

ALINMA RETAIL REIT FUND
(Managed by Alinma Investment Company)

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

AND INDEPENDENT AUDITOR'S REVIEW REPORT

Alinma Retail REIT Fund
(Managed by Alinma Investment Company)

INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS
To the Unitholders of Alinma Retail REIT Fund
(Managed by Alinma Investment Company)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Alinma Retail REIT Fund ("the Fund") being managed by Alinma Investment Company (the "Fund Manager") as at 30 June 2023, and the related interim condensed statements of comprehensive income, cash flows and changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Fund Manager is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 – "Interim Financial Reporting (IAS 34)" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed 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" that is endorsed in the Kingdom of Saudi Arabia. A review of the interim financial information 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 interim condensed financial statements is not prepared, in all material respects, in accordance with IAS 34, that is endorsed in the Kingdom of Saudi Arabia.

for Alluhaid & Alyahya Chartered Accountants



Saleh Al Yahya
Certified Public Accountant
License No. 473

Riyadh: 27 Muharram 1445H
(14 August 2023)



Alinma Retail REIT Fund
(Managed by Alinma Investment Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 (Unaudited) SR	31 December 2022 (Audited) SR
ASSETS			
NON-CURRENT ASSETS			
Investment properties	5	923,747,580	884,827,327
		<u>923,747,580</u>	<u>884,827,327</u>
CURRENT ASSETS			
Prepayment and other receivables		11,004,410	11,666,388
Rental income receivable	7	3,699,579	3,264,812
Financial asset at fair value through profit or loss ("FVTPL")	8	1,909,103	-
Amounts due from a related party	11	1,219,338	1,219,338
Financial assets at amortised cost	9	-	15,047,667
Cash and cash equivalents		19,927,961	6,917,115
		<u>37,760,391</u>	<u>38,115,320</u>
TOTAL CURRENT ASSETS		37,760,391	38,115,320
TOTAL ASSETS		961,507,971	922,942,647
LIABILITIES AND EQUITY			
NON-CURRENT LIABILITIES			
Non-current portion of lease liabilities		6,177,917	6,676,748
Long term borrowings	10	55,100,000	-
		<u>61,277,917</u>	<u>6,676,748</u>
CURRENT LIABILITIES			
Current portion of lease liabilities		650,000	650,000
Unearned rental income		2,885,755	409,381
Accrued expenses and other payables		11,676,986	8,366,507
Zakat payable		997,083	1,178,861
		<u>16,209,824</u>	<u>10,604,749</u>
TOTAL CURRENT LIABILITIES		16,209,824	10,604,749
TOTAL LIABILITIES		77,487,741	17,281,497
EQUITY			
Net assets attributable to unitholders		884,020,230	905,661,150
		<u>884,020,230</u>	<u>905,661,150</u>
TOTAL LIABILITIES AND EQUITY		961,507,971	922,942,647
Units in issue (number)		118,000,000	118,000,000
Net asst value per unit (SR)		7.49	7.68
Per unit fair value (SR)	6	7.63	7.68

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.

Alinma Retail REIT Fund
(Managed by Alinma Investment Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Notes	<i>Unaudited</i>	
		<i>For the six-month period ended</i> 30 June 2023 SR	<i>30 June</i> 2022 SR
Income			
Rental income from investment properties		24,062,159	23,180,821
Total income		24,062,159	23,180,821
Operating expenses			
Depreciation on investment properties	5	(16,454,697)	(15,518,222)
Property manager fee and other operating expenses		(10,211,417)	(8,217,000)
Management fees	11	(1,972,390)	(3,469,633)
General and administrative expenses		(1,257,937)	(1,221,247)
Reversal of (charge for) expected credit loss allowance	7	1,651,597	(2,961,415)
Custodian fee		(84,072)	(112,463)
Total operating expenses		(28,328,916)	(31,499,980)
Net loss from operations		(4,266,757)	(8,319,159)
Other income		141,588	25,114
Financial charges		(1,987,286)	(158,924)
Net loss before impairment and zakat		(6,112,455)	(8,452,969)
(Charge of) impairment loss on investment properties	5	(778,438)	16,342,588
(Loss) profit before zakat		(6,890,893)	7,889,619
Zakat		-	-
Net (loss) profit for the period		(6,890,893)	7,889,619
Other comprehensive income for the period		-	-
Total comprehensive (loss) income for the period		(6,890,893)	7,889,619

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.

Alinma Retail REIT Fund
(Managed by Alinma Investment Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

	<i>Unaudited</i>	
	<i>For the six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
Operating activities		
Net (loss) profit before zakat	(6,890,893)	7,889,619
<i>Adjustments for:</i>		
Depreciation of investment properties	16,454,697	15,518,222
Finance charges	1,987,286	158,924
Charge of (reversal of) impairment loss on investment properties	778,438	(16,342,588)
(Reversal of) charge for expected credit loss allowance	(1,651,597)	2,961,415
Gain from financial assets at FVTPL	(69,956)	-
Special commission income	(64,165)	-
	<u>10,543,810</u>	<u>10,185,592</u>
<i>Changes in operating assets and liabilities:</i>		
Decrease (increase) in prepayment and other receivables	661,978	(762,547)
Decrease in rental income receivable	1,216,830	1,292,095
Decrease in amounts due from a related party	-	474,264
Increase (decrease) in contract liabilities	2,476,374	(1,015,290)
Increase in accrued expenses and other liabilities	1,474,362	2,409,276
Increase in amounts due to related parties	-	467,409
	<u>16,373,354</u>	<u>13,050,799</u>
Zakat paid	(181,778)	-
Net cash flows from operating activities	<u>16,191,576</u>	<u>13,050,799</u>
Investing activities		
Additions to investment properties	(56,153,388)	(195,158)
Proceeds from maturity of financial assets at amortised cost	15,111,832	-
Purchase of financial asset at FVTPL	(15,111,833)	(13,000,000)
Proceeds from sale of financial asset at FVTPL	13,272,686	-
Net cash flows used in investing activities	<u>(42,880,703)</u>	<u>(13,195,158)</u>
Financing activities		
Proceeds from long term borrowings	55,100,000	-
Dividend distribution	(14,750,027)	(13,954,093)
Repayment of lease liabilities	(650,000)	(650,000)
Net cash flows from (used in) financing activities	<u>39,699,973</u>	<u>(14,604,093)</u>
Net increase (decrease) in cash and cash equivalents	13,010,846	(14,748,452)
Cash and cash equivalents at beginning of the period	<u>6,917,115</u>	<u>29,348,717</u>
Cash and cash equivalents at end of the period	<u><u>19,927,961</u></u>	<u><u>14,600,265</u></u>
Non-cash transactions		
Payments of lease liabilities	650,000	650,000

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.

Alinma Retail REIT Fund
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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	For the six-month period ended	
	30 June	30 June
	2023	2022
	SR	SR
EQUITY AT THE BEGINNING OF THE PERIOD	905,661,150	932,864,494
Comprehensive (loss) income:		
Net (loss) income for the period	(6,890,893)	7,889,619
Other comprehensive income for the period	-	-
Total comprehensive (loss) income for the period	(6,890,893)	7,889,619
Dividend distribution (note 13)	(14,750,027)	(11,800,000)
EQUITY AT THE END OF THE PERIOD	884,020,230	928,954,113

UNIT TRANSACTIONS

Transactions in units for the period are summarised as follows:

	Unaudited	
	For the six-month period ended	
	30 June	30 June
	2023	2022
	Units	Units
UNITS AT THE BEGINNING AND END OF THE PERIOD	118,000,000	118,000,000

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.

Alinma Retail REIT Fund (Managed by Alinma Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2023

1 INCORPORATION AND ACTIVITIES

Alinma Retail REIT Fund (the "Fund") is a closed-ended real estate investment traded fund established on 24 Dhul Qa'dah 1439H (corresponding to 6 August 2018). The Fund is listed on the Saudi Stock Exchange ("Tadawul"). The Capital of the Fund is SR 1,180,000,000 divided into 118,000,000 units of SR 10 each. The Fund has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of the Capital Market Authority ("CMA").

The Fund is managed by Alinma Investment Company (the "Fund Manager"), a closed joint stock company with commercial registration number 1010269764, licensed by the Capital Market Authority of the Kingdom of Saudi Arabia ("CMA") under license number 09134-37.

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.

In addition, the Fund can also invest up to 25% of the total value of the Fund according to the latest audited financial statements in each of the following, provided that all these investments are Shariah compliant:

- (i) Units of Real Estate Traded Funds publicly offered in the Saudi Stock Exchange and licensed by CMA,
- (ii) Units of private real estate funds licensed by CMA,
- (iii) Real estate investments outside the Kingdom of Saudi Arabia,
- (iv) Cash liquidity / holding of cash,
- (v) Money market funds publicly offered and licensed CMA,
- (vi) Shares of real estate companies listed on the Saudi Stock Exchange and licensed by CMA, and;
- (vii) Usufruct rights.

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.

3 BASIS OF PREPARATION

3.1 *Statement of compliance*

These interim condensed financial statements for the six-month period ended 30 June 2023 of the Fund have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organisation for Chartered and Professional Accountants ("SOCPA").

The Fund Manager has prepared the interim condensed financial statements on the basis that the Fund will continue to operate as a going concern. The Fund Manager considers that there are no material uncertainties that may cast doubt significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Fund's annual financial statements as at 31 December 2022.

ALINMA RETAIL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
30 June 2023

3 BASIS OF PREPARATION (continued)

3.2 Basis of measurement

These interim condensed financial statements have been prepared under historical cost convention, except for the financial assets at FVTPL which are measured at fair value.

3.3 Functional and presentation currency

These interim condensed financial statements are presented in Saudi Riyal (SR), which is also the functional currency of the Fund. All financial information has been rounded off to the nearest SR, unless otherwise stated.

3.4 Use of judgements, estimates and assumptions

In preparing these interim condensed financial statements, the Fund Manager has made the judgement, estimates, and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the Fund Manager in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual audited financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2022 except for the adoption of new standards effective as of 1 January 2023. The Fund has not early adopted any standard, interpretation or amendment that has been issued but not effective yet.

Following amendments apply for the first time in 2023, but do not have an impact on the interim condensed financial statements of the Fund.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. IFRS 17 replaces IFRS 4 *Insurance Contracts* that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance, and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the interim condensed financial statements of the Fund but are expected to affect the accounting policy disclosures in the Fund's annual financial statements.

ALINMA RETAIL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
30 June 2023

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

5 INVESTMENT PROPERTIES

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

30 June 2023 (Unaudited)

Description	Cost SR	Accumulated depreciation SR	Impairment (Note 6.3.5) SR	Net book value SR
Hafar Al-Batin Mall	473,053,156	(71,896,866)	(93,163,383)	307,992,907
Al Khair Mall	325,253,534	(26,915,956)	-	298,337,578
Tabuk Mall	221,873,667	(31,363,515)	(64,748,058)	125,762,094
Dawadmi Mall (note 5.2b)	177,290,478	(39,117,689)	(1,087,524)	137,085,265
Signature Mall	55,103,000	(533,264)	-	54,569,736
	<u>1,252,573,835</u>	<u>(169,827,290)</u>	<u>(158,998,965)</u>	<u>923,747,580</u>

31 December 2022 (Audited)

Description	Cost SR	Accumulated depreciation SR	Impairment (Note 6.3.5) SR	Net book value SR
Hafar Al-Batin Mall	472,087,598	(65,479,292)	(60,418,306)	346,190,000
Al Khair Mall	325,168,704	(23,879,415)	(20,364,289)	280,925,000
Tabuk Mall	221,873,667	(28,908,141)	(57,880,527)	135,084,999
Dawadmi Mall (note 5.2b)	177,290,478	(35,105,745)	(19,557,405)	122,627,328
	<u>1,196,420,447</u>	<u>(153,372,593)</u>	<u>(158,220,527)</u>	<u>884,827,327</u>

ALINMA RETAIL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
30 June 2023

5 INVESTMENT PROPERTIES (continued)

5.2 The movement in investment properties during the period / year is as follows:

	<i>Land and buildings SR</i>	<i>Right-of-use asset SR</i>	<i>Total SR</i>
Cost			
As at 1 January 2022	1,187,461,337	8,594,560	1,196,055,897
Additions	364,550	-	364,550
As at 31 December 2022	1,187,825,887	8,594,560	1,196,420,447
Additions	56,153,388	-	56,153,388
As at 30 June 2023	1,243,979,275	8,594,560	1,252,573,835
Accumulated depreciation			
As at 1 January 2022	120,133,084	1,434,174	121,567,258
Depreciation charge	31,327,278	478,057	31,805,335
As at 31 December 2022	151,460,362	1,912,231	153,372,593
Depreciation charge	16,217,633	237,064	16,454,697
As at 30 June 2023	167,677,995	2,149,295	169,827,290
Accumulated impairment			
As at 1 January 2022	177,639,842	-	177,639,842
Reversal of impairment loss	(19,419,315)	-	(19,419,315)
As at 31 December 2022	158,220,527	-	158,220,527
Charge for impairment loss	778,438	-	778,438
As at 30 June 2023	158,998,965	-	158,998,965
Net book amount as at 30 June 2023	917,302,315	6,445,265	923,747,580
Net book amount as at 31 December 2022	878,144,998	6,682,329	884,827,327

Included above within land and buildings is land amounted to SR 340,187,260 (31 December 2022: SR 312,274,760).

During the period ended 30 June 2023, depreciation charged to the interim condensed statement of comprehensive income amounted to SR 16,454,697 (30 June 2022: SR 15,518,222).

5.2 a- The useful life of freehold properties is assessed at 25 years from date of acquisition.

5.2 b- The useful life of Dawadmi Mall (leasehold) is assessed at 19 years from the date of acquisition. The net book value include right of use asset of SR 6,445,265 (31 December 2022: SR 6,682,329)

5.3 Freehold and leasehold properties

Free hold and leasehold properties comprises of the lands acquired or leased on which the buildings are built. The Fund acquired freehold properties in Riyadh, Hafar Al-Batin and Tabuk with an aggregate area of 190,596 square meters of land (31 December 2022: 185,721 square meter). Additionally, the Fund leased land in Dawadmi with an area of 72,678 square meter of land.

ALINMA RETAIL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
30 June 2023

5 INVESTMENT PROPERTIES (continued)

5.4 Listed below are the details of the investment properties:

<i>PROPERTY</i>	<i>DISCRIPTION</i>
Dawadmi Mall	This property is a fully constructed commercial facility on a leasehold land, located in Dawadmi, Kingdom of Saudi Arabia ("KSA").
Al Khair Mall	This property is a fully constructed commercial facility on a freehold land, located in Al Malga District, Riyadh, KSA.
Hafar Al-Batin Mall	This property is a fully constructed commercial facility on a freehold land, located in Al Rayan District, Hafar Al-Batin, KSA.
Tabuk Mall	This property is a fully constructed commercial facility on a freehold land, located in Al Rajhi District, Tabuk, KSA.
Signature Mall	The Fund acquired the property during the period, This property is a fully constructed commercial facility on freehold land, located in Al Shuhada District, Riyadh, KSA. The acquisition of the property is funded through financing obtained from Alinma Bank. Accordingly, the title deed of the property is pledged against the financing.

5.5 Impairment of investment properties

During the period, the investment properties were tested for impairment and the management recognized net impairment loss of SR 788,438 (30 June 2022: Impairment reversal of SR 19,419,315) to adjust the value of its investment properties to its recoverable amount based on the average value as at the reporting period determined by the independent appraisers as shown in note 6.

5.6 Ownership of investment properties

All properties are held in the name of Wabel Fund Company (the "SPV"). The SPV is holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties. All title deeds of the investment properties is pledged against the financing (note 10).

6 EFFECTS ON NET ASSETS VALUE IF INVESTMENT PROPERTIES IS FAIR VALUED

In accordance with Article 36 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, 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.

The fair value of the investment properties is determined by two selected appraisers, i.e., 'Abaad Company' and 'Value experts Company and Partner for Real Estate Valuation'. As at 30 June 2023 and 31 December 2022, the valuation of investment properties are as follows:

	30 June 2023 (Unaudited)			Net book value (note 6.1) (SR)
	Appraiser 1 (SR)	Appraiser 2 (SR)	Average (SR)	
Hafar Al-Batin Mall	289,300,000	326,670,000	307,985,000	307,992,907
Al Khair Mall	288,100,000	312,710,000	300,405,000	298,337,578
Dawadmi Mall	124,200,000	137,080,000	130,640,000	130,640,000
Tabuk Mall	123,300,000	128,240,000	125,770,000	125,762,094
Signature Mall	66,600,000	72,020,000	69,310,000	54,569,736
	<u>891,500,000</u>	<u>976,720,000</u>	<u>934,110,000</u>	<u>917,302,315</u>

ALINMA RETAIL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
30 June 2023

6 EFFECTS ON NET ASSETS VALUE IF INVESTMENT PROPERTIES IS FAIR VALUED
(continued)

	31 December 2022 (Audited)			Net book value (note 6.1) (SR)
	Appraiser 1 (SR)	Appraiser 2 (SR)	Average (SR)	
Hafar Al-Batin Mall	351,400,000	340,980,000	346,190,000	346,190,000
Al Khair Mall	266,000,000	295,850,000	280,925,000	280,925,000
Dawadmi Mall	141,800,000	128,369,996	135,084,998	115,944,999
Tabuk Mall	93,200,000	138,690,000	115,945,000	135,084,999
	<u>852,400,000</u>	<u>903,889,996</u>	<u>878,144,998</u>	<u>878,144,998</u>

6.1 For the purpose of the fair value, the net book value does not include the amount of right of use of asset amounting to SR 6,445,265 (31 December 2022: SR 6,628,329).

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

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

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

	30 June 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Average fair value of investment properties	934,110,000	878,144,998
Less: Carrying value of investment properties (note 5.2)	(917,302,315)	(878,144,998)
Unrealised gain based on fair value	<u>16,807,685</u>	<u>-</u>
Units in issue (numbers)	<u>118,000,000</u>	<u>118,000,000</u>
Impact per unit share based on fair value evaluation (SR)	<u>0.14</u>	<u>-</u>

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

	30 June 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Net assets value at cost	884,100,972	905,661,150
Net impact based on evaluations	16,807,685	-
Net assets based on fair value	<u>900,908,657</u>	<u>905,661,150</u>

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(Managed by Alinma Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
30 June 2023

6 EFFECTS ON NET ASSETS VALUE IF INVESTMENT PROPERTIES IS FAIR VALUED (continued)

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

	30 June 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Net assets value per unit at cost	7.49	7.68
Impact on net assets value per unit on account of unrealised gain based on evaluations	0.14	-
Net assets value per unit based on fair value	<u>7.63</u>	<u>7.68</u>

7 RENTAL INCOME RECEIVABLE

This represents rental income receivable from renting of the investment properties in accordance with the terms of the corresponding tenancy agreements. The rental income receivables are current in nature and expected to settle within a short period of time.

	30 June 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Rental income receivable	51,836,776	53,053,606
Less: Allowance for expected credit loss	(48,137,197)	(49,788,794)
	<u>3,699,579</u>	<u>3,264,812</u>

Following is the movement of allowance for expected credit losses as at the reporting date:

	30 June 2023 (Unaudited) SR	31 December 2022 (Audited) SR
At the beginning of the period / year	49,788,794	39,136,133
(Reversal) charge during the period / year	(1,651,597)	10,652,661
At the end of the period / year	<u>48,137,197</u>	<u>49,788,794</u>

8 FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL represents investment in Alinma Saudi Riyal Liquidity Fund, an open-ended fund managed by Alinma Investment Company. The primary objective of the Fund is to invest in Shariah compliant Murabaha contracts.

	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	Cost (SR)	Market value (SR)	Cost (SR)	Market value (SR)
Alinma Saudi Riyal Liquidity Fund	<u>1,839,147</u>	<u>1,909,103</u>	<u>-</u>	<u>-</u>

ALINMA RETAIL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
30 June 2023

9 FINANCIAL ASSET AT AMORTISED COST

	30 June 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Murabaha deposits (i)	-	15,000,000
Accrued special commission income	-	47,667
Balance at the end of the period / year	<u>-</u>	<u>15,047,667</u>

(i) The Murabaha deposit for the year ended 31 December 2022 represented investments placed with an investment company operating in Kingdom of Saudi Arabia, which was matured within 1 year and carried an average special commission income rate of 4.4% per annum.

10 LONG-TERM BORROWINGS

On 7 November 2022, the SPV of the Fund, on behalf of the Fund, entered into an financing agreement (“agreement”) with Alinma Bank (the “Bank”) amounting to SR 750 million to finance acquisition of properties.. As of 30 June 2023, SR694.9 million represents the unused portion of the facility. (31 December 2022: Nil).

The agreement bears a commission rate of three-month Saibor + 1.3% per annum, payable annually. The term of the agreement term is 8 years, and the principal amount is scheduled to be paid in full at the end of the term of agreement)

The agreement is secured against the pledge of all title deeds of the investment properties (note 5).

During the period ended 30 June 2023, the Fund incurred financial charges amounted to SR 1,836,117.

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

	30 June 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Additions during the period / year	<u>55,100,000</u>	-
Balance at the end of the period / year	<u>55,100,000</u>	-

11 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Fund Manager and entities / persons related to Fund Manager are considered as related parties of the Fund. In the ordinary course of its activities, the Fund transacts business with its related parties. All the related party transactions are approved by the Fund’s Board of Directors.

a) Management fee

In consideration for managing the assets of the Fund, the Fund Manager, in accordance with the terms and conditions of the Fund, charges the Fund a management fee equal to 0.75% of the net asset value of the Fund per annum, provided that the management fee does not exceed 12% of net cash flow from operating activities calculated and payable on quarterly basis.

b) Board of Directors remuneration

Each independent member of the Board of Directors is allowed a remuneration of SR 5,000 per board meeting.

ALINMA RETAIL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
30 June 2023

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

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Nature of transaction</i>	Unaudited	
			For the six-month period ended	30 June
			30 June	30 June
			2023	2022
			SR	SR
Alinma Investment Company	Fund Manager	Management fees	(1,972,390)	(2,447,868)
Fund board	Independent directors	Board fees	(10,000)	(10,000)
Wabel Al Arabia for Investment Company	Property Manager and unit holder	Amounts paid on behalf of related party	-	120,530
		Amounts received on behalf of related party.	30,000	594,794
SWICORP Company	Former Fund Manager	Management fees	-	(1,021,765)

11.2 Related party balances

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

	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	SR	SR
Amounts due from a related party		
SWICORP Company	1,219,338	1,219,338

As of 30 June 2023, board members of the Fund held 340,000 units (31 December 2022: 340,000 units).

12 FAIR VALUE MEASUREMENT

Financial assets consist of cash and cash equivalents, rental income receivable, amounts due from a related party, and financial assets at FVTPL. Financial liabilities consist of lease liabilities, other liabilities and long-term borrowings.

Due to the short-term nature of most of the financial instruments, their carrying amounts appropriate their fair values. For the borrowings, the fair value is not materially different from its carrying amount since the interest payable is repriced based on the market rate periodically.

13 DIVIDENDS DISTRIBUTION

During the period ended 30 June 2023, in accordance with the terms and conditions of the Fund, the Fund's Board has declared dividends of SR 0.125 for the period ended 30 June 2023, amounting to SR 14,750,027. (30 June 2022: SR 11,800,000)

14 LAST VALUATION DATE

The last valuation date of the period was 30 June 2023 (31 December 2022: The last valuation date for the year was 31 December 2022).

15 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Fund Manager on 27 Muharram 1445H (corresponding to 14 August 2023)