

Jadwa REIT Al Haramain Fund
(Managed by Jadwa Investment Company)

**CONDENSED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)**

**FOR THE SIX-MONTH PERIOD ENDED
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 والمحيطي محاسبون قانونيون

ترخيص رقم (٧٣٥)
٢٥٢٦ طريق أبو بكر الصديق، حي التعاون
ص.ب. ٦٨٨٨ الرياض ١٢٤٧٥
المملكة العربية السعودية
تليفون: +٩٦٦١ ١١ ٢٦٩٤٤١٩
فاكس: +٩٦٦١ ١١ ٢٦٩٣٥١٦

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

Introduction:

We have reviewed the accompanying condensed interim statement of financial position of Jadwa REIT Al Haramain 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 six-month period ended 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 Al Haramain Fund

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

	Notes	30 June 2018 SR	31 December 2017 SR
ASSETS			
NON-CURRENT ASSETS			
Investment properties	5	797,646,364	768,620,861
CURRENT ASSETS			
Rent receivables		25,050,947	11,902,139
Prepayments and other assets		257,765	35,827
Cash and cash equivalents	7	13,489,947	66,642,735
TOTAL CURRENT ASSETS		38,798,659	78,580,701
TOTAL ASSETS		836,445,023	847,201,562
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term loan	8	177,199,568	177,083,975
CURRENT LIABILITIES			
Due to related parties	10	1,717,926	6,179,398
Accrued management fee	10	3,553,466	5,036,419
Accrued expenses and other liabilities	9	750,062	297,964
TOTAL CURRENT LIABILITIES		6,021,454	11,513,781
TOTAL LIABILITIES		183,221,022	188,597,756
NET ASSETS		653,224,001	658,603,806
Units in issue	12	66,000,000	66,000,000
Per unit value		9.90	9.98
Per unit fair value	6	10.87	10.86

The attached notes 1 to 17 form an integral part of these condensed interim financial statements.

Jadwa REIT Al Haramain Fund**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

For the six-month period ended 30 June 2018

		<i>For the six-month period ended 30 June 2018</i>	<i>For the period from 16 April 2017 to 30 June 2017</i>
	<i>Notes</i>	<i>SR</i>	<i>SR</i>
INCOME			
Rental revenue from investment properties		26,592,171	8,538,207
Finance income		59,627	-
		<u>26,651,798</u>	<u>8,538,207</u>
EXPENSES			
Depreciation		(5,974,497)	(2,406,047)
Finance charges		(3,783,074)	-
Management fees	10	(3,553,466)	(1,491,362)
General and administrative expenses		(893,723)	(392,062)
Amortisation of transaction costs	8	(666,843)	-
		<u>(14,871,603)</u>	<u>(4,289,471)</u>
TOTAL COMPREHENSIVE INCOME		<u>11,780,195</u>	<u>4,248,736</u>

The attached notes 1 to 17 form an integral part of these condensed interim financial statements.



Jadwa REIT Al Haramain Fund

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2018

	Notes	For the six-month period ended 30 June 2018 SR	For the period from 16 April 2017 to 30 June 2017 SR
OPERATING ACTIVITIES			
Comprehensive income for the period		11,780,195	4,248,736
Adjustments for non-cash and other items:			
Depreciation		5,974,497	2,406,047
Finance charges		3,783,074	-
Amortisation of transaction costs		666,843	-
Finance income		(59,627)	-
		22,144,982	6,654,783
Changes in operating assets and liabilities:			
Rent receivables		(13,148,808)	(8,538,207)
Prepayments and other assets		(162,312)	-
Due to related parties		(5,882,835)	-
Accrued management fee		(1,482,953)	1,491,362
Accrued expenses and other liabilities		452,098	392,062
		1,920,172	-
Interest paid		(2,361,710)	-
Net cash used in operating activities		(441,538)	-
INVESTING ACTIVITY			
Purchase of investment properties	5	(35,000,000)	(329,000,000)
Net cash used in investing activity		(35,000,000)	(329,000,000)
FINANCING ACTIVITIES			
Dividends distributed	15	(17,160,000)	-
Debt structuring fee	10	(551,250)	-
Proceeds from units sold		-	360,000,000
Equity structuring fee		-	(9,900,000)
Net cash (used in) from financing activities		(17,711,250)	350,100,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(53,152,788)	21,100,000
Cash and cash equivalents at the beginning of the period		66,642,735	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		13,489,947	21,100,000
NON-CASH TRANSACTIONS			
Investment properties (compensated against sale of units)		-	300,000,000

The attached notes 1 to 17 form an integral part of these condensed interim financial statements.

Jadwa REIT Al Haramain Fund

CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)

For the six-month period ended 30 June 2018

	Notes	For the six-month period ended 30 June 2018 SR	For the period from 16 April 2017 to 30 June 2017 SR
Net asset value attributed to the unitholders at beginning of the period		658,603,806	-
Issuance of units			
- for cash		-	360,000,000
- for consideration other than cash		-	300,000,000
		-	660,000,000
Equity structuring fee		-	(9,900,000)
Comprehensive income for the period		11,780,195	4,248,736
Dividend distribution	15	(17,160,000)	-
Net asset value attributed to the unitholders at end of the period		653,224,001	654,348,736

The attached notes 1 to 17 form an integral part of these condensed interim financial statements.

Jadwa REIT Al Haramain 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 660,000,000 divided into 66,000,000 units of SR 10 each. The REIT has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of the CMA.

The 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").

Jadwa Al Khalil Real Estate Company, a Limited Liability Company with commercial registration number 101049553, has been established and approved by the CMA as a special purpose vehicle (the "SPV") for the beneficial interest of the REIT. The SPV owns all the assets of the REIT and its contractual obligations. The SPV has not been consolidated in these financial statements as the same is being consolidated with the ultimate parent in which the unitholders of the REIT are the owners.

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

While the REIT will primarily invest in developed real estate assets which are ready for use, it may also opportunistically invest in real estate development projects 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.

Jadwa REIT Al Haramain Fund

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued) 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 consistent with those used and disclosed in the financial statements of the Fund for the period from 16 April 2017 to 31 December 2017.

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

4.1 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, fair value through other comprehensive income and fair value through profit or loss. 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 Expected Credit Loss ("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.

4.2 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.

5 INVESTMENT PROPERTIES

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

30 June 2018

Description	Cost SR	Accumulated depreciation SR	Net book value SR
Land	498,291,500	-	498,291,500
Tharawat Al Andalusia Hotel	152,000,000	8,324,620	143,675,380
Tharawat Al Taqwa Hotel	158,000,000	5,922,465	152,077,535
Ibrahim Al-Khalil I	3,408,500	87,889	3,320,611
Pharmacy Building	100,000	17,153	82,847
Ibrahim Al-Khalil II	200,000	1,509	198,491
	<u>812,000,000</u>	<u>14,353,636</u>	<u>797,646,364</u>

Jadwa REIT Al Haramain Fund

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued) 30 June 2018

5 INVESTMENT PROPERTIES (continued)

31 December 2017

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

5.1 The useful lives of the investment properties as estimated by an independent valuator range from 22 to 32 years.

5.2 Freehold land comprises of the lands acquired on which the buildings are built. Freehold land along with the properties are kept in the custody of Albilad Capital. The REIT acquired properties in Makkah in different locations with an aggregate area of 3,227.2 square meter of land. The consideration for the two hotels was partly paid in cash and partly settled through issuance of 30,000,000 units of the REIT.

5.3 Brief details of the investment properties follow:

5.3.1 *Tharawat Al Andalusia Hotel*

This property is a fully constructed and operated hotel located in Al Misfalah District, being situated approximately 0.5 km away from Al Haram, benefitting from a direct view over Ibrahim Al-Khalil Road.

5.3.2 *Tharawat Al Taqwa Hotel*

This property is a fully constructed pilgrim accommodation hotel located in Shisha District north of the intersection between the major Al Halj Road and King Fahad Road.

5.3.3 *Ibrahim Al-Khalil I*

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

5.3.4 *Pharmacy Building*

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

5.3.5 *Ibrahim Al-Khalil II*

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

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 Al Haramain 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 at reporting date, the valuation of investment properties are as follows:

30 June 2018	Appraiser 1 SR	Appraiser 2 SR	Average SR
Tharawat Al Andalusia Hotel	400,000,000	408,300,000	404,150,000
Tharawat Al Taqwa Hotel	270,000,000	264,000,000	267,000,000
Ibrahim Al-Khalil I	133,000,000	125,000,000	129,000,000
Pharmacy Building	25,000,000	25,000,000	25,000,000
Ibrahim Al-Khalil II	37,000,000	36,800,000	36,800,000
	865,000,000	858,900,000	861,950,000
31 December 2017	Appraiser 1 SR	Appraiser 2 SR	Average SR
Tharawat Al Andalusia Hotel	400,000,000	410,000,000	405,000,000
Tharawat Al Taqwa Hotel	270,000,000	267,200,000	268,600,000
Ibrahim Al-Khalil I	133,000,000	125,000,000	129,000,000
Pharmacy Building	25,000,000	23,000,000	24,000,000
	828,000,000	825,200,000	826,600,000

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

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:

	30 June 2018 SR	31 December 2017 SR
Fair value of investments in real estate properties	861,950,000	826,600,000
Less: Carrying value of investments in real estate properties (note 5)	797,646,364	768,620,861
Unrealised gain based on fair value evaluation	64,303,636	57,979,139
Units in issue	66,000,000	66,000,000
Per unit share in unrealised gain based on fair value evaluation	0.97	0.88

Jadwa REIT Al Haramain 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)

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

	30 June 2018 SR	31 December 2017 SR
Net asset value at cost, as presented in these financial statements	653,224,001	658,603,806
Unrealised gain based on real estate evaluations (note 6.i.)	64,303,636	57,979,139
Net asset based on fair value	<u>717,527,637</u>	<u>716,582,945</u>

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

	30 June 2018 SR	31 December 2017 SR
Net asset value per unit, at cost as presented in these financial statements	9.90	9.98
Impact on net asset value per unit on account of unrealised gain based on fair value evaluations (note 6.i.)	0.97	0.88
Net asset value per unit at fair value	<u>10.87</u>	<u>10.86</u>

7 CASH AND CASH EQUIVALENTS

	30 June 2018 SR	31 December 2017 SR
Cash in banks	1,489,947	66,642,735
Murabaha deposits	12,000,000	-
	<u>13,489,947</u>	<u>66,642,735</u>

As of 30 June 2018, two of the three bank accounts are maintained with Banque Saudi Fransi ("BSF") and Riyadh Bank under the name of the SPV with a total balance of SR 1,140,731 (31 December 2017: SR 46,384,875).

8 LONG-TERM LOAN

	30 June 2018 SR	31 December 2017 SR
Long-term loan	183,000,000	183,000,000
Less:		
Transaction cost	6,521,250	5,970,000
Amortisation of transaction costs	(720,818)	(53,975)
	<u>5,800,432</u>	<u>5,916,025</u>
Long-term loan	<u>177,199,568</u>	<u>177,083,975</u>

Jadwa REIT Al Haramain Fund

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued) 30 June 2018

8 LONG-TERM LOAN (continued)

The Fund has obtained the following Shariah-compliant facilities through the SPV:

- i. On 20 July 2017, BSF has extended an Islamic finance facility (Tawaruq) to the SPV amounting to SR 500,000,000 for the purposes of financing the real estate investments of the REIT. The SPV has made an arrangement with the REIT under a long-term loan agreement to lend all the loan proceeds availed by it under the Facility to the REIT on terms and conditions same as that of the facility.

The facility and correspondingly the loan is available till 20 July 2020 and is repayable in full on 31 August 2022.

The loan carries mark-up at the rate of Saudi Inter-Bank Offered Rate ("SAIBOR") plus 2% per annum, payable on semi-annual basis. As at 30 June 2018, SR 183,000,000 have been drawn from the available facility.

Transaction costs related to the loan amounting to SR 6,521,250 as of 30 June 2018 (31 December 2017: SR 5,970,000) has been capitalized in the carrying amount of the loan and are being amortized over the period of the loan.

The facility is secured by a pledge of certain coverage ratio over the current and future rights and interests in the investment properties of the REIT.

- ii. On 8 May 2018, Riyadh Bank has extended an Islamic finance facility to the SPV amounting to SR 200,000,000 for the purposes of financing the real estate investments of the REIT. The SPV has made an arrangement with the REIT under a long-term loan agreement to lend all the loan proceeds availed by it under the facility to the REIT on terms and conditions same as that of the facility.

The facility and correspondingly the loan is available till 8 May 2020 and is repayable in full on 8 May 2021. As at 30 June 2018, the REIT has not drawn any amount from the facility.

The facility is secured by a pledge of certain coverage ratio over the current and future rights and interests in the investment properties of the REIT.

9 ACCRUED EXPENSES AND OTHER LIABILITIES

	30 June 2018 SR	31 December 2017 SR
Registrar fee	220,000	-
Output value-added tax	204,718	-
Tadawul listing fee	124,843	-
Custody fee	81,649	82,466
Property valuation fee	59,063	140,000
Administrator fee	42,289	31,409
Audit fee	17,500	17,500
Legal fee	-	16,589
Board oversight fee	-	10,000
	750,062	297,964

Jadwa REIT Al Haramain Fund

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued) 30 June 2018

10 RELATED PARTY TRANSACTIONS AND BALANCES

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

<i>Related party</i>	<i>Nature of relationship</i>	<i>Nature of transaction</i>	<i>For the six-month period ended 30 June 2018 SR</i>	<i>For the period from 16 April 2017 to 30 June 2017 SR</i>
Jadwa Investment Company	Fund manager	Management fee (note 10.1)	3,553,466	1,491,362
		Debt structuring fee (note 10.2)	551,250	-
		Administrator fee (note 10.3)	71,069	27,314
		Equity structuring fee	-	9,900,000

10.1 Management fee

In consideration for managing the assets of the Fund, the Fund Manager in accordance with the Terms and Conditions of the REIT charges the Fund a management fee equal to 1.0% of the net asset market value of the Fund calculated and payable semi-annually in arrears.

10.2 Debt structuring fee

The Fund Manager charges the Fund a debt structuring fee equal to 1.5% of the amount drawn pursuant to any debt financing obtained by the Fund. The debt structuring fee is calculated on the amount utilised from the drawdown amount of the Facility. This amount is recognised in the carrying amount of the loan as a transaction cost and is amortised over the period for which the loan is available.

10.3 Administration fee

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

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

	<i>30 June 2018 SR</i>	<i>31 December 2017 SR</i>
Jadwa Al-Khalil Real Estate Company	1,587,582	6,136,219
Unitholders - Unpaid dividends	128,344	19,469
Jadwa Investment Company	2,000	23,710
	<u>1,717,926</u>	<u>6,179,398</u>

11 REMUNERATION TO INDEPENDENT DIRECTORS

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

	<i>For the six-month period ended 30 June 2018 SR</i>	<i>For the period from 16 April 2017 to 30 June 2017 SR</i>
Board oversight fee	-	10,000

Jadwa REIT Al Haramain Fund

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued) 30 June 2018

12 UNIT TRANSACTION

Transaction in units of the REIT is summarized as follows:

	30 June 2018 In numbers	31 December 2017 In numbers
Units at the beginning of the period	66,000,000	-
Units issued during the period for consideration in cash	-	36,000,000
Units issued during the period for consideration other than cash	-	30,000,000
Units at the end of the period	66,000,000	66,000,000

13 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

13.1 Financial instruments

Financial assets consist of cash and cash equivalents and rent receivables. Financial liabilities consist of due to related parties, accrued management fees, other accrued expenses and long-term loan. The fair values of financial assets and financial liabilities are not materially different from their carrying values.

13.2 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
Tharawat Al Andalusia Hotel	-	404,150,000	-	404,150,000
Tharawat Al Taqwa Hotel	-	267,000,000	-	267,000,000
Ibrahim Al-Khalil I	-	129,000,000	-	129,000,000
Pharmacy Building	-	25,000,000	-	25,000,000
Ibrahim Al-Khalil II	-	36,800,000	-	36,800,000
	-	861,950,000	-	861,950,000

Jadwa REIT Al Haramain Fund

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued) 30 June 2018

13 FAIR VALUE MEASUREMENT (continued)

13.2 Non-financial assets (continued)

31 December 2017	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Tharawat Al Andalusia Hotel	-	405,000,000	-	405,000,000
Tharawat Al Taqwa Hotel	-	268,600,000	-	268,600,000
Ibrahim Al-Khalil I	-	129,000,000	-	129,000,000
Pharmacy Building	-	24,000,000	-	24,000,000
	-	826,600,000	-	826,600,000

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

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

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

The valuation models have been applied in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards, in addition to recently published International Valuation Standards issued by 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).

14 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.

15 DIVIDENDS DISTRIBUTION

On 2 January 2018, the Fund manager approved to distribute dividends to the unit holders for the period from 1 July 2017 to 31 December 2017 amounting to SR 17,160,000 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 unit holders for the period from 1 January 2018 to 30 June 2018 amounting to SR 18,480,000 in accordance with the terms and conditions of the Fund which was at least 90% of the Fund's annual net profits.

16 LAST VALUATION DAY

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

17 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the REIT's Board on 16 Dhul-Qa'dah 1439 H (corresponding to 29 July 2018).