

الإِنماء للاستثمار  
alinma investment

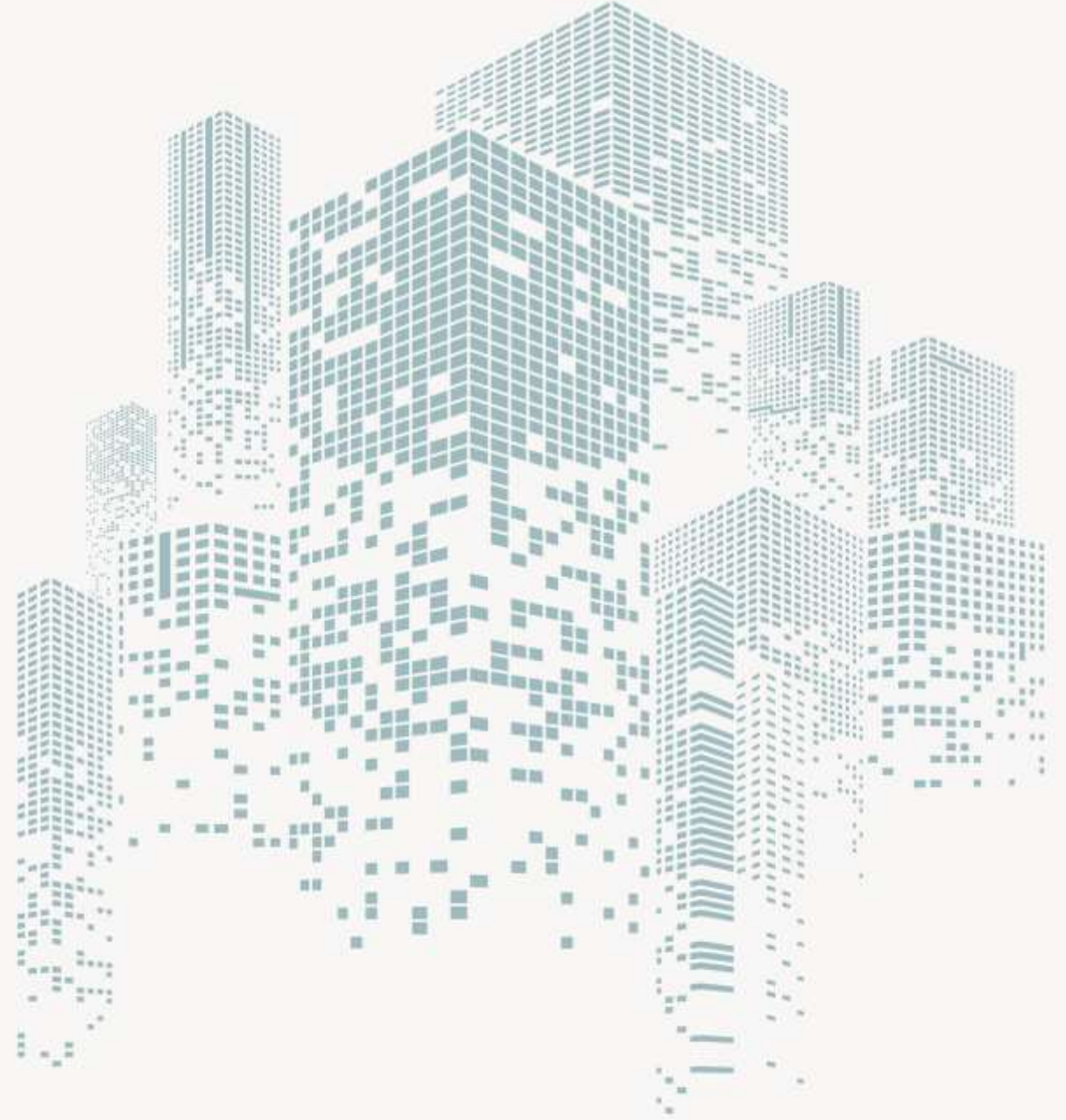


شراكة منة شركة

مرخصة من هيئة السوق المالية برقم 09134-37

# Annual Report 2023

Alinma Hospitality REIT



# Table of Content

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<b>01</b>	About the Fund	<b>09</b>	Description of the Fund's Benchmark Index	<b>17</b>	Financial statement
<b>02</b>	Prominent Events	<b>10</b>	A comparison Table Covering the Fund's Performance During the Last Three Fiscal Years (or Since the Fund was Established)		
<b>03</b>	An Overview of the Assets' Developments	<b>11</b>	Fundamental or Non - Fundamental Changes During the Period		
<b>04</b>	Assets in which the Fund Invests	<b>12</b>	Fund's Manager's Investment in the Fund's Units		
<b>05</b>	Assets in which the Fund Aims to Invests	<b>13</b>	Conflict of Interests Cases		
<b>06</b>	The Ratio of the Rented Property Value and the Ratio of Non- Rented Property Value to the Total Value of Owned Property	<b>14</b>	Fund's Board of Directors' Report		
<b>07</b>	The Rental Ratio for each of the Fund's Assets Out of the Total Rents of the Fund's Assets	<b>15</b>	Statement on the Special Commissions Obtained by the Fund's Manager During the Period		
<b>08</b>	Ratio of Uncollected Revenues Out of the Total Revenues and Non-Cash Expenses out of the Fund's Net Profits	<b>16</b>	Risk Assessment Report		

# 1- About the Fund

Alinma Hospitality REIT Fund is a closed-ended real estate investment Fund offered publicly and in compliant with the provisions of Islamic Sharia. It is listed on the Saudi Stock Market “Tadawul” under index number 4349.

The Fund aims to invest in real estate assets. The Fund mainly focuses on the hotel sector within the Kingdom of Saudi Arabia, distributing no less than 90% of its net profits annually to unit holders. The Fund currently invests in three hotels in the city of Riyadh (three hotels), and Jeddah City (two hotels).

## 2- Fund’s Prominent Events

1

Alinma Investment Company announced on Rabi’ al-Awwal 3rd, 1444 AH, corresponding to the September 29th, 2022 AD, the approval of the Capital Market Authority to offer Alinma Hospitality REIT Fund’s units in a public offering.

2

The Fund’s units were offered for subscription on Sunday, October 30, 2022, and the offering period ended on November 16, 2022. The total cash offering size amounts to SAR 511,401,000.

3

The results of the offering were announced on the website of Alinma Investment Company on Rabi’ al-Awwal 27th, 1444 AH, where SAR 660,942,450 were raised (including the Fund’s manager’s subscription).

4

The Fund started his operation on 30<sup>th</sup> January 2023

5

A banking facility agreement was signed with Alinma Bank, in compliance with Islamic Sharia, at a value of SAR 1,000 million in exchange for a mortgage of income-generating properties and a promissory note. The cost of these facilities is 1.2%, plus 3 months’ SIBOR, given the possibility of raising the Fund’s returns and its ability to distribute through acquisition of new assets.

6

On June 14, 2023, Alinma Investment Company announced the distribution of first half profits. The value of such dividends amounts to SAR 32,640,672, and the distribution value per unit was 0.32 halalas.

7

The terms and conditions of the Fund have been updated to reflect the decisions of the Zakat, Tax and Customs Authority and some other amendments.

### 3- An Overview of the Assets' Developments

#### A- Lease and Operation

The leasing and operation contract for all the Fund's assets were concluded. The Fund's assets are considered leased or operated in full.

### Asset

2023\*

Vittori Palace – Riyadh

100%

Rafal Ascott - Riyadh

100%

Clarion Jeddah Airport - Jeddah

100%

Comfort in & Suites - Jeddah

100%

Comfort in Olaya - Riyadh

100%

\* Occupancy Rate

### 3- An Overview of the Assets' Developments



#### B- Collection

An amount of SAR 93.8 million was collected during 2023 from tenants and operators, and the unearned revenues until December 31, 2023 resulting from leasing contracts amount to SAR 4.5 million.



#### C- Contracts

The Fund contracts was prepared and reviewed by the Fund manager in cooperation with specialized legal advisor, the Fund leasing contract verified through Ejar platform

## 4- Assets in which the Fund Invests

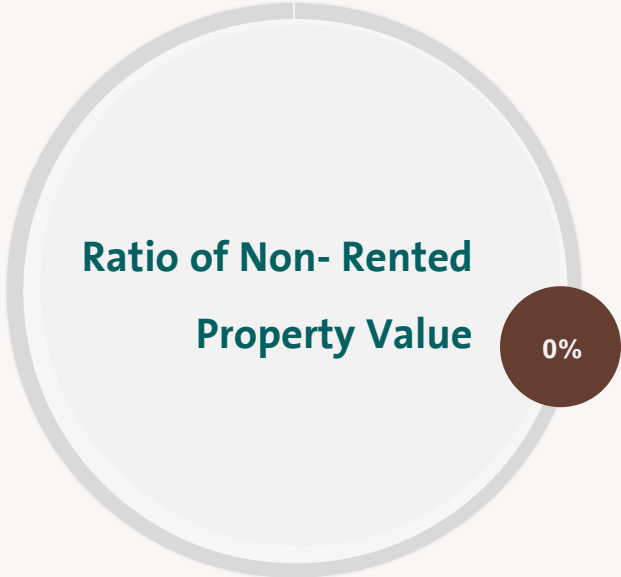
The Fund currently invests in the following five hotels:

Property	Vittore Palace	Rafal Ascot	Clarion Jeddah Airport	Comfort Inn & Suites	Comfort Inn Olaya
City	Riyadh	Riyadh	Jeddah	Jeddah	Riyadh
Property Type	Free Ownership	Free Ownership	Free Ownership	Free Ownership	Free Ownership
Purchase value (million Saudi riyals)	420	245	147.6	79.4	60.7
Percentage of the total portfolio asset value	44.09%	25.72%	15.49%	8.33%	6.37%

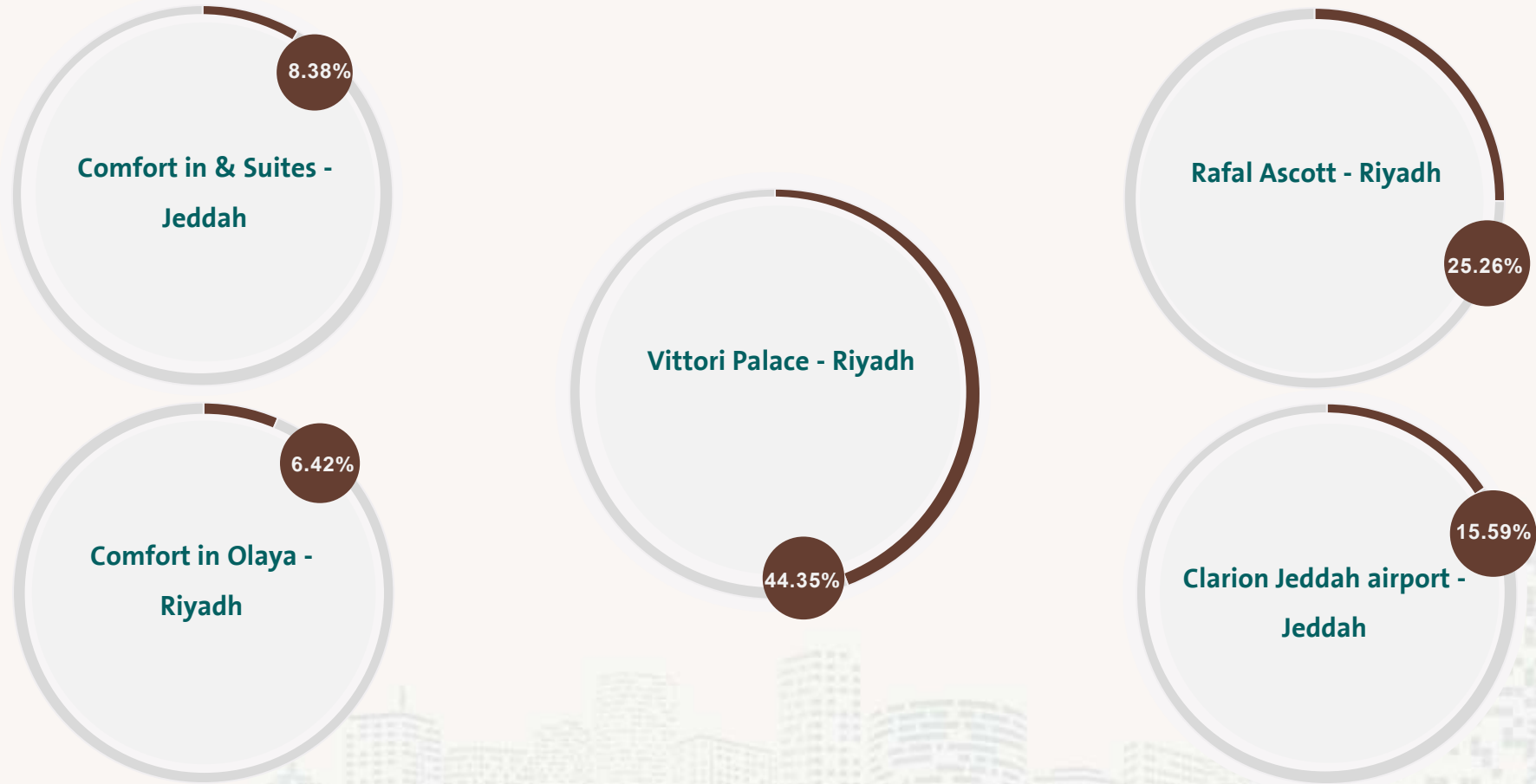
## 5- Assets in which the Fund Aims to Invests

The Fund aims to acquire income-generating hotel properties, and more than 15 assets were studied in the cities of Riyadh, Jeddah, and Al-Khobar, but none of these assets lived up to the goals and aspirations of the Fund manager and in the interest of the unit holders.

# 6- The Ratio of the Rented Property Value and the Ratio of Non- Rented Property Value to the Total Value of Owned Property



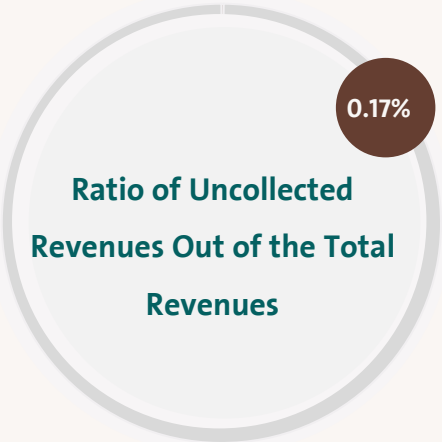
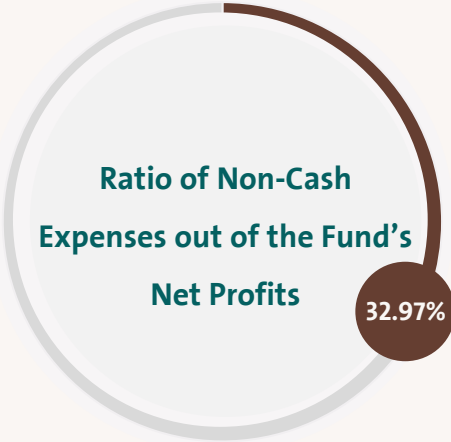
## 7- The Rental Ratio for each of the Fund's Assets Out of the Total Rents of the Fund's Assets





**8- Ratio of Uncollected Revenues Out of the Total Revenues and Non-Cash Expenses out of the Fund's Net Profits:**

**Ratio of Uncollected Revenues Out of the Total Revenues in 2023 is as follows:**



**9- Description of the Fund's Benchmark Index - where applicable-, and the website of the service provider (if available):**

**Not applicable**

## 10-A comparison Table Covering the Fund's Performance During the Last Three Fiscal Years (or Since the Fund was Established)

	2021	2022	2023*
Fund's net asset value at the end of each fiscal year	-	-	SAR 1,047,830,162
Fund's net asset value per unit at the end of each fiscal year	-	-	SAR 10.27 / Unit
The highest net asset value of the Fund per unit for each fiscal year	-	-	SAR 10.27 / Unit
The lowest net asset value of the Fund per unit for each fiscal year	-	-	SAR 10.27 / Unit
Number of units issued at the end of each fiscal year	-	-	102,002,100 units
Distribution of income per unit (if any) **	-	-	0.64 halala per unit
Percentage of costs borne by the Fund out of the total value of assets**	-	-	1.00%
Results of comparing the performance of the Fund's benchmark index with the Fund's performance	-	-	Not applicable
The proportion of loaned assets out of the total value of assets, the duration of their exposure, and their maturity date	-	-	Not applicable

\*First year of operation

\*\* dose not include non-cash expenses

## 10-A comparison Table Covering the Fund's Performance During the Last Three Fiscal Years (or Since the Fund was Established)

### A. Total revenue for one, three, and five years (or since establishment):

One Year

Since establishment

SAR 90.73 million

SAR 90.73 million

### B. Annual total return for each of the past 10 fiscal years (or since establishment):

Since establishment

2023\*

SAR 90.73 million

SAR 90.73 million

The above-mentioned total revenue means all of the Fund's income.

\*First year of operation

## 10-A comparison Table Covering the Fund's Performance During the Last Three Fiscal Years (or Since the Fund was Established)

Year	2023
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Net cash flows from operating activities	SAR 87,995,810
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## 10-A comparison Table Covering the Fund's Performance During the Last Three Fiscal Years (or Since the Fund was Established)

C. A table showing the fees, commissions and fees charged by the Fund to external parties throughout the year:

المصروفات	القيمة
Admin fees	6,996,281
Property manager	-
Operations expenses	-
Custody fees	91,644
Administrative director fees	137,671
Rewarding independent directors	40,000
Auditor fees	55,000
Real estate evaluator fees	145,478
Sharia committee fees	-
Regulatory fees	673,100
Fund establishment fees	2,386,742
Other expenses	62,990
<b>Total expense ratio</b>	<b>%1.00</b>

\* There are no circumstances in which the Fund Manager decided to waive or reduce any fees.

## 11- Fundamental or Non - Fundamental Changes During the Period

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On 18/10/2023 the Fund Manager announced Non- Fundamental Changes as follows:

- Amending the term “working day” in accordance with the official working days of the regulatory body for real estate funds, “the Capital Market Authority.”
- Add the fund's operating date to the offering summary.
- Amending the zakat provisions in the fund’s terms and conditions in implementation of the regulations for collecting zakat from investors in investment funds.
- Updating the funds supervised by members of the Board of Directors

## 12- Fund Manager investment in the Fund

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Alinma Investment Company “Fund Manager” owns 10,000,000 Units in Alinma Hospitality REIT Fund, representing 9.804% of the Fund’s total Units.

## 13- Cases of conflict of interest

### Cases of conflict of interest are as follows:

1

#### **Seera Hospitality Company:**

Three assets were purchased from Seera Hospitality Company, namely (Comfort Inn Olaya - Riyadh, Clarion Hotel Jeddah Airport - Comfort Inn & Suites - Jeddah). Part of the purchase price was in-kind Units in the Fund. The properties (Comfort Inn Olaya - Riyadh, Clarion Hotel Jeddah Airport) were released to Seera Hospitality Company under a hotel lease. These leases represent 22% of the Fund's total targeted returns. The Comfort Inn & Suites - Jeddah asset shall be operated by Seera Hospitality Company under a hotel management and operation contract.

2

#### **Ashad Company:**

- The asset (Vittori Palace - Riyadh) was purchased from Ashaad, and part of the purchase price was in-kind Units in the Fund. The asset is operated by Ashaad under a hotel management and operation contract.
- The commission for Vittori Palace - Riyadh was paid to Ali bin Muhammad Al Ali, who is a non-independent Board Member of the Fund, and represents the ownership of Ashaad.

3

#### **Al-Maskan Al-Hadari Real Estate:**

The asset (Ascott Rafal Hotel) was purchased by Al-Maskan Al-Hadari Real Estate Development Company, and operated by Al-Maskan Al-Hadari Real Estate Development Company under a hotel management and operation contract.

4

#### **Alinma Bank:**

The Fund signed a Banking Facilities Agreement with Alinma Bank worth one billion Saudi riyals, at a cost of 1.2% plus a 3-month SIBOR, as the Manager of Alinma Hospitality REIT Fund ("Alinma Investment Company") is a company wholly owned by Alinma Bank..



## 14- Report of the Fund’s Board, including the topics discussed and its relevant decisions, the Fund’s performance, and the extent to which it achieves its objectives:

### The annual report of the Board Members of Alinma Hospitality REIT Fund for the year 2023

The annual report of the Fund’s Board includes the topics discussed and its relevant decisions, the Fund’s performance, and the extent to which it achieves its objectives. Upon approving this report by the Board Members, it will be included in the Fund’s annual report.

### The Fund Manager met with the Fund’s Board Members to discuss the following:

Approval of the fund’s terms and conditions and a summary of basic information

Approval to appoint Olaat, Abaad and Makeen Alqima as real estate valuers for the fund during the offering period.

Approval of the appointment of “Alluhaid & Alyahya Chartered Accountants” as the Fund’s financial auditor.

Approval of the appointment of “NOMW Capital” as custodian of the Fund.

Approval of the appointment of “Khalid Nassar & Partner Lawyers and Legal Consultants” as a legal advisor to the Fund during the offering period.

Approval of the appointment of a “ValuStrat for Real Estate Evaluation” to conduct a feasibility study for the Fund.

Approval to update the Fund’s terms and conditions and the summary of key information “non-fundamental changes”.

Approval to the distribution of first-half of 2023 dividends, amounting to 0.32 halala per Unit.

Approval of the banking facilities provided by Alinma Bank.

Approval of appointing Esnad Real Estate Valuation Company to replace Makeen Al Alqima Company and Olaat Real Estate Valuation Company.

Approval of updating the Fund’s terms and conditions “non-fundamental amendments” on 15/10/2023.

Examining the report containing the evaluation of the performance and quality of services provided by the parties concerned with providing essential services to the Fund.

Examining the report containing all complaints and the actions taken thereupon.

Approval of evaluation of the Fund Manager’s mechanism for dealing with risks related to the Fund’s assets in accordance with the Fund Manager’s policies and procedures regarding monitoring risks related to the Fund and how to deal therewith.

Verifying the independence of independent Board Members.

**15- Statement regarding the special commissions received by the Fund Manager during the period, clearly stating their nature and how to benefit therefrom:**

**Not applicable - as the Fund Manager did not receive any commissions during the period.**

## 16- Risk Assessment Report:

### Risk Monitoring Policies and Procedures



#### Definition and identification of risks:

The activities of real estate investment funds shall be reviewed to determine the risks associated with the Fund to protect the interests of the company and investors. The Fund's activities shall be reviewed in relation to the Fund Manager's business risks, financial risks, market risks, operational risks, and compliance risks, etc.



#### Business risks of the Fund Manager:

The risks specific to the nature and activities of the Fund's investments.



#### Financial Risks:

The risks related to the financial management of the Fund, including the provided facilities, if any, the payments and their maturity, in addition to the administrative fees for the Fund Manager and their adequacy, and distributions to Unitholders, if any.

## 16- Risk Assessment Report:

### Risk Monitoring Policies and Procedures



#### Market Risks:

The special risks related to all aspects that affect the Fund's financial performance, which are related to the risks of changing the prices of profit rates in the event of financing, in addition to the real estate evaluation mechanism, and the risks of competitors that may lead to a decrease in the Fund's revenues and cash flows.



#### Operational Risks:

The special risks related to the Fund's management mechanism by the Fund Manager, which leads to a negative impact on the Fund's performance.



#### Compliance Risks:

The risks related to the laws and regulations of the legislating bodies, which shall be adhered to and implemented in all cases and in the event of changes to those regulations or the issuance of other relevant regulations.

## 16- Risk Assessment Report:

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### Risk assessment and measurement mechanism

The inherent risks of real estate funds and their potential relative importance shall be assessed, in addition to identifying and testing a methodology for their measurement. The risks associated with the Fund's business shall be included, as mentioned in the terms and conditions memorandum, and the possibility of their occurrence and their impact on the company in general and on the Fund's performance in particular.

### Monitoring mechanism to control risks

The inherent risks of real estate funds and their potential relative importance shall be assessed, in addition to identifying and testing a methodology for their measurement. The risks associated with the Fund's business shall be included, as mentioned in the terms and conditions memorandum, and the possibility of their occurrence and their impact on the company in general and on the Fund's performance in particular.

### Risk Review and Treatment

One of the following strategies is used to review and treat the risks:

## 16- Risk Assessment Report:



**Risk Avoidance** In the event that the Fund is unable to bear the risks, or if such risks may be considered a violation of the set laws and regulations.



**Risk Mitigation** The mechanism followed for accepted risks due to the nature of the Fund's operations, which the Fund acknowledges its existence and is considered an "inherent risk", which may need to develop a mechanism to manage such risks.



**Risk transfer** and transferring them to other parties: This is through insurance products or outsourcing, etc.



**Acceptance of risks** The Fund adopts an approach to accept certain risks based on their classification. The Fund Manager may choose several controls to reduce the current risks or maintain similar risk levels that are subject to constant monitoring.

## Alinma Hospitality REIT Risk report for 2023

The following is an assessment of the Fund’s risks, which were addressed in the Fund’s terms and conditions memorandum, the probability of its occurrence, and the mechanism for evaluating the specific risks.

#	Risk Type	Risk Description	Probability of Occurrence			Risk Assessment Mechanism
			Low	Medium	High	
<b>A. Risks related to the Fund and its assets:</b>						
1	The risks of investment nature and the absence of a guarantee of investment returns.	Alinma Investment Company is conducting a feasibility study for the Fund’s Project before starting to operate the Fund, including evaluating the assets by certified real estate valuers in order to determine the current value of the property. It also evaluates its properties twice a year, and the Fund Manager also annually evaluates the operators of the properties owned by the Fund to ensure continued cash returns.	✓			Alinma Investment Company is conducting a feasibility study for the Fund’s Project before starting to operate the Fund, including evaluating the assets by certified real estate valuers in order to determine the current value of the property. It also evaluates its properties twice a year, and the Fund Manager also annually evaluates the operators of the properties owned by the Fund to ensure continued cash returns.
2	Lack of Operating History Risk	The risks are considered relatively low given that the Fund Manager has previous experience in managing and operating income-generating properties. The Fund Manager also has extensive experience in managing real estate investment funds and will strive for future results that align with the updated fund reports.	✓			The risks are considered relatively low given that the Fund Manager has previous experience in managing and operating income-generating properties. The Fund Manager also has extensive experience in managing real estate investment funds and will strive for future results that align with the updated fund reports.
3	Liquidity Risks	The public fund is more liquid than the private fund. Public funds have the highest liquidity in ETFs. Alinma Hospitality REIT Fund Units are traded on the main market (TASI).	✓			The public fund is more liquid than the private fund. Public funds have the highest liquidity in ETFs. Alinma Hospitality REIT Fund Units are traded on the main market (TASI).
4	Operational and property management risks of real estate assets	<p>The property and operation management of the Fund’s real estate assets includes several risks, including, but not limited to:</p> <ul style="list-style-type: none"> <li>• Delay in collecting returns.</li> <li>• Exceeding the specified costs for maintenance and operation.</li> <li>• Poor quality of management.</li> <li>• Inability to market real estate assets.</li> <li>• Cases of force majeure and emergency circumstances described in Article (10) Clause 3 in the terms and conditions.</li> </ul> <p>In addition to other risks, including the delay in obtaining approvals and/or renewing the government permits necessary for operation, and other government approvals and permits required for property management, and given that investment in the units in the fund is an indirect investment in real estate assets, the operation of real estate assets will have a direct and significant impact on the value of the fund’s units in the event of failure or delay in collecting returns. Fulfilling their obligations to achieve the greatest interest of the Unitholders.</p>			✓	<p>In the event of obstacles occurring in the operation and management of the Project, the Fund Manager will address them as quickly as possible and may require the assistance of third-party expertise, in addition to paying attention to the following points:</p> <ol style="list-style-type: none"> <li>1- A proven track record of the operator for similar projects.</li> <li>2- Obtaining the required approvals.</li> <li>3- Continuous follow-up with those concerned with the project.</li> <li>4- Enhancing due diligence.</li> <li>5- Aligning interests among stakeholders.</li> </ol> <p>The Fund Manager will also conduct an annual evaluation of the Fund’s real estate operators to ensure that they are fulfilling their obligations to achieve the greatest interest of the Unitholders.</p>

5	Risks of changing real estate market conditions	<p>The future performance of the Fund will depend largely on changes that occur in supply and demand conditions with regard to the real estate sector in general and in the regions and cities in which the Fund's real estate assets are located in particular, which may be affected by regional and local economic and political conditions, and increased competition, which can lead to a decrease in the value of real estate assets, and the fund manager may - depending on the market conditions and cash flows of the fund - change the strategy of real estate assets in a way that he deems to be in the interest of investors and in a way that does not conflict with the nature of the fund in accordance with what is described in these terms and conditions, and it is possible that These changes in the real estate market or real estate asset strategy have a significant negative impact on the fund's performance and the value of its units.</p>	✓			<p>The risks are considered relatively low since the Fund is focused on the hotel and hospitality sector, which is considered one of the main pillars of the future of the real estate market.</p>
6	Risk of Potential Conflict of Interest	<p>The Fund may be subject to a conflict of interest, as the Fund may receive Funding from Alinma Bank (The Fund Manager is a subsidiary company owned 100% by Alinma Bank) as well as the Fund Manager engage in a set of activities, including financial investments and advisory services. There may be cases in which the interests of the Fund Manager conflict with the interests of the Fund. Although the Fund Manager and any of its subsidiaries will disclose any conflict of interest that may arise as a result of its management of the Fund, any conflict of interest may limit the Fund Manager's ability to perform substantively, which may adversely affect the Fund's investments and performance.</p> <p>Furthermore, the Fund shall be subject to various conflicts of interest, given that the Fund Manager, its subsidiaries, their respective managers, employees, and workers may be directly/indirectly involved in real estate activities and other commercial activities. In this regard, the Fund may from time to time deal with persons, companies, organizations, or companies that are associated with the Fund Manager's subsidiaries to facilitate investment opportunities. The entities to which the Fund Board has delegated certain responsibilities (including the Fund Manager) are not required to devote all their resources to the Fund. If any of the aforementioned entities dedicate its responsibilities/resources to third parties, this may limit its ability to dedicate its resources/responsibilities to the Fund, which may affect the Fund's ability to achieve its objectives in terms of revenue growth and achieve a better market value for the units. However, in all cases, the Fund Manager and any of its subsidiaries will disclose any conflict of interest that may arise as a result of its management of the Fund, taking into account the Fund's right to invest Funds managed by the Fund Manager as stipulated herein. See Article (25) of these terms and conditions.</p>	✓			<p>In the event of a conflict of interest that may adversely impact the Fund's performance, the Fund Manager will submit it to the Fund Board and take the necessary actions for the greatest interest of the Owners of the Fund Units.</p>



7	Political Risks	The Fund's performance may be affected by the adverse effects of locally/regionally unexpected political events where the Fund's investments are located. Such political events and instability often adversely affect, directly or indirectly, the economic and commercial sectors, including the subject real estate sector, adversely affecting the Fund's revenue and the value of its units.	✓			In the event of adverse impact resulting from unexpected political events that may affect the Fund's performance, the Fund Manager together with the Board will analyze the negative impact on the Fund and develop a strategy to avoid potential harm.
8	Risks of Reliance on Key Personnel	The Fund's success mainly depends on the performance of its administrative team, including the Fund Board Members, Property Managers, and Operators. Therefore, the loss of any member services of its administrative team in general, whether due to resignation or otherwise, the Fund's inability to recruit and appoint new staff, and the Fund's inability to maintain the employees on duty shall all adversely affect the Fund's activities and its chances of success, adversely affecting the Fund's revenue and the value of its units.	✓			In the event of the loss of any member services of its administrative team in general, the Fund Manager will hold an urgent meeting with the Fund Board for a decision to avoid any interruption in the Fund's management period that may adversely affect the Fund's chances of success.
9	Investment Risks in the Investment Funds Authorized by the Authority	They are all risks similar to investment risks in investment Funds authorized by the Authority, which may be suffered by other investment Funds in which the Fund may invest, including the failure of any debtor of the invested Fund to fulfill his contractual obligations with the party agreed upon with, causing the Fund to lose all or part of the invested amount in these transactions, which, in turn, may adversely impact the Fund's performance and thus the unit value will decrease.	✓			The Fund Manager will notify investors of the investment results in the annual report. The Fund Manager only invests in low-risk money market Funds after advice from the Fund Board.
10	The risks of Failure to ensure the conformity of the Fund with Sharia standards and controls	Several Shari'a advisors, Saudi courts, and judicial committees may have different opinions on similar matters regarding compliance with Shari'a standards and controls. Therefore, potential Unitholders may want to consult their own legal and Shari'a advisors for an opinion if they so desire. Although the Shari'a Supervisory Committee has reviewed the documents related to the Fund, its point of view that the Fund adheres to Shari'a standards and controls will not bind a Saudi court or judicial committee. Any Saudi court or judicial committee will have the authority and right to decide for itself whether or not the Fund complies with the Saudi laws and Shari'a standards and controls. Therefore, the point of view of the Shari'a Supervisory Committee about the Fund's compliance with Shari'a standards and controls shall be subject to change and disagreement by other Shari'a scholars. There is no guarantee that the Fund will be considered compliant with Shari'a standards and controls by anyone other than the Shari'a Supervision Committee.	✓			The Shari'a Board reviewed the documents related to the Fund. An overview of the Shari'a Board members is included in the Fund's terms and conditions. Any investor can consult his Sharia advisor.
11	Risks related to Shari'a standards and controls	The Fund's investments shall be made in accordance with Shari'a standards and controls as determined by the Shari'a Supervision Committee. These principles shall apply to the investment structure, Fund business, and the diversification of its investments. In order to comply with these standards and controls, the Fund may be forced to give up on a specific investment, part of it, or part of its income if the investment or investment structure violates	✓			The Fund Manager shall ensure that the investment structure complies with Shari'a controls and adheres to all Shari'a controls throughout the Fund duration. In the event of any changes in one of the investment parts contraries to the controls, the Fund Manager will offer other investments in compliance with the controls and submit them to the Board.

		Shari'a standards and controls. Furthermore, upon compliance with Shari'a standards and controls, the Fund may lose investment opportunities if the Shari'a Supervisory Committee decides that it does not comply with Shari'a standards and controls. Therefore, the Fund cannot invest in it. Under certain circumstances, these factors may have an adverse impact on the financial performance of the Fund or its investments, compared to the results that may have been obtained if the Shari'a standards and controls of the Fund had not been applied.				
12	Risks of Non-Involvement in Management	Except as stated herein, investors shall have no right or authority to involve in the Fund management or to influence any of the Fund's investment decisions. All management responsibilities shall be assigned to the Fund Manager as these decisions affect the Fund's activities and thus the Unitholders.	✓			The Fund Manager shall achieve the best interest of the Unitholders, by holding periodic meetings with the related parties of the Fund (Fund Board/Marketer/ Unitholders) in order to make the necessary decisions for the Unitholders' interest.
B- Risks related to the Fund's Units						
1	Risks of Recourse Limitation	The Fund Investment is not a bank deposit or deposit in other insured depository institutions. The units shall represent common property in the net asset value of the Fund. The Fund Manager and/or Custodian will take sufficient measures to separate the Fund's assets from any other assets, including, but not limited to, creating a separate bank account for the Fund, maintaining accounting books and records of real estate assets, etc. The Fund Manager shall not be bound to the Unitholders for any revenue/commission. There is no guarantee that the Fund's liquidate/executable assets will be sufficient to pay all the expected unit revenue or that decisions will recover all their money.	✓			The Fund Manager shall allow the trading of Fund units throughout the Fund term. The Fund Manager has also cooperated with the Custodian to separate the Fund's assets from any other assets.
2	Risks of Trading for less than the Offering Price	Units may be traded for less than the offering price. Unitholders may not be able to recover the full value of their investment. Units may be traded for less than their value for several reasons, including unfavorable market conditions, weak investors' expectations on the feasibility of the Fund's investment strategy and policy, and increasing levels of supply over unit demand. Sales by Unitholders of many units may also cause a significant and adverse reduction in the unit's market price. Accordingly, the unit procurement is only suitable for investors who can bear the risks associated with these investments, especially since this may cause difficulty for the investor to exit the Fund or to exit for less than the market value of the Fund's assets.		✓		The Fund Manager shall fulfill the regulatory requirements related to the disclosure and publication of reports and financial statements, enabling the investor to study the current status of the Fund and anticipate the future performance of the Fund.
3	Risks of the Increase in Unit Sales	Sales of many units by Unitholders may lead to a decrease in the unit trading price. Any rumors of the Fund's performance may lead Unitholders to sell their units, which adversely affects the unit price.			✓	It is fairly high due to the fact that the Fund is traded in the main market ("TASI") and to the different segments of investors and their receptivity any positive/negative rumors/news.
4	Risks of Unit Delisting/Suspension	There is a risk that the Authority may delist or suspend the Fund's units trading at any time if it deems this necessary to protect investors or maintain market regulation or considers that the Fund Manager/Custodian has materially failed. The Authority may also delist or suspend in accordance with	✓			The Fund Manager shall be careful to protect investors by adhering to the requirements of the Capital Market Authority.

		Article 16 of the Real Estate Investment Funds Regulations if the Fund fails to meet the liquidity standards as indicated by the market as per the listing rules. In this case, it will be likely beyond the scope of the Fund Manager's control and thus it may limit the ability of Unitholders to dispose of their owned units in the Fund.				
5	Risks of Dividend Fluctuations	Although the Fund Manager seeks dividends at least twice a year, the dividends are not less than (90%) of the Fund's net profits in accordance with the requirements of the Real Estate Investment Funds Regulations. However, there is no guarantee on the actual dividends made by the Fund.		✓		The Fund Manager aims to increase the Fund's revenues and reduce the Fund's costs as much as possible in order to achieve the highest possible dividend while studying future dividends and its timing to reduce the risks related to dividend fluctuations.
6	Risks of Basic Value Reflection	The traded market price of the units may not reflect the basic value of the Fund's investments. The market may also experience significant fluctuations in prices and transaction volume from time to time, causing an adverse impact on the unit's market price. Since the Fund is a traded real estate investment Fund, the unit price may be affected by many factors beyond the Fund's control.		✓		The Fund Manager shall fulfill the regulatory requirements related to the disclosure and publication of reports and financial statements, enabling the investor to study the current status of the Fund and anticipate the future performance of the Fund.
7	Unit Liquidity Risk	Except for the Fund being expired as stipulated herein, Unitholders will be able to achieve a return on their investments through trading units in the market and dividends of the Fund's net profits. Despite the unit tradability, the liquidity ratios of REIT units are less than the market liquidity of shares of companies listed on the market. It is likely that there will not be a liquid market for the units compared to the shares of companies listed on the market. Unitholders may experience difficulty selling the units at the quoted market price and/or the common net unit value of the units.		✓		The public Fund is considered more liquid than the private Fund. One of the public Funds liquidity is the traded Fund's liquidity. Alinma REIT Fund Units are traded on the main market (TASI).
8	Risk of Ownership Percentage Decrease if the total value of the Fund's assets increases according to the requirements placed by the Authority in this regard	If the Fund decides to increase the total value of its assets according to the requirements placed by the Authority in this regard, this may require further financing by issuing new units, causing a decrease in the ownership percentages of Unitholders, their voting rights, and the percentage of their owned units in the Fund of the total subscription amounts contributed to the Fund.		✓		Alinma Investment Company studies the most appropriate structure for the Fund's capital in order to achieve the best interest of the Fund's Unitholders. The reasons for capital increase and its targets are clarified, enabling the Unitholders to consider whether or not to subscribe.
<b>C- Risks Related to the Fund's Assets</b>						
1	Risks of Real Estate Investments	Investment in the Fund's units shall be subject to some risks related to the ownership of real estate assets and the real estate sector in general. As the value of the Fund's investments is in real estate assets, the net value of the unit may be adversely affected by several factors, including the depreciation of real estate assets value, inability to liquidate investments, risks related to local, regional, and international economic conditions, natural disasters, terrorist acts, wars, compliance with environmental laws, environmental liability, high financing costs, over-building of properties, financial conditions of purchasers, and real estate asset vacancy for long periods, increasing of fees and taxes imposed on real estate, changes in urban planning laws, delays in		✓		In the event of negative effects resulting from real estate investment risks that may affect the Fund's performance, the Fund Manager together with the Board will analyze the negative impact on the Fund and develop a strategy to avoid potential harm.

		development work, cost overruns of the limits set for them, financial risks, increased competition, and other conditions in the Kingdom that affect real estate prices, adversely reflecting on the units price.				
2	Delay Risks in Completion of Construction and Development Works	Any work on real estate assets for the purposes of its improvement and development will be related to issues of planning, development, construction, real estate re-planning, and environmental and community obligations throughout the development and improvement. Any delay that may occur in the completion dates of improvement and development works will adversely affect the Fund's investments, revenue, and dividends.			✓	In the event of obstacles to the project development, the Fund Manager will address them as quickly as possible. The Fund Manager may require the assistance of third-party expertise, taking into account the following: 1- Proven record of the Developer on similar projects. 2- Obtaining approvals 3- Continuous follow-up with those concerned with the project. 4- Due diligence promotion
3	Real Estate Assets Procurement and Sale Risks and Its Impact through Real Estate Sector Fluctuations	Investments will be subject to risks related to the real estate ownership/leasing and operations development/redevelopment, including, but not limited to, those risks related to the general economy and real estate conditions in particular related to procurement and purchase. Given the possibility of the real estate sector fluctuations, it is possible that the Fund will acquire real estate assets that their value may deteriorate later, reflecting on the market value of the Fund's investments and thus on the Fund's ability to provide dividends to investors. Furthermore, every tenant and/or operator of any of the Fund's real estate assets may be exposed to depression, leading to its failure to pay due rents and/or operating dues. Any tenant/operator may seek protection against applicable bankruptcy or insolvency laws, leading to rejection or termination of the lease contract and/or operation contract or any other negative consequences. Upon sale, the Fund may be affected by non-collection of some rents or revenues, tax increases, or hidden defects in the real estate asset structure, which adversely affects the Fund.			✓	The Fund Manager shall ensure that the acquisition process is made based on an investment feasibility study and is attractive in terms of location, revenue, and value, making it more liquid than its counterparts.
4	Risks Caused by Real Estate Development	Kindly note that there are no real estate development projects in the real estate assets targeted by the Fund. However, the Fund's investment in any real estate development projects in accordance with these terms and conditions may cause some risks arising from real estate development, including, but not limited to, (1) delay in timely work completion, (2) cost overrun, (3) failure to achieve lease contracts at expected levels, (4) force majeure resulting from factors beyond the Fund's control that relate to the contracting sector (including adverse weather and environmental conditions and the building materials shortage in the market), and (5) the issuance of any decisions related to the Saudization increase in the contracting sector may have an impact on the availability of labor to carry out development work, delaying the completion of real estate development projects. The Fund's investment in any real estate development projects also involves other risks, including obtaining the necessary governmental approvals and permits for			✓	In the event of obstacles to the project development, the Fund Manager will address them as quickly as possible. The Fund Manager may require the assistance of third-party expertise, taking into account: 1- Proven record of the Developer on similar projects. 2- Obtaining approvals 3- Continuous follow-up with those concerned with the project. 4- Due diligence promotion

		dividing land and occupancy and other required governmental approvals and permits and real estate development costs related to projects that have not been followed up until completion. The Fund may not succeed in achieving its investment objectives if any required municipal accreditation or approval is refused or granted under unacceptable or unreasonable conditions. In such cases, the Fund may not be able to proceed with the real estate asset investment/development, adversely affecting the units' value as the expected revenues of real estate development will not be collected on time. The successful completion of these projects will have a direct and significant impact on the value of the units. Any failure to do so would lead to a decrease in the dividends to investors and the net value of the Fund assets.				
5	Custodian Risks	Although the obligations imposed on the Custodian on the separation of the Fund's assets from its own assets, from the Fund Manager's assets, and from the assets of its other clients, however, upon the Custodian exposure to cases of insolvency or bankruptcy or non-performance of his duties as required, it may lead to an impact on the real estate assets, which its ownership will be recorded in the name of the special purpose company, adversely affecting the Fund's investments, revenue, and dividends.	✓			The Fund Manager will notify investors, if the securities are lost due to the Custodian going bankrupt or failing to perform his duties, which will affect the Fund, with the action the Fund Manager will take in this regard.
6	Risks of Operators and Property Managers	The Fund will rely on the experience of operators and property managers contracted to operate and manage real estate assets. Therefore, the revenue resulting from real estate assets depends on the ability of operators and property managers to lease, operate, manage, and collect. Furthermore, the operators and property managers may contract with providers such as security guards, maintenance, cleaning, and other services necessary for management and operation. Accordingly, any breach or negligence on the part of any of them (including operators and property managers) would have a direct and negative impact on the Fund's performance, revenue, and dividends.		✓		The Fund Manager shall aim to contract with operators and managers with sufficient experience and a proven record for similar projects. The Fund Manager will periodically follow up on the existing work. In the event of any defect by the operators and property managers, the Fund Manager will inform the Board members of a better alternative for the interest of the Unitholders.
7	Risks of Force Majeure and Emergencies	The Fund's value and its investments may be adversely affected by developments that result from any incidents related to force majeure, emergencies, or other exceptional circumstances, or by the actions that accompany these incidents due to matters and circumstances beyond the Fund and/or Fund Manager control, including, but not limited to, act of God, diseases, epidemics, pandemics, governmental orders/decisions related to precautionary and preventive measures, earthquakes, strikes, terrorist acts, wars, floods, fires, etc., which may adversely affect the Fund's investments and the unit price. Kindly note that the Fund Manager will not be responsible towards the Unitholders for any temporary or permanent loss of their investments, whether directly or indirectly, due to any incidents related to force majeure, emergencies, or the procedures accompanying these incidents.	✓			The Fund Manager will notify investors, in the event of a force majeure affecting the Fund's investments, with the action the Fund Manager will take in this regard.

		If any of these incidents occur, any obligation to the Fund under these terms and conditions will be postponed as required by that incident. The Fund Manager will declare the force majeure or emergencies in accordance with the imposed regulatory requirements which will be binding on all investors of the Fund.				
8	Risks of Properties Competitiveness	There will be many other real estate assets located in the same areas as the Fund's real estate assets, which will compete with the Fund's real estate assets to attract tenants. The number of these competing real estate assets will have an impact on the Fund's ability to rent and/or operate its assets and on the amounts it can collect as rents and/or revenue of these real estate assets, which may lead to a decrease in the Fund's cash flows. The Fund's performance may be adversely affected if the percentage of real estate supply competing with the Fund increases or existing real estate assets are developed in the same locations as the Fund's real estate assets, which may force the Fund to make capital improvements or developments on the real estate assets it owns in order to maintain them or create a competitive advantage. Therefore, it will affect the periodic dividends made by the Fund, adversely affecting the unit price.		✓		The Fund Manager will study the market continuously and at the time of the Fund's assets sale, and then give recommendations to the Fund Board to make the appropriate decision.
9	Risks of the Fund's Future Revenue Reliance on the Fund's ability to attract tenants/purchasers interested in the real estate assets	Much of the Fund's income is the revenue of its real estate assets leasing, operation, and/or sale. There is no guarantee that the Fund will be able to achieve this according to the terms and conditions it seeks, which will affect the periodic dividends made by the Fund.			✓	The Fund Manager knows the sales, leasing, and/or operation revenue based on the Fund Manager's study before initiating the Fund. If prices change after initiating the project, the Fund Manager shall use many methods to find out the reasons and ensure that they do not cause harm to the Fund or the Unitholders.
10	The risks that the Fund may be subject to certain fixed costs that will not decrease as revenues decrease	Revenues of real estate assets leasing, operation, and/or sale that will be refunded to the Fund may decrease as a result of various adverse changes affecting the real estate assets or tenants/purchasers of the Fund. Some of the Fund's major expenditures may not decrease, including maintenance, operational costs of the real estate assets, and finance expenses when revenues decline. If leasing/selling prices and operating income decrease while costs remain the same, the Fund's revenues and monies available for dividend to Unitholders may decrease accordingly.			✓	The Fund Manager knows the sales, leasing, and/or operation revenue based on the Fund Manager's study before initiating the Fund. If there are any costs not mentioned in the preliminary study, the Fund Manager will review the impact and discuss it with the Board members to protect the interests of Unitholders.
12	Risks of Geographical Investment Concentration	Based on the Fund's strategy and given the initial concentration of the Fund's investments in Riyadh and Jeddah, in which they are located, the Fund's results and financial position will be affected by the economic conditions in the Kingdom and the global economic conditions affecting the Kingdom's economy, especially those that impact the cities in which they are and/or may be located. Therefore, any downturn in the real estate sector and the tourism and hospitality sector in particular in Riyadh, Jeddah, or any city in which the Fund may invest in the future will adversely affect the Fund's performance.			✓	The Fund Manager shall conduct a feasibility study for the Fund, ensure that the assets are in attractive locations, also follow up on economic developments that may affect asset prices, evaluate them periodically, and be careful to choose the most appropriate time to buy/sell these assets.

13	Risks of Seasonal Nature associated with the Hotel, Hospitality, and Tourist Accommodation Sector	The seasonal nature of the hotel, hospitality, and tourist accommodation sector in the Kingdom may have a material negative impact on real estate assets. The hotel, hospitality, and tourist accommodation sector is characterized by its seasonal nature and generally achieves the highest occupancy rates in certain seasons, taking into account the modernity of the hotel, hospitality, and tourist accommodation sector in the Kingdom. This seasonal nature is expected to cause periodic fluctuations in room revenues and rates, occupancy rates, and operating expenses. The Fund cannot provide any guarantees that cash flows will be sufficient to compensate for any decline that may occur as a result of these fluctuations. Therefore, fluctuations in financial performance resulting from the seasonal nature of the hotel, hospitality, and tourist accommodation sector may have a material adverse impact on the Fund's financial position, cash flows, operations result, and consequently the cash dividends and the value of the units. Furthermore, although the Ministry of Tourism is currently making great efforts to encourage tourism, however, any adverse change in the visa issuance or in any of the organizations related to the hotel, hospitality, and tourist accommodation sector may affect these sectors in the Kingdom, including the Fund's investments.		✓		Alinma Investment Company shall investigate and anticipate the Fund's investment feasibility by analyzing the economic situation, the target market, and the suitability of the Fund's methods to achieve its investment goals. The Fund also signed binding lease/operation contracts for 5 years.
14	Risks of the Hotel, Hospitality, and Tourist Accommodation Sector	The Fund's performance will be affected by factors affecting the hotel, hospitality, and tourism accommodation sector in general. These factors may include factors related to demand levels, including any economic downturn, disease outbreaks, epidemics, quarantine or public health restrictions, any laws or regulations (including those relating to taxes and fees), disruption to local, national, and international transportation services, restriction, ban, any similar situation, or factors related to supply levels, including an increase in the hotels' supply in general, in a specific sector or place, in a specific category. The hotel, hospitality, and tourist accommodation sector is characterized by a cyclical pattern. Macroeconomy and other factors may have an adverse impact on business and personal spending, which leads to lower occupancy rates and room rates and affects the overall value of the real estate in the hotel, hospitality, and tourist accommodation sectors. Therefore, the Fund may need to exit any of its real estate assets for less than the acquisition cost, resulting in a capital loss and not being able to achieve the targeted revenue.	✓			The Fund Manager will study any investment opportunity that benefits Unitholders and will ensure that all procedures are regular.
15	Hotel Reclassification Risks	Given that the Fund's focus on the hotel, hospitality, and tourist accommodation sector, that the real estate assets are allocated for use as hotels serving the hotel, hospitality, and tourist accommodation sector, that hotels, as is knows, shall fulfill the license and classification requirements in accordance with the relevant laws and regulations applied by the competent authorities (Ministry of Tourism), that the classification categories are divided	✓			If there is an external investment opportunity, the Fund Manager will review this opportunity, find out the external economic conditions that affect the investment, and ensure that all regulatory requirements are met. In the event of an appropriate opportunity, it will be discussed with the Board members to ensure that this opportunity will be for the best benefit of the Unitholders.

		into (one star, two stars, three stars, four stars, five stars, six stars) according to the Tourist Accommodation Facilities Appendix, and that hotels are subject to periodic control and supervision by the Ministry of Tourism, Accordingly, there are no guarantees that the Fund's real estate assets as hotels will not be subject to reclassification by the Ministry of Tourism to a category lower than its current category, which in turn will lead to an impact on room prices and licensing, management, and operation agreements, adversely affecting the Fund's investments, revenue, and dividends.				
16	Risks of the Non-Liquid Nature of Real Estate Assets	Real estate assets are generally a non-liquid asset class and thus it may be difficult for the Fund to sell any of its real estate assets at a specific price and get revenue at any time at its will. It may be difficult for the Fund to sell any of its real estate assets without experiencing a discount in price (mainly in a time of market decline, especially those assets that are liquidated as large real estate assets), especially if the Fund is forced to sell any of its real estate assets.		✓		The Fund Manager shall ensure that fees are a variable percentage of revenues so that if rents decrease (if any), fees shall be decreased as well. Since it is expected that part of the costs will be fixed costs, it will be reviewed periodically to make the necessary decision for the interest of the Unitholders.
17	Risks of the Fund's Real Estate Assets Non-Occupation for long periods	Due to a demand decrease or any other reason, when any of the Fund's real estate assets becomes vacant for long periods as a result of any reasons or circumstances, the Fund may suffer a decrease in revenue and thus in periodic dividends to the Fund's investors. Moreover, as the value of real estate assets depends largely on the rental and/or operation contracts of that asset, the sale value of those assets, which can be collected, remain unrented, and/or partially or fully operated for relatively long periods may decrease. Therefore, the revenue may be achieved for the Fund's investors may decrease, adversely affecting the Fund's investments, revenue, and dividends.		✓		The Fund Manager shall insure the Fund's assets against a part of the aforementioned risks, such as accidents and fires. The losses resulting from these accidents and their causes to third parties shall also be insured. The insurance company and the insurance coverage amount shall be reviewed and compared to the value of the insured. The geographic distribution of the Fund's assets shall also reduce the existing risk of natural disasters.
18	Risks of Beneficial Rights Investment	Although the real estate assets targeted by the Fund do not contain beneficial rights and all of them will be acquired as freehold property, however, the Fund may invest in beneficial rights as stipulated herein. Therefore, the beneficial rights investment may result in the non-compliance of any of the relevant parties under the contracts to be concluded on the beneficial rights investment, and accordingly, cases of non-compliance may lead to the cancellation of these beneficial rights. These beneficial rights may also be canceled in cases of expropriation of the invested real estate asset through beneficial rights, which will have a negative impact on the Fund's revenue and the value of its units.		✓		Alinma Investment Company shall review the feasibility of any investment opportunity, in the event of the Fund's acquisition of any income-generating asset, the income of the acquired property shall cover the financing costs.
19	The risks of investment in structurally developed properties capable of generating periodic rental income outside the Kingdom	Although the real estate assets targeted by the Fund do not contain any real estate assets outside the Kingdom, the Fund may invest in real estate assets outside the Kingdom as stipulated herein. Therefore, investment in real estate assets outside the Kingdom involves many risks such as currency exchange rates, political and economic fluctuations, high costs to the investor, and information security risks. The Fund Manager will try to make investments		✓		Alinma Investment Company shall review the submitted finance offers and choose the most appropriate finance structure for the Fund to protect the interests of Unitholders.



		subject to regulatory and supervisory requirements at least similar to those applied by the Kingdom whenever the Fund Manager decides to invest outside the Kingdom. However, if any of the above occurs, this may affect the Fund's profits and/or the valuation of its assets, which will adversely affect the price of its units.			
20	Risk of High Operational Costs	The Fund's purchase of any real estate assets generally involves operational risks, which may adversely affect the Fund's performance. If any of the Fund's real estate assets are partially vacant or if the collected revenues are insufficient to cover the operational costs of that asset, the Fund will be forced to cover the operating costs of that asset from the rest of its assets. The operational costs of real estate assets include, but are not limited to, the costs of common utilities and services, management fees, real estate asset insurance, repairs and maintenance, and other costs related to the operation of the Fund's real estate assets, which adversely affects the Fund's investments, revenue, and dividends.		✓	Alinma Investment Company shall review the feasibility of any investment opportunity, in the event of the Fund's acquisition of any income-generating asset, the income of the acquired property shall cover the financing costs.
21	Risks of the Real Estate Assets Insurance	The Fund may undertake Takaful insurance on all real estate assets owned by the Fund to reduce the risk of direct physical damage that may occur to any of these assets. The material damages that may occur to real estate assets may exceed the amounts received through insurance since the terms of the insurance policy may not cover the total losses that the Fund will bear, meaning that part of the rehabilitation costs of the construction of real estate assets will be incurred by the Fund. Moreover, the Fund will not be compensated for part or all of the loss resulting from not collecting rents and/or revenue from the damaged real estate assets, meaning that periodic dividends to Unitholders will be adversely affected. There are also types of material losses and damages resulting from natural disasters that cannot be insured, its insurance is not economically feasible, that can be insured on a limited and conditional basis, or that the Fund becomes unable to continue obtaining insurance coverage at commercially reasonable prices, including losses and damages resulting from wars, terrorist acts, earthquakes, floods, hurricanes, environmental disasters, and other devastating events may occur on a large scale. In such cases, the Fund's real estate assets may not have adequate insurance coverage or insurance coverage at all. If a catastrophic event occurs that causes damage or destruction to one or more of the Fund's real estate assets, the Fund may lose the amount of its investment in that asset and its profits expected to be achieved by leasing it, which will adversely affect the Fund's investments, revenues, and dividends.	✓		The Fund Manager shall invest cash surpluses in low-risk products, provided that the revenue of these Funds and the risks associated with them are reviewed, noting that the amounts invested in money market Funds are considered insignificant compared to the size of the Fund's assets.
22	Risks of Finance and Assets Mortgage	Since the Fund Manager may try to obtain financing for the Fund as stipulated herein, however, the economic conditions related to local and global		✓	If fees are imposed on white lands, the Fund Manager will follow up on procedures with the Ministry of Housing to cancel the fees

		<p>monetary and financial policy may lead to higher financing costs. Furthermore, financing costs in general may have an adverse impact on the Fund's net revenue if rental and/or operating revenue decrease for whatever reason and thus will have an adverse impact on the Fund's performance as a whole. The use of financing may also cause a reduction in the net value of the unit in the event of a decrease in the Fund's real estate assets value. All of these reasons may lead to adverse effects on the Fund's operating results and financial condition.</p> <p>Furthermore, if financing is obtained and the Fund's revenue drops below the value of the Murabaha profits on financing, this leads to an additional decrease in the Fund's revenue value. Moreover, the Fund's assets can be mortgaged to sponsors only for the benefit of the Fund. Those sponsors can claim the assets immediately upon any default (as stipulated in the financing documents) by the special purpose company or the Fund itself.</p>				<p>imposed on white lands. If a solution is not reached, the Fund Manager shall file a claim to remove these fees.</p>
23	Risks of Entering into Restrictive Financing Agreements	<p>Some sponsors may place restrictions on the Fund that limit its ability to make periodic dividends, the value of the investment as a whole, the Fund's operational policies, and the Fund's ability to obtain other financing. Financing agreements may include clauses related to the extent to which real estate assets can be mortgaged more than once, the type and terms of insurance contracts for mortgaged real estate assets, or even a change of one of the other parties involved in the Fund, such as operators and property managers. Such and other restrictions may limit the Fund's ability to achieve its investment and operational objectives, and thus may adversely affect the value of the investment units and the amount of periodic dividends, which adversely affects the Fund's investments and the unit price.</p>	✓			<p>The Fund Manager completed acquisitions of real estate assets.</p>
24	Risks of High Murabaha Finance Rates	<p>If the Fund obtains financing/facilities with a variable profit, the increase in profit rates will lead to an increase in the Murabaha profits paid on the financing, thus reducing cash flows and the Fund's ability to make periodic dividends. Furthermore, when the Fund repays financing with a variable profit rate during periods of high-profit rates, it shall liquidate one or more of the Fund's real estate assets at a time that may not be appropriate to sell such assets, which may adversely affect the Fund's investments and the unit price.</p>		✓		<p>The Fund Manager shall periodically monitor investment opportunities, review their feasibility for the interest of Unitholders, and submit them to the Board.</p>
25	Risks of the Investment in the Real Estate Companies	<p>As stipulated herein and whenever the Fund invests in real estate companies, such investment involves the same general risks to which the real estate sector is exposed and mentioned herein. Therefore, its effect extends to the shares owned by the Fund. No assurance can be given that the Fund will be able to achieve any revenue to the invested capital.</p>	✓			<p>If ownership of an asset of the Fund is expropriated, the Fund Manager will seek fair compensation. After the compensation amount is received, a decision will be made on reinvesting or distributing that amount.</p>
26	Risks of White Lands Tariff	<p>Although the Fund may not invest in white lands, Unitholders may bear the negative effects resulting from imposing fees on white lands, which is represented by the expansion of the establishment of income-generating real</p>	✓			<p>Alinma Investment Company shall investigate and anticipate the investment feasibility of the Fund by analyzing the economic situation, the target market, and the suitability of the Fund's methods</p>

		estate projects as a result of the development of white lands, and consequently, a decrease in the value of the Fund's assets, which It affects the Fund's returns adversely. In addition to imposing fees on white lands in the Kingdom, these fees provide an incentive for other developers to develop unexploited lands, but they could also lead to an increase in levels of competition in the real estate sector market.				to achieve its investment goals. The Fund Manager also contracted with companies with experience in the hotel sector to lease and operate the Fund's assets. The Fund Manager also evaluates these companies on an annual basis. If one of the tenants/operators fails to fulfill its contractual obligations, the Fund Manager will submit other alternatives to the Board members.
27	Risks of Target Real Estate Assets Acquisition	Considering the Fund Manager's commitment to the Real Estate Investment Funds Regulations, the Fund expects to complete the acquisition of the targeted real estate assets within (60) days from the end of the offering period. Despite the legal obligation of purchase contracts, if a party to the purchase contracts fails to implement its obligations, the acquisition of all or part of the targeted real estate assets may not take place within (60) days from the date of the end of the offering period or at any time at all. In this case, the Fund will need to determine and terminate acquisitions of other real estate assets before it can begin providing dividends to Unitholders. Failure to do so, the Fund Manager will liquidate the Fund and carry out the procedures referred to in Article (14) in Terms and Conditions.	✓			In the event of default or breach by any of the parties contracting with it, the Fund Manager will immediately inform the Unitholders and offer appropriate solutions and alternatives to achieve the interest of the Unitholders.
28	Risks of not providing suitable investments in the future	Some of the Fund's investments, as of its date, are selected by the Fund Manager. Therefore, there will be no opportunity for Unitholders to evaluate economic, financial, or other factors with respect to future investments (additional real estate assets that the Fund may acquire in the future). No guarantee can be given that, after acquiring the targeted real estate assets, the Fund Manager will be able to determine investments in conformity with the Fund's investment objectives, specifically in the current market environment. Identifying and structuring appropriate investments for the Fund is a bit complex and highly uncertain. The Fund Manager's inability to identify appropriate investments may adversely affect the Fund's ability to achieve the desired growth in the market value of the units. The delay in identifying and acquiring appropriate real estate assets adversely affects the periodic dividends of profits, adversely affecting the unit price. As stipulated on the date hereof, with the exception of the targeted real estate assets, the Fund Manager has not determined the Fund's investments that are scheduled to be made after the listing date (additional real estate assets that the Fund may acquire in the future). The Fund's investors will not have any opportunity to evaluate economic, financial, and other relevant information relating to those assets.	✓			The Fund Manager shall contract with accredited evaluators to obtain an evaluation of the Fund's assets twice a year. The evaluation shall be published on the Fund Manager's website and the Market website. In the event that Market conditions change, the Fund Manager will analyze and study the market and then advise the Fund Board to make the necessary decisions.
29	Risks of expropriation	Some government agencies in the Kingdom shall have the right to expropriate real estate assets to achieve common benefit (for example, but not limited to, roads and public facilities construction). In theory, the compensation value for the expropriated real estate asset is supposed to be equal to the market value	✓			The Fund Manager will contract with accredited evaluators to obtain an evaluation of the Fund's assets twice a year. The evaluation shall be published on the Fund Manager's website and the Market website.

		of this asset. It is not guaranteed as the compensation value may be less than the market value of the real estate asset at the expropriation, the value paid upon purchase, or the compensation may be in kind (an alternative real estate asset). In the event of expropriation, the compulsory acquisition of the real estate asset shall take place after a notice period that is not legally specified as its approval is based on a special system. Although compensation may be paid, there is a risk that the compensation will be insufficient in comparison to the investment size, the lost profit, or the increase in the value of the investment. If expropriation occurs, the dividends to Unitholders and the trading price of the units will decline and Unitholders will lose all or part of their invested capital.				
30	Risks of Tenants and/or Operators in Specialized Sectors	Taking into account the Fund's focus on the hotel, hospitality, and tourist accommodation sector in its investments, the Fund's performance will be affected by the factors that affect specialized real estate sectors such as the hotel, hospitality, and tourist accommodation sector in its investments in which the Fund invests or may invest in the future. Given that the specialized real estate sectors require management and operation by specialized and licensed entities based on that they are specialists, the success of such specialized sectors such as the hotel sector, hospitality, and tourist accommodation depends greatly on the capabilities and expertise of those specialized and licensed entities. Therefore, if any of the regulatory authorities to which any of the specialized, licensed, and contracted entities may be subject by the Fund do not renew, cancel, or refuse to extend any of the licenses or approvals or impose any specific restrictions, this may have an adverse impact on the Fund's investments. Thus, it adversely affects the periodic dividends, which will adversely affect the unit price.		✓		With regard to the assets currently acquired by the Fund, a sufficient period has passed since their acquisition to expect that the risk is considered low along with mortgages, restrictions, or disputes over the ownership of the assets. The Fund Manager shall appoint a competent legal office that investigates the ownership of assets authorized by specialized legal authorities. The Fund Manager shall ensure that they represent full disposal rights and do not have any mortgage, right, or appeal that has not been disclosed. Furthermore, the real estate purchase contracts include the seller's commitment that the property shall be free of any of the aforementioned risks.
31	Risks of Third Parties Default and Breach	The Fund will be subject to the credit risks of the parties with whom the Fund conducts its business. The Fund may also bear the risks of default settlement, default, and payment default by tenants and/or operators. The Fund will also be subject - in certain circumstances - to the risks of default and breach of obligations by third parties contracted with, including, but not limited to, property managers, operators, custodians, and/or the auditor, which would adversely affect the performance of the Fund and thus the unit price.		✓		The Fund Manager will follow up on economic developments and events affecting the assets' value and submit them to and advise the Board members for the interest of the Unitholders.
32	Risks of the Fund's Net Assets Evaluation	The Fund's net asset value is determined at least once every six months. However, the Fund's asset value may change between the assessments. Therefore, the unit market price may be determined based on historical information which may not reflect the current value of the Fund's basic investments. Moreover, the fees due to the Fund Manager are only modified from one evaluation to another. Therefore, the unit owner is unaware of the		✓		The Fund Manager shall contract with accredited evaluators to obtain an evaluation of the Fund's assets twice a year. The evaluation shall be published on the Fund Manager's website and the Market website. In the event that Market conditions change, the Fund Manager will analyze and study the market and then advise the Fund Board to make the necessary decisions.

		Fund's updated net asset value during this period and may dispose of the Fund units in a way that adversely affects the revenue of his investment.				
33	Real Estate Asset Evaluation Risks	The evaluation of real estate assets generally depends on various factors that may be difficult to determine. The Fund's real estate asset is evaluated based on calculations and estimates prepared by independent evaluators. The evaluation process is considered an assessment process of the real estate assets' value and is not an accurate measure of the value to be obtained when selling those real estate assets. The real estate asset will also be evaluated by certified and independent evaluators known for their experience, honesty, and knowledge in the real estate sector in accordance with the requirements placed by the Authority's regulations. If the evaluators determine a value less than the value expected by the Fund, this may materially affect the revenue rate that the Fund is expected to achieve. Consequently, this adversely affects the Fund's revenues.	✓			The Fund Manager will contract with accredited evaluators to obtain an evaluation of the Fund's assets twice a year. The evaluation shall be published on the Fund Manager's website and the Market website.
34	Risks of the possibility of challenging the ownership of the Fund's real estate assets	Ownership of real estate in the Kingdom raises some potential legal issues. There are no effective and binding central real estate records in the Kingdom. Title deeds may not necessarily represent the full disposition rights of the property ownership and may be subject to appeal as Saudi courts do not recognize the buyer's "good faith" defense against real estate claims. Moreover, it is not required to the existence of a contract between two persons to be able to ask the other to return ownership of a real estate asset. Accordingly, legal disputes may arise regarding the real estate assets that the Fund will acquire (through the Special Purpose Company), which may weaken the Fund's ability (through the Special Purpose Company) to dispose of or transfer assets with ownership free of encumbrances and restrictions. In some cases, it may cause the Fund to lose ownership of the real estate assets that it believed were acquired legally. Furthermore, these disputes on the ownership may fundamentally affect the value of the real estate assets and thus the value of the Fund units.	✓			With regard to the assets currently acquired from the Fund, a sufficient period of time has passed since their acquisition to expect that the risk is considered low in the presence of mortgages, restrictions, disputes, or disputes over the ownership of the assets. The Fund Manager also appoints a specialized legal office that investigates the ownership of assets by specialized legal authorities and ensures that they represent full disposal rights and do not have any mortgage, right, or appeal that has not been disclosed. Also, real estate purchase contracts include the seller's commitment that the property be free of any property. The risks mentioned.
35	Fund Termination Risks	If the Fund is terminated, the Fund Manager must initiate liquidation procedures. This may result in the Fund's assets being sold at times that are not ideal, at a price that may not reflect fair market value, or in a manner that may not be the best way to sell them. All of these matters have a material adverse impact on the Funds' revenue and the final price received by the Unitholders.			✓	The Fund Manager will follow up on economic developments and events affecting the assets' value and submit them to and advise the Board members for the interest of the Unitholders.
D- Other Risks						
1	Risks of the Fund's Legal Status	The Fund does not have a special legal status, but rather it is a contractual arrangement and agreement between the Unitholders and the Fund Manager in accordance with these terms and conditions. Therefore, the interpretation method of any Saudi government body or Saudi court for the difference	✓			In the event of any legal issue, the Fund Manager shall try to assist the Legal Department or those with legal experience, such as competent legal offices, to clarify the difference between the Fund Manager Company and the Fund Assets Custody Company.

		between the legal status of the Fund and of the Fund Manager and/or the special purpose company is considered a potential risk to the legal status of the Fund. This is a matter that, to our knowledge, has not yet been tested in the Kingdom. However, any changes in the Kingdom's Capital Market Authority's law, amendments to regulations, or inappropriate interpretations of any of these may have significant impacts on the Fund's activities and performance. The Fund and its Unitholders will bear the risks associated with any such changes or interpretations, any of which may be unsuitable for them, including the ownership restrictions, valuation procedures, etc., which may adversely affect the Fund and its investments.			
2	Technical risks	The Fund Manager relies on the use of technology to manage the Fund, but its technical information systems may be exposed to hacking operations, viruses, or partial or complete failure beyond the Fund Manager's control, which limits the Fund Manager's ability to manage the Fund's investments effectively, which adversely affects on the Fund's performance and thus on the Fund's Unitholders.	✓		The Fund Manager shall try to ensure that the information systems are not exposed to any external risk that may adversely affect the Fund's performance. The systems are monitored periodically by technicians.
3	Legal, Regulatory, and Legislative Risks	The information contained in these terms and conditions is based on the existing laws, regulations, and legislation at the time of issuance of these terms and conditions. Regulatory and legislative changes or other changes may occur in the investment environment in the Kingdom during the term of the Fund, which could have a negative impact on the Fund or its investments. Or Unitholders.		✓	The Fund Manager will discuss the new decisions across the Fund's Board. They will be discussed and look for ways to mitigate risks.
4	Risks of zakat, fees, and taxes application	The information contained herein is based on the tax and zakat laws in place at the time of issuance hereof. Changes may occur to the tax and zakat laws throughout the Fund term, which could have an adverse impact on the Fund, its investments, or the Unitholders. If any changes occur to the tax and zakat laws during the Fund term, the Fund will be bound by these changes in the tax and zakat laws and will bear responsibility for that. The Fund Manager will not be responsible for any taxes, zakat, or any other amounts imposed or may be imposed by any relevant body on the Fund's assets (including, but not limited to, white land fees or any contracts between sellers of real estate assets and third parties prior to the establishment of the Fund). Whenever the Fund incurs any tax, this would reduce the cash available for the Fund's operations and the potential dividends paid to Unitholders, so potential investors should consult their tax advisors on the taxes resulting from the units' investment and sale.	✓		A consultant specializing in the tax and zakat aspects shall be recruited, who is responsible for submitting revenue, changes study, and necessary recommendations to avoid any violations or fines related to the Fund's activities. The Fund Manager shall periodically review the latest developments and regulatory legal changes and ensure the Fund's compliance with that. Any regulatory, tax, or zakat updates that may affect the Fund's business shall be discussed. The Unitholders shall be notified of any material impact on their investments.
5	VAT Risks	VAT came into effect, as is known, on 01 January 2018, as a VAT to the system of taxes and other applicable fees by specific sectors in the Kingdom as mentioned by the Saudi Zakat, Tax, and Customs Authority. Accordingly, whenever any of the VAT special cases apply to any of the services provided	✓		A consultant specializing in the tax and zakat aspects shall be recruited, who is responsible for submitting revenue, changes study, and necessary recommendations to avoid any violations or fines related to the Fund's activities.

		to the Fund or to any income of the Fund, this will affect the Fund and any such other laws and regulations. In the event of a breach of any of the obligations imposed under the laws and regulations related to VAT, this will lead to the imposition of financial fines and other regulatory penalties, which may adversely affect the Fund and its investments. Therefore, Unitholders should seek advice on the VAT impact on their investments in the Fund.				The Fund Manager shall periodically review the latest developments and regulatory legal changes and ensure the Fund's compliance with them. Any regulatory, tax, or zakat updates that may affect the Fund's business shall be discussed. The Unitholders shall be notified of any material impact on their investments.
6	Real Estate Transaction Tax Risks	The Real Estate Transaction Tax came into effect, as is known, on 17/02/1442 AH as mentioned by the Saudi Zakat, Tax and Customs Authority. It is imposed on all real estate transactions according to the percentage specified under the executive regulations for the Real Estate Transaction Tax and any amendments thereof. It shall be paid before or during vacation by the seller or as agreed upon. As with any other laws and regulations, in the event of a breach of any of the obligations made under the laws and regulations related to the Real Estate Transaction Tax, this will lead to financial fines and other regulatory penalties, which may adversely affect the Fund and its investments.	✓			A consultant specializing in the tax and zakat aspects shall be recruited, who is responsible for submitting revenue, changes study, and necessary recommendations to avoid any violations or fines related to the Fund's activities. The Fund Manager shall periodically review the latest developments and regulatory legal changes and ensure the Fund's compliance with them. Any regulatory, tax, or zakat updates that may affect the Fund's business shall be discussed. The Unitholders shall be notified of any material impact on their investments.
7	Income Tax Risk	There are currently no taxes on investment funds in the Kingdom of Saudi Arabia. However, there is no guarantee that the applicable current laws in the Kingdom of Saudi Arabia will not change. Therefore, the Fund will comply with any changes in the laws and will bear responsibility for that. The Fund or the Fund Manager will not be responsible for any taxes, zakat, or any other amounts imposed or may be imposed by any relevant body in relation to the Fund.	✓			A consultant specializing in the tax and zakat aspects shall be recruited, who is responsible for submitting revenue, changes study, and necessary recommendations to avoid any violations or fines related to the Fund's activities. The Fund Manager shall periodically review the latest developments and regulatory legal changes and ensure the Fund's compliance with them. Any regulatory, tax, or zakat updates that may affect the Fund's business shall be discussed. The Unitholders shall be notified of any material impact on their investments.
8	Risks related to government and municipality approvals	The Fund may not succeed in achieving its investment objectives in the event of failure to issue or renew the necessary approvals or licenses for any real estate assets, which may adversely affect the Fund's investments and the unit price, with the possibility of imposing financial fines and other regulatory penalties under the relevant laws and regulations and the adverse impact on the Fund's investments and unit price.	✓			The Fund Manager shall fulfill the necessary requirements to obtain governmental and municipality approvals. Failure to do so, the Fund's Board will be notified to take the necessary action.
9	Saudization Risks (Job Localization)	In implementation of Saudization policies, the competent and relevant authorities in the Kingdom may require the employment of a high percentage of Saudis in several sectors, including the real estate sector and the hotel, hospitality, and tourist accommodation. It is not clear at this stage to what extent the Fund and its investments will be required to adhere to such policies. However, Saudization may require increasing the employment rate or providing additional training, which will lead to additional costs and higher	✓			The Fund Manager is proud of being a leader in applying Localization standards, raising Saudization rates, trying to train employees in accordance with the highest standards on a regular and continuous basis. For operators, it is common for their contracts to be of a fixed value. Therefore, it shall carry out its work regardless of its cost.

		operational costs to be deducted from the Fund's net income. Consequently, the net profits of the Fund and its investments will decrease, which will adversely affect the profits of Unitholders.				
10	Risks of Proceedings towards Third Parties	The Fund is vulnerable to the possibility of initiating procedures, and filing disputes and claims towards third parties due to the nature of its activities. In this case, the Fund will bear legal fees in relation to addressing third-party claims and settlement/judgments amounts, which would decrease the Fund's assets and the available cash dividend to Unitholders. The Fund Manager and others are entitled to obtain compensation from the Fund in relation to these judicial disputes, subject to certain restrictions based on the nature of any of the procedures, disputes, or claims that adversely affect the profits of Unitholders.	✓			The Fund Manager seeks the assistance of competent legal offices to avoid judicial disputes. In the event of any legal dispute, the Fund Manager will hold a meeting of the Fund's Board to take the necessary decisions.
11	Risks of Liabilities Limitation and Indemnity	These terms and conditions set out the circumstances in which the Fund Manager, its shareholders (Owners of the Fund Manager), its directors, its officers, its employees, its advisors, and its subsidiaries will be liable to the Fund and its Unitholders. As a result, the right of Unitholders to refer to the Fund Manager and take action against it in certain cases is limited compared to cases in which such conditions are not stipulated. The Fund may also be obligated to compensate the Fund Manager, its directors, officers, employees, agents, subsidiaries, and the Fund's Board members for some claims, losses, damages, and expenses arising from their actions on behalf of the Fund whenever they occur. These compensation obligations could materially affect the Unitholders' returns.	✓			The Fund Manager shall ensure that all fees and charges are clearly recorded in the Fund's terms and conditions. All expenses and costs paid by the Fund are periodically disclosed. Specialized (tax, legal, technical) advisors are used to include all expected expenses in the Fund documents. Due to the Fund Manager's experience in managing many funds, unexpected claims, losses, damages, and expenses are rare.
12	Future Data Risks	These terms and conditions may include future statements about future events or the Fund's future performance. In some cases, future statements can be identified by terms such as: "expect", "believe", "continue", "estimate", "wait", "intend", "may", "plans", "projects", "supposed", "will", or the opposite of these terms or other similar terms. These statements are forecasts only and actual events or results may differ materially. Upon evaluating these statements, investors must specifically consider several factors, including the risks set forth in this Article (10) of the Terms and Conditions. These factors could cause actual events or results to differ materially from any future statements. The Fund Manager does not bear any responsibility to update any future statements after the date hereof in order to conform these data with actual results or changes in expectations.	✓			The Fund Manager shall ensure that the statements are clear to investors and do not contain words or expressions that may lead to influencing investors' decisions. If there are any statements that affect investors' decisions, the Fund Manager will amend them directly.



الإِنماء للاستثمار  
alinma investment



شراكة مثمرة

مرخصة من هيئة السوق المالية برقم 09134-37

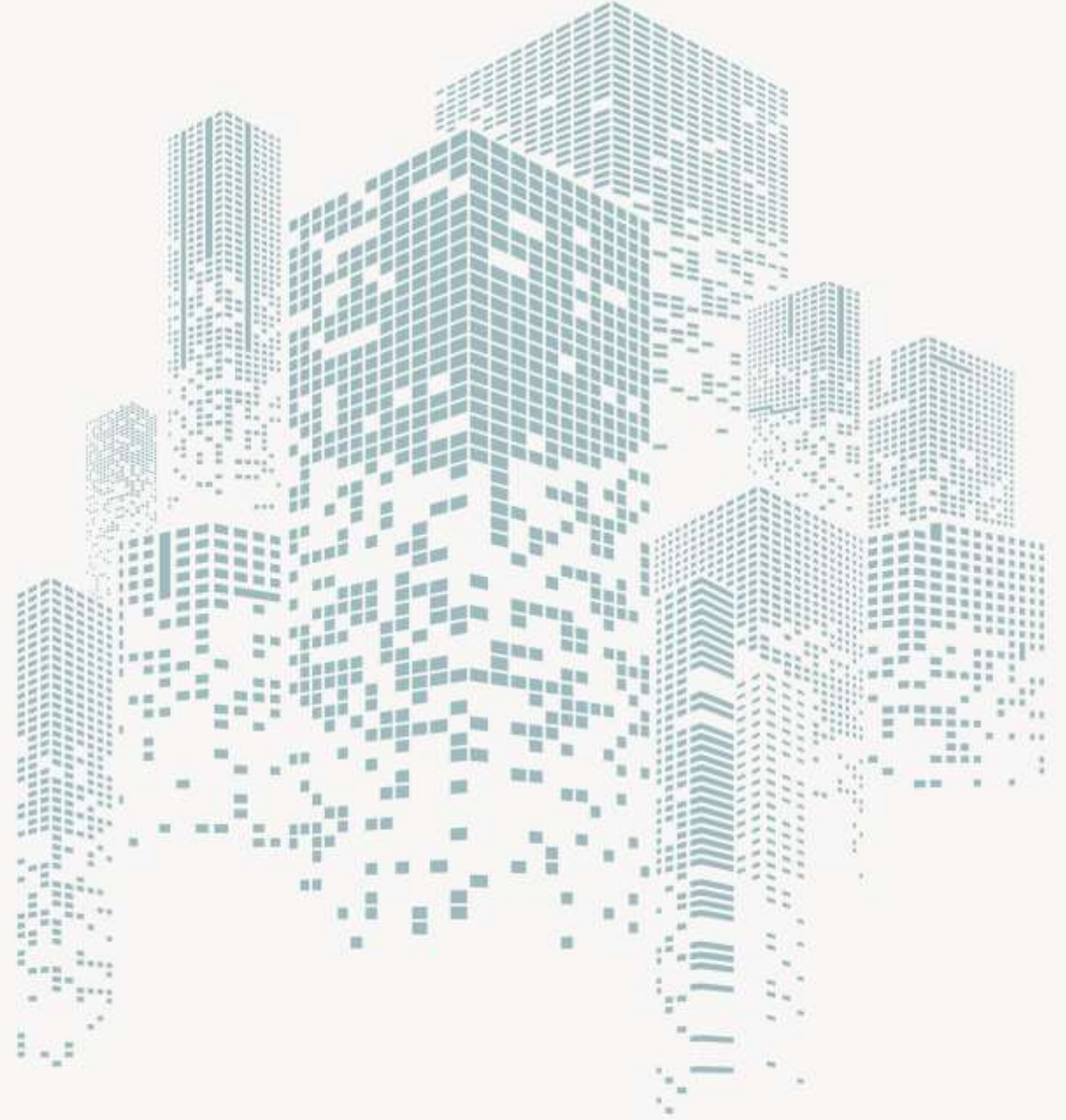
## Thank You

For more information about the fund and project, Please contact us via one of the following channels:

To call from within the Kingdom:8004413333

To call from mobile or from outside the Kingdom:920000343

Through Email: [info@alinmainvest.com](mailto:info@alinmainvest.com)



**ALINMA HOSPITALITY REIT FUND**  
**(Managed by Alinma Investment Company)**

**FINANCIAL STATEMENTS FOR THE PERIOD**  
**FROM 30 JANUARY 2023 TO 31 DECEMBER 2023**

**AND INDEPENDENT AUDITOR'S REPORT**

**Alinma Hospitality REIT Fund**  
**(Managed by Alinma Investment Company)**

**FINANCIAL STATEMENTS**

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For the period from 30 January 2023 to 31 December 2023

<b>INDEX</b>	<b>PAGE</b>
Independent auditor's report	1-5
Statement of financial position	6
Statement of comprehensive income	7
Statement of cash flows	8
Statement of changes in equity	9
Notes to the financial statements	10 – 24

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF ALINMA HOSPITALITY REIT FUND  
(Managed by Alinma Investment Company)**

**Opinion**

We have audited the accompanying financial statements of Alinma Hospitality REIT Fund (the "Fund") managed by Alinma Investment Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2023, and the related statements of comprehensive income, cash flows and changes in equity for the period from 30 January 2023 to 31 December 2023, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Fund as at 31 December 2023, and its financial performance and its cash flows for the period from 30 January 2023 to 31 December 2023 in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("the Code"), that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Fund's financial statements and we have fulfilled our ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF ALINMA HOSPITALITY REIT FUND  
(Managed by Alinma Investment Company) (continued)**

**Key Audit Matters (continued)**

Key Audit Matter	How the key matter was addressed in the audit
<p><b><u>Assessing Impairment of investment properties</u></b></p> <p>The Fund owns a portfolio of investment properties comprising of hotels located in the Kingdom of Saudi Arabia.</p> <p>Investment properties are held for capital appreciation and/or rental yields and are stated at cost less accumulated depreciation and any impairment losses.</p> <p>As at 31 December 2023, the carrying value of investment properties was SR 998 million which was net of accumulated depreciation of SR 19 million.</p> <p>For assessing the impairment of investment properties, the Fund Manager monitors volatility of fair value of properties by engaging independent certified property valuers to perform a formal valuation of the Fund's investment properties on semi-annual basis.</p> <p>We considered this as a key audit matter since the impairment assessment of investment properties requires significant judgement and estimates by the Fund Manager and the external valuers. Any input inaccuracies or unreasonable bases used in these judgements and estimates (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the Statement of Financial Position and in the Statement of Comprehensive Income.</p> <p><i>The Fund's accounting policy for investment properties is disclosed in note 3.5, the significant accounting estimates, judgement and assumptions relating to investment properties are disclosed in note 4, related disclosures about investment properties are included in notes 5 and 6 of the accompanying financial statements.</i></p>	<ul style="list-style-type: none"> <li>- We have obtained an understanding of the process and controls surrounding assessment of impairment of investment properties by performing walkthrough procedures.</li> <li>- We agreed the value of all the properties held at the period end to the valuation included in the independent management expert valuation report;</li> <li>- We evaluated the competency, capabilities and objectivity of work performed by the independent management expert;</li> <li>- On sample basis, with the help of our independent expert, we performed the following: <ul style="list-style-type: none"> <li>o We assessed the appropriateness of valuation methods, assumptions, and estimates used by management in the process assessment of impairment of investment properties;</li> <li>o We engaged in discussions with management and assessed the relevant assumptions used based on market data where possible;</li> <li>o We tested the appropriateness of the key assumptions used in the valuation of investment properties, such as estimated rental value and yield profile applied;</li> </ul> </li> <li>- We ensured that the financial statements contain adequate disclosures regarding the valuation methods, judgment, assumptions and estimates used in the valuation</li> </ul>

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF ALINMA HOSPITALITY REIT FUND  
(Managed by Alinma Investment Company) (continued)**

**Other Information included in the Fund's 2023 Annual Report**

Fund Manager is responsible for the other information. The other information comprises the information included in the Fund's 2023 annual report other than the financial statements and our auditor's report thereon. The Fund's 2023 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Fund's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

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

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF ALINMA HOSPITALITY REIT FUND  
(Managed by Alinma Investment Company) (continued)**

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

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

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

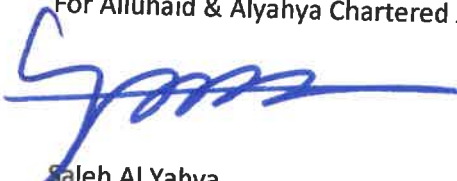
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF ALINMA HOSPITALITY REIT FUND  
(Managed by Alinma Investment Company) (continued)**

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

For Alluhaid & Alyahya Chartered Accountants



Saleh Al Yahya  
Certified Public Accountant  
Registration No. 473

Riyadh: 18 Ramadan 1445H  
(28 March 2024)





Alinma Hospitality REIT Fund  
(Managed by Alinma Investment Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	<i>SR</i>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Investment properties	5	998,337,345
<b>TOTAL NON-CURRENT ASSETS</b>		<u>998,337,345</u>
<b>CURRENT ASSETS</b>		
Rental income receivable		153,849
Financial assets at fair value through profit or loss ("FVTPL")	7	42,284,397
Bank balance		16,348,637
<b>TOTAL CURRENT ASSETS</b>		<u>58,786,883</u>
<b>TOTAL ASSETS</b>		<u>1,057,124,228</u>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Accrued expenses and other current liabilities	10	4,791,682
Unearned rental income	9	4,502,384
<b>TOTAL LIABILITIES</b>		<u>9,294,066</u>
<b>EQUITY</b>		
Net assets attributable to unitholders		1,047,830,162
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>1,057,124,228</u>
Redeemable units in issue (numbers)		<u>102,002,100</u>
Net assets value attributable to unitholders (SR)		<u>10.27</u>

The accompanying notes from 1 to 22 form an integral part of these financial statements.

Alinma Hospitality REIT Fund  
(Managed by Alinma Investment Company)

STATEMENT OF COMPREHENSIVE INCOME  
For the period from 30 January 2023 to 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>SR</b>
<b>INCOME</b>		
Revenue from investment properties	11	89,454,022
Gain from financial assets at FVTPL		1,284,396
<b>TOTAL INCOME</b>		<b>90,738,418</b>
<b>OPERATING EXPENSES</b>		
Depreciation on investment properties	5	(19,690,155)
Management fees	8	(6,996,281)
Fund establishment costs	12	(2,159,505)
General and administrative expenses	13	(1,442,643)
<b>TOTAL OPERATING EXPENSES</b>		<b>(30,288,584)</b>
<b>NET PROFIT FOR THE PERIOD</b>		<b>60,449,834</b>
Other comprehensive income		-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>60,449,834</b>

The accompanying notes from 1 to 22 form an integral part of these financial statements.

Alinma Hospitality REIT Fund  
(Managed by Alinma Investment Company)

STATEMENT OF CASH FLOWS

For the period from 30 January 2023 to 31 December 2023

	<i>Notes</i>	<i>SR</i>
<b>OPERATING ACTIVITIES</b>		
Net profit for the period		60,449,834
<i>Adjustments for:</i>		
Gain from financial assets at FVTPL		(1,284,396)
Depreciation on investment properties	5	19,690,155
		<u>78,855,593</u>
<i>Changes in working capital:</i>		
Rental income receivable		(153,849)
Accrued expenses and other current liabilities		4,791,682
Unearned rental income		4,502,384
		<u>87,995,810</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of investment properties	5	(509,407,500)
Purchase of financial assets at FVTPL		(58,500,000)
Proceeds from disposal of financial asset at FVTPL		17,499,999
		<u>(550,407,501)</u>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	17	(32,640,672)
Proceeds from issuance of units		511,401,000
		<u>478,760,328</u>
<b>BANK BALANCE AT END OF THE PERIOD</b>		
		<u><u>16,348,637</u></u>
<b>NON-CASH TRANSACTIONS</b>		
Purchase of investment properties against units	5	508,620,000

The accompanying notes from 1 to 22 form an integral part of these financial statements.

Alinma Hospitality REIT Fund  
 (Managed by Alinma Investment Company)

STATEMENT OF CHANGES IN EQUITY

For the period from 30 January 2023 to 31 December 2023

	<i>SR</i>
<b>Comprehensive Income:</b>	
Net profit for the period	60,449,834
Other comprehensive income for the period	-
Total comprehensive income for the period	60,449,834
Dividends (note 17)	(32,640,672)
	27,809,162
<b>CHANGE FROM UNIT TRANSACTIONS</b>	
Contributions against issuance of units (note 5)	1,020,021,000
<b>EQUITY AT THE END OF THE PERIOD</b>	1,047,830,162
<b>REDEEMABLE UNITS TRANSACTIONS</b>	
Transactions in redeemable units for the period are summarised as follows:	
	<i>2023</i>
	<i>Units</i>
Units issued during the period	102,002,100
<b>UNITS AT THE END OF THE PERIOD</b>	102,002,100

The accompanying notes from 1 to 22 form an integral part of these financial statements.

# Alinma Hospitality REIT Fund (Managed by Alinma Investment Company)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 1 INCORPORATION AND ACTIVITIES

Alinma Hospitality REIT Fund (the "Fund") is a publicly traded closed-ended fund created by agreement between Alinma Investment Company, a subsidiary of Alinma Bank (the "Bank") and investors (the "unitholders"), in accordance with the shariah rules issued by the Shariah Board of the Fund Manager.

The Fund's objective aims to generate sustainable and growing cash dividend for the unitholders and develop the Fund assets via direct investment in income generating and constructed developed real estate properties. The Fund intends to invest heavily on the hotel sector, hospitality, and tourist accommodation. The Fund may invest partly in real estate development projects, provided that the Fund's assets invested in income-generating assets are not less than (75%).

The Capital Market Authority ("CMA") granted approval for the establishment of the Fund on 23 Rabi' al-Awwal 1444H (corresponding to 19 October 2022). On 22 Rabi Al-Akhir 1444H (Corresponding to 16 November 2022) the Fund completed its unit offering, and the units of the Fund were listed on the Saudi stock exchange ("Tadawul") on 8 Rajab 1444H (corresponding to 30 January 2023) and the Fund commenced its formal operations. Accordingly, the first financial period for the Fund is from 30 January 2023 to 31 December 2023. These are the first financial statements of the Fund prepared for the period from 30 January 2023 to 31 December 2023.

As per terms and conditions of the Fund, the initial term of the Fund is 99 years which is extendable on the discretion of the Fund Manager for a similar term with the approval of unitholders, the Fund's Board and 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.

Real Estate Hotel Development Company, a limited liability company with commercial registration number 1010734462, has been established and approved by CMA as a special purpose vehicle ("SPV") for the beneficial interests of the Fund. The SPV owns all the properties of the Fund and is liable for its contractual liabilities.

The Fund has appointed NOMW capital (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 Investments Traded Funds ("REITF") instructions issued by CMA detailing detail the requirements for real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

### 3 MATERIAL ACCOUNTING POLICIES INFORMATION

#### 3.1 Basis of preparation

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement that are endorsed by the Saudi Organisation for Chartered and Professional Accountants, (collectively hereafter referred to as IFRS as endorsed in the Kingdom of Saudi Arabia).

The financial statements have been prepared under the historical cost convention using the accrual basis of accounting except for financial assets held at FVTPL which are measured at fair value.

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

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires the Fund Manager to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Alinma Hospitality REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

3.2 *Standards issued but not yet effective*

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

<u>Standards / amendments to standards / interpretations</u>	<u>Effective date</u>
<i>Classification of Liabilities as Current or Noncurrent and Non-current Liabilities with Covenants - Amendments to IAS 1</i>	1 January 2024
<i>Lease Liability in a Sale and Leaseback - Amendments to IFRS 16</i>	1 January 2024
<i>Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7</i>	1 January 2024
<i>Lack of exchangeability - Amendments to IAS 21</i>	1 January 2025

3.3 *Cash and cash equivalents.*

Cash and cash equivalents include cash with a bank and other short-term highly liquid investments, if any, with maturities of three months or less from the purchase date.

3.4 *Investment property*

Investment property comprise completed freehold properties that are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of operations, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self - constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in statement of profit or loss.

Fair value of investment property is determined by using evaluations prepared by independent valuers.

3.5 *Impairment of non-financial assets*

The Fund assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Fund estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Alinma Hospitality REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

3.6 *Impairment of non-financial assets (continued)*

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Fund estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of other comprehensive income.

3.6 *Financial Instruments - Initial recognition and subsequent measurement*

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

i) *Financial assets*

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost
- Financial assets measured at fair value through other comprehensive ("FVTOCI")
- Financial assets measured at fair value through profit or loss ("FVTPL")

***Financial assets measured at amortised cost***

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Fund's financial assets at amortised cost includes cash and cash equivalents.

***Financial assets measured at fair value through other comprehensive ("FVTOCI")***

Financial assets in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTOCI upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding;
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; and
- (c) The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Alinma Hospitality REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

3.7 Financial Instruments - Initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

**Financial assets measured at fair value through profit or loss ("FVTPL")**

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments which the Fund had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised in the statement of profit or loss when the right of payment has been established.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

**Impairment**

The Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Fund's financial assets fall into this category.

12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses are recognized for the second and third category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

For financial assets at amortised cost, the Fund applies the low credit risk simplification. At every reporting date, the Fund evaluates whether the financial asset at amortised cost is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Fund reassesses the internal credit rating of the financial assets at amortised cost. In addition, the Fund considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.



Alinma Hospitality REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

3.7 Financial Instruments - Initial recognition and subsequent measurement (continued)

ii) Financial liabilities

*Initial recognition and measurement*

The Fund's financial liabilities include, management and administration fees payable and other liabilities. All financial liabilities are recognised initially at fair value.

**Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified at amortised cost:

*Financial liabilities at amortised cost*

This category includes all financial liabilities, other than those measured at fair value through profit or loss. This is the category most relevant to the Fund. After initial recognition, financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) *Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

3.7 *Fair value measurement*

The Fund measures financial instruments such as investment in mutual funds units at fair value at each balance sheet date.

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

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

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

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

Alinma Hospitality REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

**3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**3.8 Fair value measurement (continued)**

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

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

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

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

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in note 13.

**3.9 Net assets value per unit**

The net assets value per unit disclosed in the statement of financial position is calculated by dividing the net assets value of the Fund by the number of units in issue at the period end.

**3.10 Management fees, custodian fees and other expenses**

Management fees, custodian fees and other expenses are charged at rates / amounts within limits mentioned in terms and conditions of the Fund.

**3.11 Zakat and income tax**

Fund is not liable to pay any zakat or income tax which are considered to be the obligation of the unitholders and are as such not provided in the accompanying financial statements.

**3.12 Revenue recognition**

***Rental income from lease of investment properties***

The funds revenue mainly comprises earned from leasing out hotels classified as investment properties. Rental income arising from operating lease on investment properties is recognised, net of discount, in accordance with the terms of leases over the lease term on a straight-line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the lease asset.

**3.13 Distributions**

The Fund has a policy of distributing dividends, as per the terms and conditions, at least twice a year, at not less than 90% percent of the Fund's net profit.

Alinma Hospitality REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

**4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Fund's financial statements in conformity with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may differ from the related actual results.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

***Going concern***

The Board of Directors, in conjunction with the Fund Manager, has made an assessment of the Fund's ability to continue as going concern and satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as going concern. Therefore, the financial statements Continued to be prepared on the going concern basis

***Useful lives of investment properties***

The management determines the estimated useful lives of investment properties for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods. The estimated useful lives of the investment properties are disclosed in note 6.1.

***Impairment of investment properties***

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately in the statement of comprehensive income.

***Impairment of financial assets held at amortised cost***

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

As at the year end, the Fund has rents receivable and amounts due from a related party as financial assets carried at amortised cost. For rental income receivables and contract assets, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The information about the ECLs on the Fund's rental income receivables is disclosed in note 9 in these financial statements.

Alinma Hospitality REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

**4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

*Leases - Estimating the incremental borrowing rate*

The Fund cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Fund would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Fund 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Fund estimates the IBR using observable inputs such as market interest rates, as and when available.

*Determining the lease term*

The Fund as a lessee determines the lease term as the non-cancellable period of a lease, together with both:  
(a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and;  
(b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.  
For contracts that include extension and termination options, the Fund uses judgement in evaluating whether it is reasonably certain whether to exercise the option to renew or terminate the lease. In doing so, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. Those factors include current and expected retail unit performance, availability, cost and other terms of substitutes, magnitude of leasehold improvements, length of extension or renewal, and cost of extension or renewal. Following the commencement date, the Fund reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Fund and affects its assessment on whether or not to exercise an option previously included in its determination of the lease term.

*Fair value measurement*

The Fund measures its investments in equity instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For all other financial instruments not traded in an active market, if any, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

**5 INVESTMENT PROPERTIES**

5.1 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>
Vittori Palace Hotel	451,500,000	8,379,741	443,120,259
Rafal Ascott Hotel	257,250,000	5,611,594	251,638,406
Clarion Hotel Jeddah Airport	158,670,000	3,140,241	155,529,759
Comfort inn and Suites Hotel	85,355,000	1,475,678	83,879,322
Comfort inn Olaya	65,252,500	1,082,901	64,169,599
	<u>1,018,027,500</u>	<u>19,690,155</u>	<u>998,337,345</u>

Alinma Hospitality REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

5 INVESTMENT PROPERTIES (continued)

5.2 Listed below are the details of the investment properties:

<i>PROPERTY</i>	<i>DISCRIPTION</i>
<b>Vittori Palace Hotel</b>	This property is a fully constructed commercial facility on a freehold land, located in Khuzam Street – King Abdullah District, Riyadh, Kingdom of Saudi Arabia. The property has been leased out for the term of 5 years. The hotel is leased out to a third party at net lease amount of SR 33 million.
<b>Rafal Ascott Hotel</b>	This property is a fully constructed commercial facility on a freehold land, located in Olaya Street – Al-Sahafa District, Riyadh, Kingdom of Saudi Arabia. The SPV of the Fund, on behalf of the Fund, has entered into an operational agreement of 5 years with Al-Maskan Al-Hadri Real Estate Development Company, for operating and managing the hotel operations in the property. The Fund will be generating a fixed net lease amount of SR 18.8 million from this arrangement each year.  The Fund has signed the contract effective before formally commencing its operations. During the period ended 31 December 2023, the Fund has recognized rental income of SR 34 million out of which SR 16 million were related to the period before the formal commencement date.
<b>Clarion Hotel Jeddah Airport</b>	This property is a fully constructed commercial facility on a freehold land, located in Prince Majed Street – Nozha District, Jeddah, Kingdom of Saudi Arabia. The property has been leased out for the term of 5 years. The hotel is leased out to a third party at net lease amount of SR 11.5 million.
<b>Comfort inn and Suites Hotel</b>	This property is a fully constructed commercial facility on a freehold land, located in King Abdulaziz Road – Al Zahra District, Jeddah, Kingdom of Saudi Arabia. The SPV of the Fund, on behalf of the Fund, has entered into an operational agreement of 5 years with Seera Hospitality Company, for operating and managing the hotel operations in the property. The Fund will be generating a fixed net lease amount of SR 6.2 million from this arrangement each year.
<b>Comfort inn Olaya</b>	This property is a fully constructed commercial facility on a freehold land, located in Wadi Al-Awsat Street – Olaya District, Riyadh, Kingdom of Saudi Arabia. The property has been leased out for the term of 5 years. The hotel is leased out to a third party at net lease amount of SR 4.7 million.

5.3 The movement in the investment properties during the period is as follows:

	<i>Lands</i> SR	<i>Buildings</i> SR	<i>Total</i> SR
<i>Cost</i>			
Additions during the period	254,910,061	763,117,439	1,018,027,500
At the end of the period	<u>254,910,061</u>	<u>763,117,439</u>	<u>1,018,027,500</u>
<i>Accumulated depreciation</i>			
Depreciation charge for the period	-	(19,690,155)	(19,690,155)
At the end of the period	<u>-</u>	<u>(19,690,155)</u>	<u>(19,690,155)</u>
<i>Net book amount as at 31 December 2023</i>	<u>254,910,061</u>	<u>743,427,284</u>	<u>998,337,345</u>

Alinma Hospitality REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

**5 INVESTMENT PROPERTIES (continued)**

Acquisition of Comfort-inn Olaya, comfort inn suites, clarion hotel Jeddah airport and vittori palace hotels is partially funded through units issued amounting to SR 508.6 million, equivalent to 50.86 million units and the remaining amount of SR 509.4 million equivalent to 50.94 million units is funded through cash. The title deed of the investment properties are registered in the name of the SPV.

**6 EFFECTS ON NET ASSETS VALUE (EQUITY) IF INVESTMENT PROPERTY ARE FAIR VALUED**

In accordance with Article 36 of the REIFR issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the fair value of the Fund's real estate assets based on two evaluations prepared by independent evaluators. However, investment properties are carried at cost less depreciation and impairment, if any, in these financial statements.

The fair value of the investment properties is determined by two selected appraisers for each property, i.e., Abaad Real Estate Valuation Company and Esnad Real Estate Valuation Company.

As at 31 December 2023, the valuation of investment properties are as follows:

	Appraiser 1 (SR)	Appraiser 2 (SR)	Average (SR)
Vittori Palace Hotel	462,590,000	443,045,000	453,402,500
Rafal Ascott Hotel	268,230,000	266,417,000	267,266,500
Clarion Hotel Jeddah Airport	165,620,000	161,845,000	161,307,500
Comfort inn and Suites Hotel	88,800,000	89,096,000	89,088,000
Comfort inn Olaya	71,080,000	68,068,000	67,964,000
	<u>1,056,320,000</u>	<u>1,028,471,000</u>	<u>1,042,395,500</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 the property. Below is an analysis of the investment property's fair value against cost:

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

	As at 31 December 2023 SR
Average fair value of investment properties	1,042,395,500
Less: Carrying value of investment properties (note 5.1)	(998,337,345)
Unrealised gain based on fair value	<u>44,058,155</u>
Units in issue (numbers)	<u>102,002,100</u>
Impact per unit based on fair value (SR)	<u>0.43</u>

Alinma Hospitality REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

**6 EFFECTS ON NET ASSETS VALUE (EQUITY) IF INVESTMENT PROPERTIES ARE FAIR VALUED (continued)**

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

	<i>As at</i> <b>31 December 2023</b> SR
Net assets value (equity) at cost	1,047,830,162
Unrealised gain based on fair value	44,058,155
Net assets value (equity) based on fair value	<u>1,091,888,317</u>

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

	<i>31 December 2023</i> SR
Net assets value per unit at cost	10.27
Impact on net assets value per unit on account of unrealized gain based on the fair value	0.43
Net assets value per unit based on fair value	<u>10.70</u>

**7 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.

	<i>As at</i> <b>31 December 2023</b>	
	Cost (SR)	Market value (SR)
Alinma Saudi Riyal Liquidity Fund	<u>41,198,722</u>	<u>42,284,397</u>

**8 RELATED PARTY TRANSACTIONS AND BALANCES**

In ordinary course of activities, the Fund transacts business with related parties. The related party transactions are governed by limit set by the terms and conditions. All related party transactions are disclosed to the Fund Board of or Directors.

Related parties of the Fund include the Fund Manager, the Bank, entities related to the Bank and the Fund Manager and any party that has the ability to control other party or exercise considerable influence over the party in making financial or operational decisions.

*a) Management fees*

In consideration for managing the assets of the Fund, in accordance with the terms and conditions, the Fund pays a management fee to the Fund Manager equal to 9% of the net operational income in condition that it does not exceed 0.80% of the Fund's total assets. If the result of the operation is loss, the Fund Manager will not take any management fees for that year. The management fees is settled on semi-annual basis.

*b) Administration fees*

In consideration for administration of the Fund, in accordance with the terms and conditions, the Fund is obliged to pay the Fund manager a total administration fees of SR 150,000 per annum.

Alinma Hospitality REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

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

*c) Board of Directors remuneration*

Each independent member of the Board of Directors is allowed a remuneration of SR 10,000 per board meeting and maximum SR 20,000 in one year.

**8.1 Related party transactions**

The following are the details of the significant transactions with related parties during the period from 30 January to 31 December 2023:

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Nature of transactions</i>	<b>SR</b>
Alinma Investment company	Fund Manager	Management fees	<b>(6,996,281)</b>
		Administration fees (note 13)	<b>(137,671)</b>
Fund Board of Directors	Board of Directors	Board fees (note 13)	<b>(40,005)</b>

**8.2 Related party balances**

Period end balances (payable) arising from transactions with related parties are as follows:

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Nature of balances</i>	<b>31 December 2023 SR</b>
Alinma Investment company	Fund Manager	Management fees payable (note 10)	<b>(3,319,997)</b>
		Administration fees payables	<b>(137,671)</b>

**9 UNEARNED RENTAL INCOME**

Unearned rental income represents rental income received in advance during the year but not yet recognised as revenue. The movement in unearned rental income for the period from 30 January to 31 December 2023 is as follows:

	<b>SR</b>
Advance received during the period	<b>93,802,557</b>
Revenue recognised during the period	<b>(89,300,173)</b>
<b>Balance at the end of the period</b>	<b><u>4,502,384</u></b>

**10 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<b>As at 31 December 2023 SR</b>
Management fees (note 8)	<b>3,319,997</b>
Value added tax payable	<b>1,001,364</b>
Regulatory fees	<b>145,648</b>
Custody fees	<b>50,000</b>
Other accrued expenses (i)	<b>274,673</b>
	<b><u>4,791,682</u></b>

(i) Other accrued expenses mainly includes accrued administration fees and accrued professional fees.



Alinma Hospitality REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

**11 REVENUE FROM INVESTMENT PROPERTIES**

The Fund's revenue from investment properties is concentrated within one operating segment and geographical region of the Kingdom of Saudi Arabia, comprised of operating lease income generated from 5 investment properties as disclosed in note 5.2.

**12 FUND ESTABLISHMENT COST**

In consideration of the fund offering process, the fund has paid expenses of receiving entities, legal advisor, engineering consultant and feasibility study fees as per the terms and conditions of the fund.

**13 GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>For the period from 30 January 2023 to 31 December 2023</i>
	SR
Regulator fees	910,342
Professional fees	210,000
Administration fees (note 8)	137,671
Board Fees (note 8)	40,005
Others	52,981
Custodian fees	91,644
	<u>1,442,643</u>

**14 FAIR VALUE MEASUREMENT**

**14.1 Financial instruments**

Financial assets consist of investments in mutual funds rental income receivables and bank balance. Financial liabilities consist of unearned rental income and other current liabilities. The fair values of other financial assets and financial liabilities are not materially different from their carrying values due to short term nature and are classified as level 2.

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

<i>As at 31 December 2023</i>	<i>Level 1</i> SR	<i>Level 2</i> SR	<i>Level 3</i> SR	<i>Total</i> SR
Financial assets at FVTPL (note 7)	-	42,284,397	-	42,284,397

**14.2 Non-financial assets**

The following table shows the fair value of investment properties disclosed as at year end:

<i>31 December 2023</i>	<i>Level 1</i> SR	<i>Level 2</i> SR	<i>Level 3</i> SR	<i>Total</i> SR
<i>Investment properties</i>				
Vittori Palace Hotel	-	-	453,402,500	453,402,500
Rafal Ascott Hotel	-	-	267,266,500	267,266,500
Clarion Hotel Jeddah Airport	-	-	161,307,500	161,307,500
Comfort inn and Suites Hotel	-	-	89,088,000	89,088,000
Comfort inn Olaya	-	-	67,964,000	67,964,000
	<u>-</u>	<u>-</u>	<u>1,039,028,500</u>	<u>1,039,028,500</u>

# Alinma Hospitality REIT Fund (Managed by Alinma Investment Company)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

### 14 FAIR VALUE MEASUREMENT (continued)

When the fair value of items disclosed in these financial statements cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The key assumptions are listed below.

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 Abaad Real Estate Valuation Company and Esnad Real Estate Valuation Company 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").

#### 31 December 2023

<u>Valuation approach</u>	<u>Key assumptions</u>	<u>Rate (%)</u>
Income approach	Discount rate	9.84 - 11.80
	Growth rate	2.76 - 2.80
	Capitalization rate	7.76 - 8.26

### 15 FINANCIAL RISK MANAGEMENT

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

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

The Fund has its terms and conditions document that sets out its overall business strategies, its tolerance of risks and its general risk management philosophy.

#### 15.1 Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund is exposed to credit risks on the following financial instruments:

	<i>31 December 2023 SR</i>
Cash at bank	16,348,637
Rental income receivables	153,849
	<hr/> <b>16,502,486</b> <hr/>

The carrying amount of financial assets represents the maximum credit exposure. The Fund seeks to limit its credit risk with respect to rental income receivables by charging rent in advance, and by monitoring outstanding balances on an ongoing basis with the actual results for the Fund. For banks and financial institutions, the Fund only deals with reputable banks with sound credit ratings.

Alinma Hospitality REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

**15 FINANCIAL RISK MANAGEMENT (continued)**

**15.2 Liquidity risk**

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

**15.3 Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Fund does not have any significant exposure to currency risk as all its monetary assets and monetary liabilities are denominated in Saudi Riyals.

**16 ZAKAT AND INCOME TAX**

The Ministry of Finance has issued a resolution ("MR") numbered 29791, dated 9 Jumada Al-Awwal 1444 H (corresponding to 3 December 2022) publishing certain zakat filing rules to be complied by investment funds in the Kingdom of Saudi Arabia, applicable for the financial year 2023. According to the MR the Fund is not subject to zakat or tax, however, will be required to file certain financial information with Zakat, Tax and Customs Authority ("ZATCA") commencing 1 January 2023. The filing with ZATCA is due by 30 April 2024.

**17 DIVIDENDS DISTRIBUTION**

During the period ended 31 December 2023, in accordance with the terms and conditions of the Fund, the Fund's Board has declared dividends of SR 0.32 per unit amounting to SR 32,640,672, which has been paid during the period ended 31 December 2023.

**18 LEASE COMMITMENTS**

Future rental commitments under the leases are as follows:

	2023 SR
No later than one year	74,412,839
Later than one year and not later than five years	395,603,860
Later than five years	693,627,474
	<u>1,163,644,173</u>

**19 CONTINGENCIES**

During the normal course of business, there are general litigations and legal claims. The Fund Manager takes legal advice as to the likelihood of success of claims and no provision is made when the action is unlikely to succeed. During 31 December 2023, there has been one case filed in relation to property purchase brokerage fees with the committees for Resolution of Securities against the Fund Manager and the case was dismissed due to lack of jurisdiction. The Fund Manager believes that there is no financial or legal impact on the Fund is expected from the final outcome of this case.

**20 LAST VALUATION DAY**

The last valuation day for the period was 31 December 2023.

**21 EVENTS AFTER THE REPORTING DATE**

On 1 January 2024 the Fund's Board declared dividends of SR 0.32 per unit amounting to SR 32,640,672, which was paid subsequent to year end on 9<sup>th</sup> January 2024.

**22 APPROVALS OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors on 17 Ramadan 1445H (corresponding to 27 March 1445H).