties comprise completed property that is 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 investment properties are disclosed in note 5.

The fair value of investment properties is disclosed in note 5.

4.2 *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 exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the 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 condensed interim statement of comprehensive income.

4.3 *Cash and cash equivalents*

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

4.4 *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.

4.4.1 *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 fair value through profit or loss ("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.

4.4.2 *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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4.2 Financial assets – subsequent classification and measurement (continued)

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 has no financial assets measured at FVTPL and 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.

4.4.3 Impairment of financial assets

The Fund assesses on a forward looking basis the Expected Credit Losses ("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.

As at period end, the Fund has bank balances and rent 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 believes no provision is required at this stage.

With respect to rent receivables, these are short-term receivables which are current and are settled within a very short period of time. No provision has been booked on the rent receivables as the management expects the receivable to be fully recoverable.

4.4.4 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 expires.

The Fund's financial liabilities include due to related parties, accrued management fee and accrued expenses.

4.4.5 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.

Jadwa REIT Saudi Fund

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(continued)

30 June 2018

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Provision

Provisions are recognised when the REIT 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.

4.6 Revenue recognition

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

4.7 Management fees

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

4.8 Zakat

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

4.9 Net assets value

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

4.10 Dividend distribution

The REIT 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.

4.11 Expenses

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

4.12 Standards effective 1 January 2018

The Fund has adopted the following new standards which have been issued and effective from 1 January 2018:

4.12.1 IFRS 9, Financial Instruments

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and the cash flow characteristics of the assets. It contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing categories of held to maturity, loans and receivables and available for sale. Based on its assessment, the Fund believes that the new classification requirements have no impact on its accounting for financial assets.

IFRS 9 replaces the incurred loss model with a forward-looking ECL model. This requires considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost. Based on its assessment, the Fund believes that there is no material impact on the financial statements from adopting IFRS 9 in respect of ECLs.

4.12.2 IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under the standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The application of this standard did not have an impact on the amounts presented in these financial statements.

Jadwa REIT Saudi Fund

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(continued)

30 June 2018

5 INVESTMENT PROPERTIES

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

<i>Description</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Net book value</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Land	456,472,011	-	456,472,011
Alyaum Newspaper Tower	160,173,955	1,353,116	158,820,839
Almaarefa College	97,439,857	1,397,703	96,042,154
Al-Sulay Warehouse	147,534,425	2,749,464	144,784,961
Marvefa Residential Compound	492,696,838	8,851,133	483,845,705
Al Fanar Residential & Commercial Compound	205,902,564	3,300,955	202,601,609
	<u>1,560,219,650</u>	<u>17,652,371</u>	<u>1,542,567,279</u>

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

5.2 Freehold land comprises of the lands acquired on which the buildings are built. The REIT acquired properties in Riyadh, Al Khobar and Dammam with an aggregate area of 377,502.39 square meter of land. The consideration for the properties was partly paid in cash and partly settled through issuance of 101,655,300 units of the REIT.

5.3 Brief details of the investment properties follow:

5.3.1 *Alyaum Newspaper Tower*

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

5.3.2 *Almaarefa College*

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

5.3.3 *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.

5.3.4 *Marvefa Residential Compound*

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

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

In accordance with Article 21 of the Real Estate Investment Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the REIT's real estate assets based on two evaluations prepared by independent evaluators. However, in accordance with the requirement 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 REIT's books.

Jadwa REIT Saudi Fund

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(continued)

30 June 2018

6 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. ValuStrat and White Cubes. As of June 30, the valuation of investment properties are as follows:

	<i>Appraiser 1</i> SR	<i>Appraiser 2</i> SR	<i>Average</i> SR
Alyaum Newspaper Tower	318,000,000	288,900,000	303,450,000
Almaarefa College	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
	<u>1,735,800,000</u>	<u>1,649,800,000</u>	<u>1,692,800,000</u>

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

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

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

	<i>30 June 2018</i> SR
Fair value of investments in real estate properties	1,692,800,000
Less: Carrying value of investments in real estate properties (note 5)	<u>1,542,567,279</u>
Unrealised gain based on fair value evaluation	<u>150,232,721</u>
Units In Issue	<u>158,000,000</u>
Per unit share in unrealised gain based on fair value evaluation	<u>0.95</u>

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

	<i>30 June 2018</i> SR
Net asset value at cost, as presented in these financial statements	1,592,120,820
Unrealised gain based on real estate evaluations (note 6.i.)	<u>150,232,721</u>
Net asset based on fair value	<u>1,742,353,541</u>

Jadwa REIT Saudi Fund

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(continued)

30 June 2018

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

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

	30 June 2018 SR
Net asset value per unit, at cost as presented in these financial statements	10.08
Impact on net asset value per unit on account of unrealised gain based on fair value evaluations (note 6.i.)	0.95
Net asset value per unit at fair value	<u>11.03</u>

7 BANK BALANCES

As of 30 June 2018, two of the four bank accounts are maintained with Banque Saudi Fransi under the name of the SPVs with a total balance of SR 168,872.

8 ACCRUED EXPENSES

	30 June 2018 SR
Custody fee	162,630
Tadawul listing fee	120,822
Property valuation fee	51,250
Legal and professional fees	28,141
Board oversight fees	10,000
Others	1,444
	<u>374,287</u>

9 RELATED PARTY TRANSACTIONS AND BALANCES

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

<i>Related party</i>	<i>Nature of relationship</i>	<i>Nature of transaction</i>	<i>For the period from 11 February 2018 to 30 June 2018</i> SR
Jadwa Investment Company	Fund manager	Paid on behalf of the Fund Management fee (note 9.1) Administration fee (note 9.2)	(34,021) (5,684,073) (56,195)
AbdulKadir Al Muhaidib & Sons Co.	Unitholder	Rental revenue from investment properties Property management fees	36,130,000 (80,000)
Dar Al Yaum for Press Printing & Publishing	Unitholder	Paid on behalf of the Fund	(10,093,399)
Almareefa College for Science & Technology	Unitholder	Rental revenue from investment properties	6,400,000

Jadwa REIT Saudi Fund

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(continued)

30 June 2018

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

9.1 Management fee

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

9.2 Administration fee

The Administrator, in accordance with the Terms and Conditions of the REIT, charges the Fund an administration fee equal to SAR 129,000 which is subject to 3% annual increase.

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

Amounts due to related parties

	30 June 2018
	SR
Dar Al Yaum for Press Printing & Publishing	10,093,399
AbdulKadir Al Muhaidib & Sons Co.	80,000
Unitholders - Unpaid dividends	34,586
Jadwa Investment Company	34,021
	<u>10,242,006</u>

10 REMUNERATION TO INDEPENDENT DIRECTORS

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

	For the period
	from 11
	February 2018
	to 30 June 2018
	SR
Board oversight fee	<u>10,000</u>

11 UNIT TRANSACTION

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

	30 June 2018
	In numbers
Units Issued during the period for consideration in cash (note 11.1)	56,344,700
Units issued during the period for consideration other than cash (note 11.2)	101,655,300
Units at the end of the period	<u>158,000,000</u>

11.1 During the period, the REIT issued 56,344,700 units for SAR 563,447,000 to the general public.

11.2 During the period, the REIT issued 101,655,300 units as a consideration for the purchase of investment properties (note 5).

Jadwa REIT Saudi Fund

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(continued)

30 June 2018

12 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

12.1 Financial instruments

Financial assets consist of bank balances and rent receivables. Financial liabilities consist of due to related parties, accrued management fee and accrued expenses. The fair values of financial assets and financial liabilities are not materially different from their carrying values.

12.2 Non-financial assets

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

30 June 2018	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Alyaum Newspaper Tower	-	303,450,000	-	303,450,000
Almaarefa College	-	224,600,000	-	224,600,000
Al-Sulay Warehouse	-	255,650,000	-	255,650,000
Marvela Residential Compound	-	645,100,000	-	645,100,000
Al Fanar Residential & Commercial Compound	-	264,000,000	-	264,000,000
	-	<u>1,692,800,000</u>	-	<u>1,692,800,000</u>

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

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

The fair values of investment properties were assessed by ValuStrat and White Cubes as disclosed in note 6. They are accredited independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

Jadwa REIT Saudi Fund

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(continued)

30 June 2018

12 FAIR VALUE MEASUREMENT (continued)

12.2 Non-financial assets (continued)

The valuation models have been applied in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards, in addition to recently published International Valuation Standards issued by International Valuation Standards Council (IVSC) and applied by Saudi Authority for Accredited Valuers (TAQEEM). These models comprise both the income capitalisation approach and depreciated replacement cost (DRC).

13 OPERATING SEGMENT

The REIT 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.

14 DIVIDENDS DISTRIBUTION

On 16 April 2018, the Fund manager approved to distribute dividends to the unitholders for the period from 11 February 2018 to 31 March 2018 for an amount of SR 15,800,000 in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.

Subsequently, on 23 July 2018, the Fund manager approved to distribute dividends to the unitholders for the period from 1 April 2018 to 30 June 2018 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.

15 LAST VALUATION DAY

The last valuation day of the period was 30 June 2018.

16 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the REIT's Board on 12 Dhul-Qa'dah 1439 H (corresponding to 25 July 2018).

