

الإيمان للاستثمار  
alinma investment 

Productive Partnership

Licensed by Capital Markets  
Authority under No. 09134-37

Annual Report of

2023

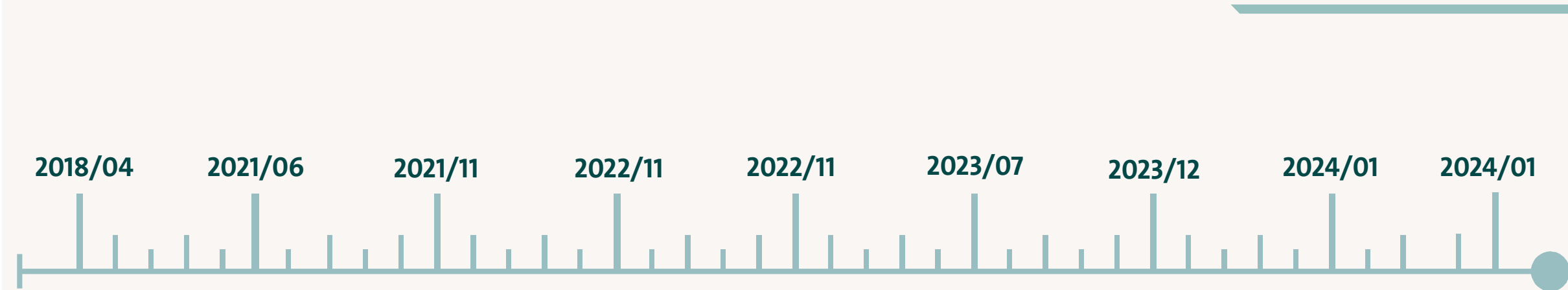
Alinma Retail  
REIT Fund 

## Table of Contents

---

<b>01</b>	About the Fund	<b>07</b>	Percentage of Uncollected Revenues from Total Revenues and Percentage of Non-cash Expenses from the fund's Net Profits	<b>14</b>	Risk Assessment Report
<b>02</b>	Most Prominent Events	<b>08</b>	A Comparison Table covering the Fund's PERFORMANCE during the Last Three Financial Years (or since the Fund's Establishment)	<b>15</b>	Financial Statements
<b>03</b>	About the Fund's Events	<b>09</b>	Performance Record		
<b>04</b>	Assets in which the Fund Invests	<b>10</b>	Fundamental or Non-fundamental Changes during the period		
<b>05</b>	Percentage of Rented Properties Value and Percentage of Non-rented Properties Value to Total Value of Owned Properties	<b>11</b>	Updates to the Fund's Terms & Conditions		
		<b>12</b>	Report of the Fund's Board of Directors		
<b>06</b>	Percentage of Rent for each of the Fund's Assets out of the Total Rents of the Fund's Assets	<b>13</b>	A Statement on Special Commissions which the Fund Manager received during the period		

# About the Fund



<p><b>Establishment of the Fund</b></p> <p>The Fund aims to create a Real Estate Investment Portfolio capable of achieving periodic rental income</p>	<p><b>Appointment of an Property Manager instead of AKEED Marketing</b></p> <p>Retail Real Estate Company was appointed as the Property Manager for complexes of SWICORP WABEL REIT FUND as a replacement for AKEED Real Estate for Marketing &amp; Development Company.</p>	<p><b>Appointment of Alinma Investment as Fund Manager</b></p> <p>Upon the request of a number of unit owners who own more than 25% of the value of the units, to remove the Fund Manager and negotiate with an alternative fund manager.</p> <p>The Authority's Board of Directors issued a decision to remove Swicorp from managing SWICORP WABEL REIT FUND, which was offered publicly, and to appoint Alinma Investment Co. as an alternative Manager of the Fund.</p>	<p><b>Signing the Credit Facilities Agreement</b></p> <p>A Credit Facility Agreement was signed with Alinma Bank, compatible with Islamic Sharia, at a value of 750 million Saudi Riyals in exchange for a mortgage of income-generating properties and a promissory note for a financing period of 8 years. The profit margin will be 1.3 + SIBOR 3 months.</p>	<p><b>Acquisition of Signature Building</b></p> <p>Alinma Retail REIT Fund acquired an office and commercial building in Riyadh for 52 million Saudi Riyals , exclusive of the real estate transaction tax, indicating that the brokerage fees amounted to 500 thousand c.</p>	<p><b>Changing the Calculation of Administrative Fees</b></p> <p>Alinma Investment Company is keen to unify interests and strengthen the financial position of Alinma Retail REIT Fund, the Fund Manager decided to add a maximum limit of 12% of the net income from operations to the Fund's Management fees, while maintaining the Management fee percentage (0.75% of the Fund's net asset value).</p>	<p><b>Holding an auction to sell Al Makan Mall (Tabuk)</b></p> <p>On Wednesday, December 13, an in-person and electronic Auction was held to sell Al Makan, Tabuk Mall. The Auction was unsuccessful, and the Fund Manager will explore other options that will benefit the unit owners.</p>	<p><b>Signing an Office Property Purchase Agreement</b></p> <p>The property is located in Hittin district in Riyadh. It is an Office Complex built on a land area of (5,180.7) square meters. The purchase price is 110 million Saudi Riyals and the net annual return is 8.96% of the purchase price.</p>	<p><b>Signing an Office Property Purchase Agreement</b></p> <p>The property is located in Al-Qairawan district in Riyadh. It is an Office Complex built on a land area of (3,780) square meters. The purchase price of the property is 80 million Saudi Riyals and the net annual return is 9.12% of the purchase price.</p>
---	--	--	--	--	--	--	--	--

## About the Fund

2018	2019	2020	2021	2022	2023
<b>Revenue</b>	<b>Revenue</b>	<b>Revenue</b>	<b>Revenue</b>	<b>Revenue</b>	<b>Revenue</b>
70 M	91.68 M	54 M	59 m	48.7 M	51.63 M
<b>Net Loss</b>	<b>Net Profit</b>	<b>Net Loss</b>	<b>Net Loss</b>	<b>Net Loss</b>	<b>Net Loss</b>
(57 M)	59 M	(151 M)	(14.85 M)	(3.6 M)	(10.22 M)
<b>Net Flows from Operating Activities</b>	<b>Net Flows from Operating Activities</b>	<b>Net Flows from Operating Activities</b>	<b>Net Flows from Operating Activities</b>	<b>Net Flows from Operating Activities</b>	<b>Net Flows from Operating Activities</b>
30 M	3.88 M	67 M	10.79 M	19.38 M	56.27 M
<b>Dividend</b>	<b>Dividend</b>	<b>Dividend</b>	<b>Dividend</b>	<b>Dividend</b>	<b>Dividend</b>
31.860 M Saudi Riyals	50.74 M Saudi Riyals	0 M Saudi Riyals	11.8 M Saudi Riyals	26.55 M Saudi Riyals	35.4 M Saudi Riyals
0.27 per unit	0.43 per unit	0 per unit	0.1 per unit	0.225 per unit	0.30 per unit

\* Wabel Alarabia For Investment (the seller of the assets when the Fund was established) made several pledges and concessions that had the effect of achieving the Fund's distributions for 2018-2019, due to the failure to achieve targeted returns from the assets in which the Fund is invested.

\* The reason for such increase in net operating flows for 2023 is due to the increase in the pace of collecting debts owed by tenants. The Fund Manager aims to use part of those collected amounts to cover the costs of connecting the electrical current to Hafar Al-Batin Mall, which reduces the Mall's operational costs by 70%. This is expected to show impact in the coming years.

## About the Fund

Alinma Retail REIT Fund is a Closed-end Real Estate Investment Fund offered publicly, in compliance with the provisions of Islamic Sharia. It is listed on the Saudi Exchange Market “Tadawul” under Index No. 4345.

The Fund aims to invest in real estate assets within the Kingdom of Saudi Arabia, and to distribute no less than 90% of its net profits annually to unit owners.

### Below are the Most Important Events of the Fund:

**1** The Fund Manager completed the acquisition and transfer of ownership of a building (office and commercial) in Riyadh. The value of the acquisition amounted to (52,000,000) Saudi Riyals, excluding the real estate transaction tax, and the pursuit fees amounted to 500 thousand Saudi Riyals, and it was fully financed from the bank facilities available to the Fund.

**2** The appeal decision related to the value-added tax for 2018 AD and 2019 AD was issued by accepting the appeal submitted by the Fund, and the Fund recovered the paid amount of 9,047,230 Saudi Riyals.

**3** The Fund Manager changed the mechanism for calculating management fees with the aim of unifying interests and strengthening the Fund’s financial position by adding a maximum limit to the fund’s management fees (12%) of the net operating cash flows.

**4** Amending the method of calculating Property Manager fees in a way that achieves unification of interests and encourages him to raise occupancy and collection rates, composing a percentage of the collected revenues and a percentage of the rental contracts, without a minimum.

**5** The Fund Manager, in cooperation with the Property Manager, collected the due amounts to the Fund from tenants. 85,074,739.57 Saudi Riyals were collected during 2023, with an average collection of 7,089,561.63 Saudi Riyals per month. The monthly average collection in the previous year was 3,965,022 Saudi Riyals and 3,402,518 Saudi Riyals in 2022.

**6** The Fund Manager studied more than 100 assets during 2023 with the aim of obtaining assets that fit the Fund’s objectives and approved strategy by the Board of Directors. After a long and comprehensive study carefully to select high-quality properties that combine a strategic location, modern development, and a distinguished return, a Purchase Agreement was signed for an office building in the Al Qirawan district and an office building in Hittin district. Ownership of Al Qirawan building has been transferred, and ownership of Hittin building is expected to be transferred in the coming days.

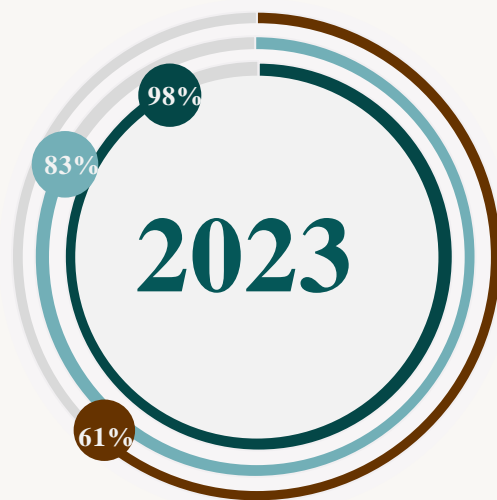
**7** An agreement was signed under which the Fund would relinquish Al Makan Mall in Riyadh in exchange for the acquisition of two new properties. The value of the assets subject to the transaction amounts to one billion Saudi Riyals, including the value of Al Makan Mall and the value of the two new properties, provided that the Fund pays the cash difference between the valuation of Al Makan Mall and the valuation of two new properties. The net revenues from the new properties are expected to exceed 50 million Saudi Riyals.

## An Overview of the Assets' Developments

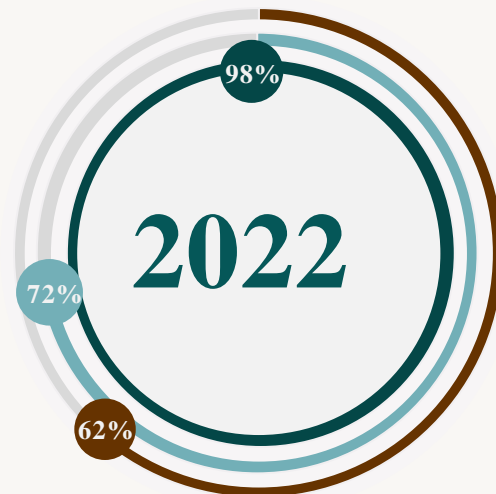


### 1-Leasing:

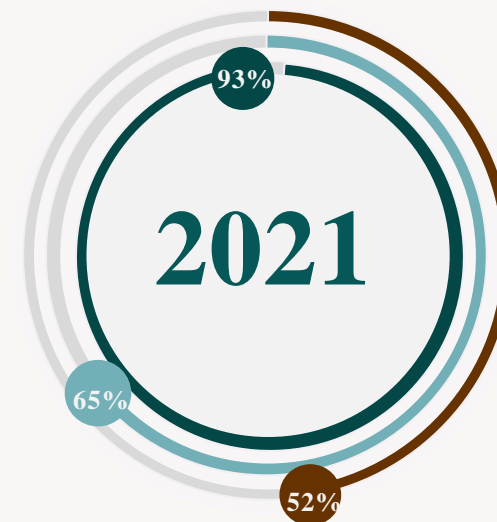
Below you will find the operation ratios for the properties owned by the Fund:



82%



Not Applicable



Not Applicable

Al Makaan Mall - Hafar Al-Batin



Al Makaan Mall - Dawadmi



Al Makaan Mall - Riyadh



Al Makaan Mall in Tabuk has not been added due to its closure.  
The above operation percentage includes stores under evacuation.



## An Overview of the Assets' Developments



### 1- Leasing:



The Fund Manager, in cooperation with the Property Manager, worked to raise the leasing rate for all properties owned by the Fund, especially Signature Building, as the leasing rate for the building upon acquisition was 81.46%. It rose to 91.22% at the end of November, with an improvement in office leasing prices.

The Fund Manager, in cooperation with the Property Manager, renewed 82 contracts for current tenants and signed 34 new contracts for new tenants from the beginning of the year until November.

### Al Makan Mall - Tabuk

During the past years, Al Makan Mall in Tabuk was affected by low operation rates as a result of the departure of major tenants in 2019 and 2020. This was followed by the impact of COVID-19 pandemic on the retail sector, especially in secondary cities, as well as the emergence of new competitors in the same region. Accordingly, we worked to close the Mall with the aim of saving costs. After studying the available options, we are working on selling the asset and reinvesting it in other areas. The Mall was offered through an electronic and in-person auction, but the auction was not successful. The Fund Manager is still working on finding solutions benefiting the interest of unit owners.



### 2- Collection:

The Fund Manager, in cooperation with the Property Manager, collected the amounts due to the Fund from the tenants. An amount of 85,074,739.57 Saudi Riyals were collected during 2023, with an average collection of 7,089,561.63 Saudi Riyals per month. The monthly average collection in the previous year was 3,965,022 Saudi Riyals and 3,402,518 Saudi Riyals in 2022.

## An Overview of the Assets' Developments

### 3- Operation:

All operational costs were reviewed and quotations were obtained with the aim of reducing the operational cost, provided that the quality of provided services shall be reviewed periodically to study changing the Service Provider.

We worked on submitting a transaction to connect Al Makan Mall, Hafar Al-Batin, with the electricity network of the Saudi Electricity Company, to issue electricity meters to the tenants. Each tenant then shall bear its actual consumption. Whereas after studying the current situation of the generators, it became clear that the Fund bears the cost of the entire electrical current, while the tenants bear a percentage thereof. In addition, collecting electricity fees from tenants faces many obstacles in collection, which harms the Fund's financial flows. A study and design of the Mall's electrical loads was submitted to begin the process of delivering electricity from the Saudi Electricity Company.

### 4: Contracts:

Work has been done to inventory the Tenant Contracts to provide the Property Manager with them, raising the percentage of approved contracts on Ejar platform to 93% instead of 58% in 2022, which contributes positively to the collection process.



## Assets in which the Fund Invests

The Fund currently invests in the five commercial complexes, as follows:

<b>Property</b>	<b>Al Makan Mall - Hafar Al Batin</b>	<b>Al Makan Mall - Riyadh</b>	<b>Al Makan Mall - Tabuk</b>	<b>Al Makan Mall - Dawadmi</b>	<b>Signature - Riyadh</b>
<b>City</b>	<b>Hafar Al-Batin</b>	<b>Riyadh</b>	<b>Tabuk</b>	<b>Dawadmi</b>	<b>Riyadh</b>
<b>Type of Ownership</b>	<b>Freehold</b>	<b>Freehold</b>	<b>Freehold</b>	<b>Usufruct contract</b>	<b>Freehold</b>
<b>Purchase Value (one million Saudi Riyals)</b>	<b>470.2</b>	<b>323.6</b>	<b>219.4</b>	<b>166.8</b>	<b>52</b>
<b>Percentage of Total Value of the Portfolio's Assets</b>	<b>38.15%</b>	<b>26.16%</b>	<b>17.80%</b>	<b>13.53%</b>	<b>4.26%</b>

## Assets in which the Fund Invests

With reference to the Fund's strategy including acquisition of new assets in order to enhance the sustainability of shareholders' profitability. After a long, comprehensive and careful study carried out by the Fund Manager of a number of available assets, which exceeded 100 assets, the Fund Manager was able to conclude a Purchase Agreement for two properties in Riyadh region with distinctive and high returns, with major tenants and a rental price consistent with the market prices, which enhances sustainability of profits and stability of tenants for a longer period of time.



### 1<sup>st</sup> Property

In Qairawan district, an office building with a land area of 3,780 and a building area of 12,822 with a value of 80 million Saudi Riyals (exclusive of the real estate transaction tax with no pursuit of the transaction). Thus, the net return is 9.12%, which is an excellent return considering that the building is modern, located in a good district and enjoys a central location. It is easily accessible from all neighboring areas (Al-Qairawan District, east of Prince Turki I Road and north of King Salman Road). Because the tenant is the main tenant, it will not require operational expenses and will facilitate the process of collecting rent. Thus, this will not require appointing a Property Manager, as the return exceeds the usual rates for similar properties in the absence of operational costs, especially with a major tenant that enhances stability and income.



### 2<sup>nd</sup> Property

In (Hatin District, near King Khalid Road) an office building with a land area of 5,180.7 square meters and a building area of 15,362.1 square meters with a value of 110 million Saudi Riyals (exclusive of the commission and the real estate transaction tax), combining a strategic distinctive location and modern development, and enjoys a Lease Contract with a major tenant (two companies) which reduces operational costs and facilitates the collection process, with total return of 8.97%.



### Real Estate Transation Foundations

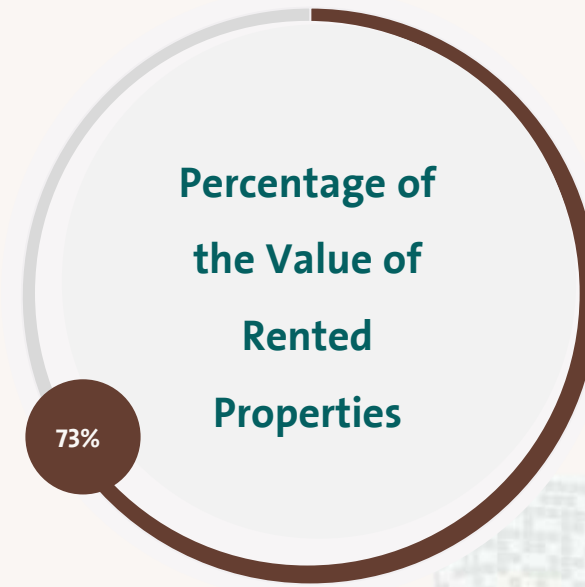
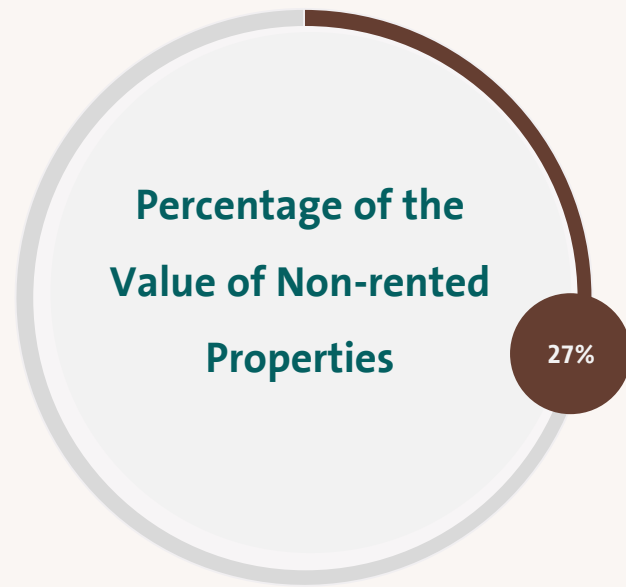
An Agreement was signed under which the Fund would relinquish Al Makan Mall in Riyadh in exchange for the acquisition of two new properties. The value of the assets subject to the transaction amounts to one billion Saudi Riyals, including the value of Al Makan Mall and the value of the two new properties, provided that the Fund pays the cash difference between the valuation of Al Makan Mall and the valuation of the two new properties.

The net revenues from the new properties are expected to exceed 50 million Saudi Riyals.

The acquisitions come as a continuation of the Fund Manager's keenness to expand the asset base in a way that serves the interest of Unit Owners by focusing and searching for high-quality properties in strategic areas, noting that the properties described above were acquired in 2024. therefore, their financial impact does not appear in this report.

**Description of the Percentage of the Value of Rented Properties and the Percentage of the Value of Non-rented Properties to the Total Value of Owned Properties (if any):**

**Clause**



## Percentage of Rent for each of the Fund's Assets out of the Total Rents of the Fund's Assets

### Percentage of each Asset of the Rent

#### Name of Asset

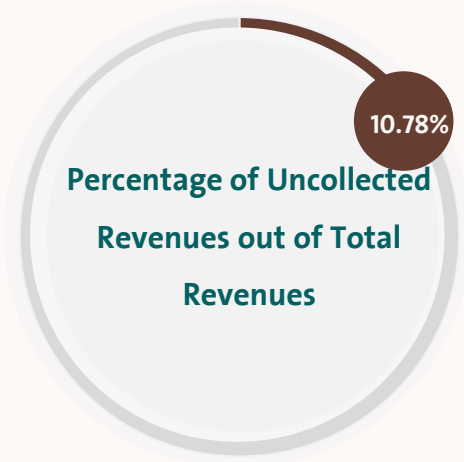


\*Total **100%**

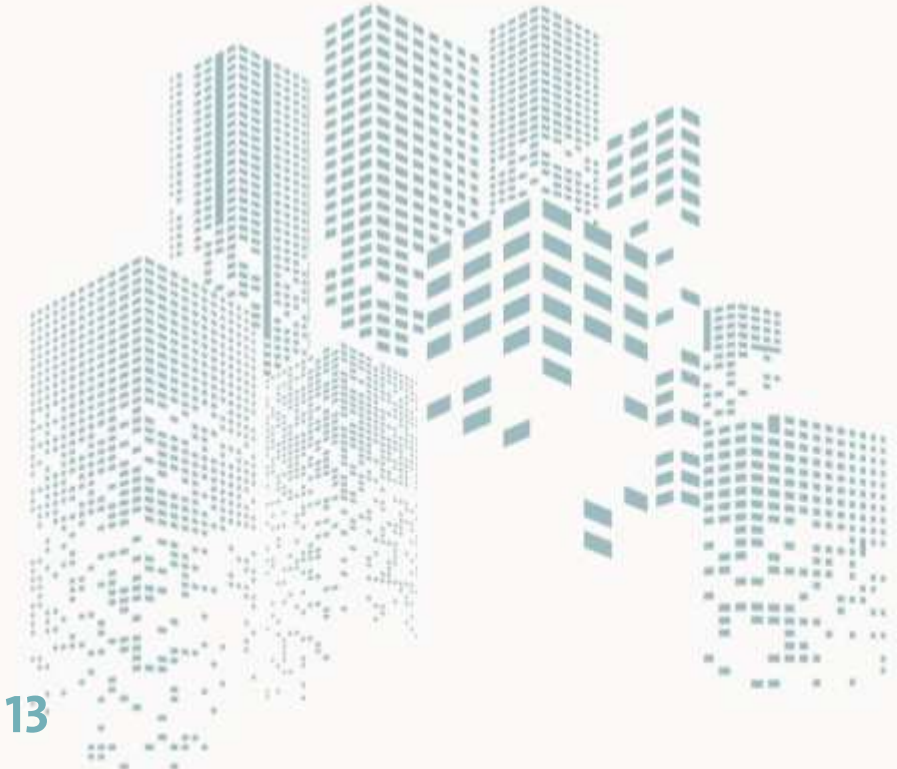
**Percentage of Uncollected Revenues from Total Revenues and Percentage of Non-cash Expenses from the fund's Net Profits**

**Percentage of Uncollected Revenues out of Total Revenues in 2022 is as follows:**

**Clause**

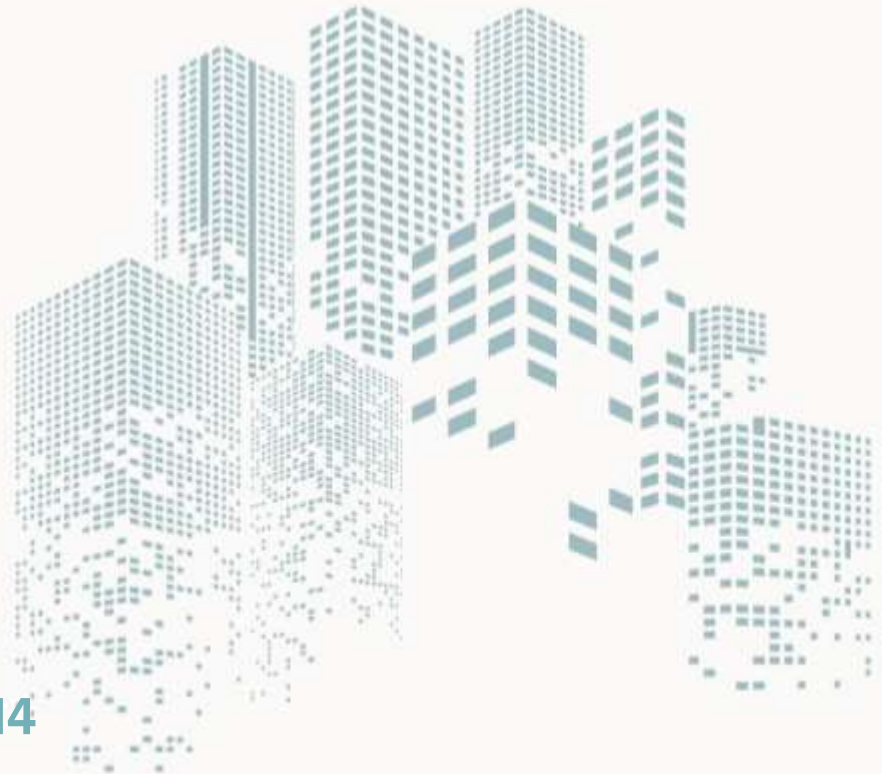


**Not Applicable**



**A Description of the Fund's Indicative Indicator - where applicable - and the Service Provider's Website of the (if any)**

**Not Applicable**





## A Comparison Table covering the Fund's PERFORMANCE during the Last Three Financial Years (or since the Fund's Establishment)

	2019	2020	2021	2022	2023
Net Asset Value of the Fund at the End of each Fiscal Year	1,149,508,173	947,722,311	932,864,494	905,661,150	865,350,740
Fund's Net Asset Value per Unit at the End of each Fiscal Year	9.74	8.03	7.9	7.68	7.33
Highest Net Asset Value of the Fund per Unit for each Fiscal Year	9.74	9.80	8.03	7.87	7.49
Lowest Net Asset Value of the Fund per Unit for each Fiscal Year	9.30	8.03	7.9	7.68	7.33
No of Units issued at the End of each Fiscal Year	118,000,000	118,000,000	118,000,000	118,000,000	118,000,000
Income Distribution per Unit (if any)*	0.43	0	0.1	0.225	0.30
Percentage of Costs borne by the Fund out of the Total Value of Assets*	4.56%	3.39%	3.62%	3.19%	3%
Results of Comparing Performance of the Fund's Benchmark Index with the Fund's Performance	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Percentage of Borrowed Assets out of the Total Value of Assets, Duration of their Exposure, and Maturity Date	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

\*Non-cash costs are not included

**A Comparison Table covering the Fund's PERFORMANCE during the Last Three Financial Years (or since the Fund's Establishment)**

**a. Total Return for one, three, and five years (or since establishment):**

One Year	Three Years	Since Establishment
51.63 Million Saudi Riyals	159.74 Million Saudi Riyals	375.64 Million Saudi Riyals

**B. Annual Total Return for each of the past 10 fiscal years (or since establishment):**

Since Establishment	2019	2020	2021	2022	2023
70 Million Saudi Riyals	91.7 Million Saudi Riyals	54.2 Million Saudi Riyals	59.04 Million Saudi Riyals	48.74 Million Saudi Riyals	51.63 Million Saudi Riyals

## A Comparison Table covering the Fund's PERFORMANCE during the Last Three Financial Years (or since the Fund's Establishment)

The Total Return mentioned above means all of the Fund's revenues, excluding discounts made during Tcovid-19 pandemic period or the discounts granted to tenants due to other economic conditions. Despite the decrease in this year's revenues compared to last year, the net cash flows resulting from operational activities have increased by 59% compared to last year. Below you will find a table for comparison:

Year	2019	2020	2021	2022	2023
Net Flows from Operating Activities	3.88 Million Saudi Riyals	67.18 Million Saudi Riyals	10.79 Million Saudi Riyals	19.38 Million Saudi Riyals	56.27 Million Saudi Riyals

In 2020 AD, Net Operating Flows increased as a result of the cash collected from Wabel Alarabia For Investment in accordance with the pledges submitted by them. This amount constitutes more than 40 million Saudi Riyals, as it was used to cover the 2019 distribution, and disbursed in May 2020 AD.

## A Comparison Table covering the Fund's PERFORMANCE during the Last Three Financial Years (or since the Fund's Establishment)

### C. A table showing the Fees, Commissions and Fees charged by the Fund to Third Parties throughout the year

Expenses	القيمة
Management Fees	5,132,497
Property Manager	3,094,092
Operations Expenses	17,186,882
Custody Fees	181,024
Administrative Expenses of the Fund	458,515
Rewarding Independent Directors	57,500
Auditor Fees	67,500
Real Estate Evaluator Fees	328,900
Other Fees	1,298,950
Regulatory Fees	590,679
<b>Total Expense Ratio</b>	<b>%3</b>

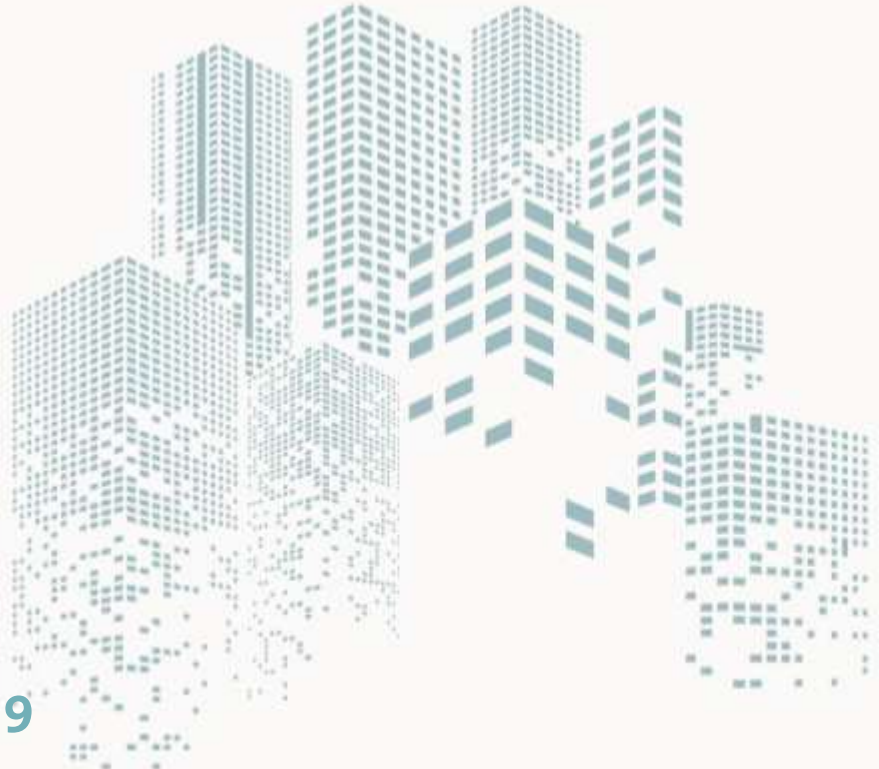
Other expenses include real estate insurance fees, attorney fees, and incidental expenses.

The ratio of expenses to total assets.

**A Comparison Table covering the Fund's PERFORMANCE during the Last Three Financial Years (or since the Fund's Establishment)**

**C. A table showing the Fees, Commissions and Fees charged by the Fund to Third Parties throughout the year:**

The Fund Manager signed an agreement with the Custodian Manager to reduce the custodial management fees to 0.02% of the asset value.



## If Fundamental or Non-fundamental Changes occur during the period and affect the Fund's Performance, they must be disclosed:

**1** Alinma Retail REIT Fund has signed a Credit Facility Agreement with Alinma Bank, compatible with Islamic Sharia, worth 750 million Saudi Riyals, in exchange for a mortgage of income-generating properties and a promissory note.

**2** Alinma Investment Company announces the distribution of cash dividends to unitholders of Alinma Retail REIT Fund for the period from January 1, 2023 AD to June 30, 2023 AD, at a value of 0.13 Saudi Riyals per unit.

**3** Amending the mechanism for calculating management fees on the basis of 0.75% annually of the net asset value of the Fund, provided that management fees do not exceed 12% of the net income from operations and calculated based on the performance of each year separately, to be paid from the Fund's assets on a quarterly basis to the Fund Manager.

**4** Alinma Investment Company, in its capacity as manager of Alinma Retail REIT Fund , announces the holding of an auction to sell the "Al Makan Mall - Tabuk Complex" on December 13, 2023 AD, and on 21/11/2023 AD, but it was announced that Future Front auction was unsuccessful to sell Al Makan Mall - Tabuk - and the Fund Manager will work to search for other options to serve the interest of the unit owners.

**5** Alinma Investment Company, in its capacity as manager of the Alinma Retail REIT Fund, announces signing an agreement to purchase an office property in Riyadh for a value of 110 million Saudi Riyals (excluding real estate transaction tax) on 19/06/1445 AH, corresponding to 01/01/2024 AD.

**6** Alinma Investment Company announces the distribution of cash dividends to unit owners of Alinma Retail REIT Fund for the period from July 2023 to December 2023, amounting to 0.17 Saudi Riyals per unit, bringing the total distribution during the year to 0.30 Saudi Riyals per unit.

**7** Alinma Investment Company, in its capacity as manager of the Alinma Retail REIT Fund, announces signing an agreement to purchase an office property in Riyadh for a value of 80 million Saudi Riyals (excluding real estate transaction tax) on 28/06/1445 AH, corresponding to 10/01/2024 AD.



## Updates to the Fund's Terms & Conditions



1

Updating the zakat clause therein the Fund's Terms & Conditions in implementation of the rules for collecting zakat from investors in Investment Funds.



2

Updating the mechanism for calculating management fees therein the Fund's Terms & Conditions.



3

Updating other Funds supervised by one or more members of the Board of Directors.

## Updates to the Fund's Terms & Conditions

### Annual Report of the Members of the Board of Directors of Alinma Retail REIT Fund for 2022

The annual report of the Fund's Board of Directors includes the topics discussed and the decisions issued regarding them, including the Fund's performance and the extent to which it achieves its objectives. After this report is approved by the members of the Board of Directors, it will be included therein the Fund's annual report.

### The Fund Manager met with the members of the Fund's Board of Directors to discuss the following:

Approval to make cash distributions for the second half of 2022, with a total of distributed profits

With a value of 14,750,000, at 12.5 halalas per unit on 04/05/2023 AD.

Approval of amendments to the Fund's Terms & Conditions that reflect changing the mechanism for calculating management fees with a maximum limit of 12% of net income from operations on 13/06/2023 AD.

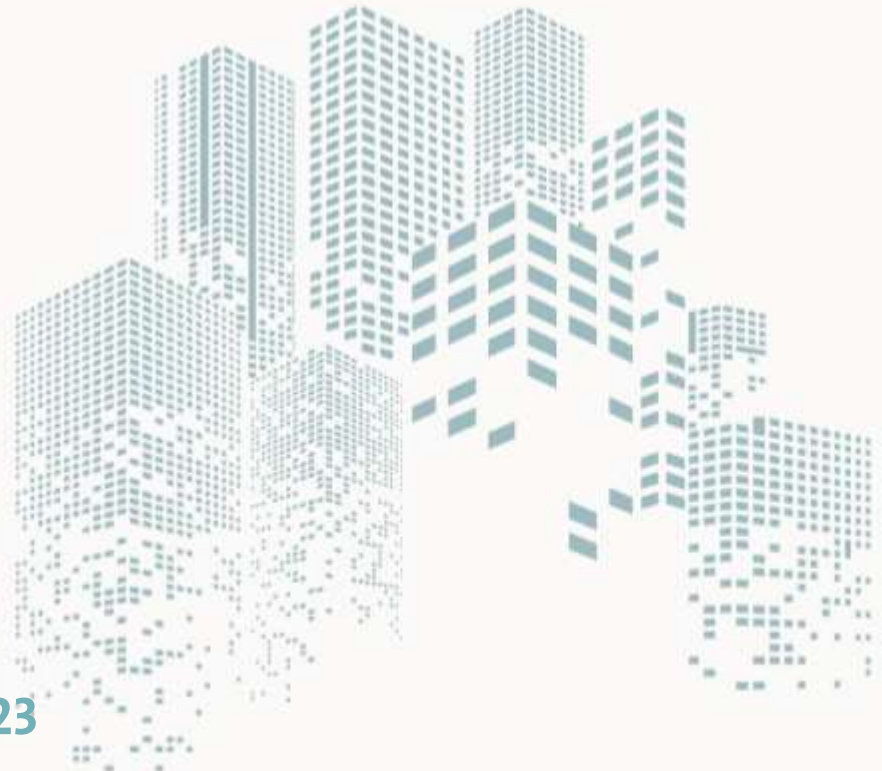
Approval to make cash distributions for the first half of 2023 AD, with a total distributed profit of 15,340,000, at 13 halalas per unit on 04/07/2023 AD.

Approval of amendments to the Terms & Conditions of the Fund in line with what was included therein the Zakat Collection Rules, stating that the assigned investor is responsible for the Zakat on his investments in the Fund's units on 13/06/2023 AD.

Approval to appoint Dar Al Qays Auction Company to hold the auction for Al Makan Mall (Tabuk), provided that the auction shall be held electronically and in person in Riyadh city. The approval was granted on 30/10/2023 AD.

**A Statement on the Special Commissions which the Fund Manager received 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.**



## Risk Assessment Report:

### Definition and Identification of Risks



#### Definition and Identification of Risks

The activities of Real Estate Investment Funds are reviewed to determine the risks associated with the Fund to protect the interests of the Company and investors. The Fund's activities are reviewed in relation to the Fund Manager's business risks, financial risks, market risks, operational risks, and compliance risks, as an example.



#### Business Risks for the Fund Manager:

These are the risks related to the nature and works of the investments carried out by the Fund Manager.



#### Financial Risks:

These are the risks related to the financial management of the Fund, which include the facilities provided, if they exist, payments and their maturity, in addition to the administrative fees for the Fund Manager and their adequacy, as well as distributions to unit holders, if they exist.

## Risk Assessment Report:

### Definition and Identification of Risks



#### Market Risk

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



#### Operational Risks

These are the risks related to the laws and regulations of legislators, which must be adhered to and implemented in all circumstances in the event of changes to such regulations or the issuance of other relevant regulations.



#### Commitment Risk

These are the risks related to the laws and regulations of legislators, which must be adhered to and implemented in all circumstances in the event of changes to such regulations or the issuance of other relevant regulations.

## Risk Assessment Report:

### Risk Assessment and Measurement Mechanism

The inherent risks of Real Estate Funds and their potential relative importance are assessed, in addition to defining and testing a methodology to measure such importance. The risks associated with the Fund's works are included as mentioned therein the Memorandum of Terms & Conditions, their probability of occurrence, and their impact on the Company in a comprehensive manner and on the Fund's performance in particular.

### Monitoring Mechanism to Control Risks


The extent of acceptance of risks associated with the Fund's works and limits are determined, and special reports are prepared including the monitoring mechanism, levels of exposure to risks, and mechanism for controlling the same.

### Risk Review and Treatment

One of the following strategies is followed to review and address risks



# Risk Assessment Report:



**Avoiding Risks**

In the event the Fund is unable to bear the risks, or these risks may be considered a violation of established regulations and laws.



**Mitigating Risks**

It is the mechanism that is followed for acceptable risks due to the nature of operations for the Fund, which the Fund acknowledge of existence and considered an inherent risk, which may require developing a mechanism to manage such risks.



**Transferring Risks**

To be transferred to other parties, through insurance products or outsourcing, including but not limited thereto.



**Accepting Risks**

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

**A statement about the special commissions that the fund manager received during the period, clearly stating their nature and how to benefit from them:**

To define and determine the risks, the following is an assessment of the Fund's risks, which were discussed in the Fund's terms and conditions memorandum, the probability of its occurrence, and the mechanism for evaluating the specific risks.

No.	Type of risk	Description of risks	Probability of its occurrences			Risk assessment mechanism
			High	Medium	Low	
<b>A. Risks related to the Fund and its assets:</b>						
1	Risks of concentrating the Fund's investments in the commercial centers sector	When the fund was established, the fund's investments were concentrated in the retail sector by owning three real estate assets and one usufruct contract consisting of commercial complexes. As a result, the Fund's revenues and net income are linked to the demand for commercial space in the cities in which those assets are located. Any decline in the level of demand for commercial spaces in general in those cities may affect the fund's performance and the value of its units to a greater extent than if the fund's investments were in real estate assets distributed among different sectors.		✓		Alinma Investment Company works to investigate and anticipate the investment feasibility of the fund by analyzing the economic situation, the target market, and the suitability of the fund's assets to achieve its investment goals. Concentrating the fund's assets in one sector would focus all operating parties on the specific sector and appoint the operating companies according to their specialization in the sector, the most important of which is the Property and Leasing Manager, which is one of the companies specialized in the commercial centers sector.
2	Risks of no past operational past of the Fund	The fund is newly established with no previous operating history which enables potential investors to predict the future performance of the fund. Also, the previous results of similar funds or the previous performance of the real estate assets subject to the fund's acquisition are not necessarily an indication of the fund's future performance. Therefore, the recent inception of the fund may negatively affect the fund manager's expectations and thus the unit returns			✓	The current fund manager has extensive experience in managing investment funds, and all risks resulting from subscribing to the fund have been stipulated in the fund's terms and conditions.
3	Risks of relying on key employees of the fund manager	The Fund shall rely on management and advisory services provided by the Fund Manager's employees. It may be difficult to replace some key personnel, especially in the fund manager's senior management. If one of these employees leaves work and the Fund Manager is not able to find a suitable replacement for him/her, the performance of the Fund's business may be negatively affected.			✓	The fund manager is a financial company that is proficient in the scope of the funds' work, with a distinguished professional team that can cover the loss of any member of its administrative staff with the same efficiency and ability, without affecting the course of the fund's work. The property manager is a real estate company that specializes in the work assigned to it and has committed to providing sufficient technical and administrative staff to implement the scope of work and changing the staff in the event of its inability to perform its work. In the event that it does not provide sufficient staff in terms of number and efficiency, a meeting shall be held for the Fund's Board of Directors to discuss replacing the property manager with an Alternative company.
4	Liquidity risk	Investors usually maintain their investments and rely on the returns accrued on the invested capital. But in other cases, some investors want to liquidate their investments depending on many factors, including the income and value of real estate assets, the overall performance of the fund and similar investment instruments. Given that the amount of liquidity for traded real estate investment fund units may be less than its counterpart for traded company shares, it is possible that the investor in the fund's units will face difficulty in exiting and liquidating his units in the fund at the price offered by that investor, which may lead to the investor exiting of the fund at a value less than the market value of the fund's assets.			✓	Due to the Fund's presence in the main market and whereas the Fund's units are listed and tradable, the liquidity risks facing funds traded in the main market are low due to the high liquidity in the main market.

**A statement about the special commissions that the fund manager received during the period, clearly stating their nature and how to benefit from them:**

To define and determine the risks, the following is an assessment of the Fund's risks, which were discussed in the Fund's terms and conditions memorandum, the probability of its occurrence, and the mechanism for evaluating the specific risks.

No.	Type of risk	Description of risks	Probability of its occurrences			Risk assessment mechanism
			High	Medium	Low	
<b>A. Risks related to the Fund and its assets:</b>						
5	Risk of trading at a price lower than the market value	Trading in units may be exposed to factors that lead to fluctuations in their value, including factors that may negatively affect local and global stock markets, prevailing and expected economic conditions, interest rates, financing costs, investor trends, general economic conditions, and large sales of fund units. Accordingly, purchasing units is only suitable for investors who can bear the risks associated with these investments, especially since this may lead to difficulty for the investor to exit the fund or to exit with a value less than the fair value of the fund's assets.		✓		The Saudi stock market shall be considered one of the largest markets in the region, and the fact that the fund's units are traded in the main market reduces the aforementioned risks.
6	Risks of increasing the fund's capital	If the Fund Manager decides with the unit holders to increase the Fund's capital by issuing new units, whether in exchange for in-kind or cash contributions, this will lead to a reduction in the relative shares of the unit holders in the Fund at that time in the event that the Fund's capital is increased by issuing new units in exchange for in-kind subscriptions. Also, if the fund's capital is increased by issuing new units in exchange for cash subscriptions, this could lead to a reduction in the relative shares of the unit owners in the fund at that time to some extent, unless the unit owners at that time exercise their rights to subscribe to the new units. The capital increase may negatively affect the value of the units, which negatively affects the investments of the unit owners.			✓	The fund manager works to study the most appropriate structure for the fund's capital in a way that achieves the maximum interest of the fund's unitholders, and this shall be clarified in the terms and conditions of the fund.
7	Risk of not achieving returns on investment	There will be no guarantee that the operations of the Fund's assets will generate profits, or that the Fund will succeed in avoiding losses, nor will the Fund generally have any source of funds from which to pay distributions to unit owners other than returns from rents and capital returns that may come from the sale of Some or all of its assets. Therefore, there is no guarantee that the Fund will achieve returns on unitholders' investments in the Fund, and it is possible that investors in the Fund may lose all or some of their capital invested in the Fund.		✓		The fund manager analyzes the economic situation, the target market, and the suitability of the fund's assets to achieve its investment goals. The fund manager also works to review the fund's assets and developments with the aim of making the optimal decision that will serve the fund and achieve its goals.
8	Risks of conflict of interest	Situations may arise in which the interests of the Fund, the Fund Manager, or members of the Fund's Board of Directors conflict with the related parties or with the Fund. Which may negatively affect the Fund's investments, returns, and distributions.		✓		The fund manager works to ensure that there is no conflict of interest that has not been disclosed, and in the event of a conflict of interest, the Fund's governance regulations and conflict of interest policies shall be applied.

**A statement about the special commissions that the fund manager received during the period, clearly stating their nature and how to benefit from them:**

To define and determine the risks, the following is an assessment of the Fund's risks, which were discussed in the Fund's terms and conditions memorandum, the probability of its occurrence, and the mechanism for evaluating the specific risks.

No.	Type of risk	Description of risks	Probability of its occurrences			Risk assessment mechanism
			High	Medium	Low	
<b>A. Risks related to the Fund and its assets:</b>						
9	Risks of appointing a replacement fund manager	A decision was issued by the unit owners and Capital Market Authority on 25/02/1443 AH corresponding to 30/11/2021 AD to remove the previous fund manager and appoint Alinma Investment Company as an alternative fund manager. The alternative fund manager may face difficulty in making some decisions due to the lack of all previous information or inaccuracy and inadequacy of the information, data and documents provided by the previous fund manager, which may affect his ability to make a decision regarding the management of the fund, and the alternative fund manager does not bear responsibility for the decisions or actions taken from the date of the founding of the fund until the date of the dismissal of the previous fund manager and the resulting risks or losses..		✓		During the period of transfer of duties, the previous fund manager worked on handing over the contracts and agreements related to the fund to the current fund manager, who in turn shall analyze the data related to the fund and build a strategy that seeks to achieve the fund's investment objectives.
10	General risks of real estate investment	The return on real estate investments is subject to many interrelated factors, including adverse changes in local, regional, or international economic conditions, adverse conditions in the local market, the financial conditions of renters, buyers, and sellers of real estate, changes in operating expenses, environmental laws and regulations, and governmental laws, Financial policies, energy prices, changes in the relative demand for various types and locations of real estate, risks resulting from reliance on cash flows, operational problems and risks, in addition to force majeure, uninsurable losses and other factors outside the fund manager's control. Any of these factors may contribute to material risks that negatively affect the value of the Fund's assets and the Fund's ability to generate any returns on its investments.		✓		Alinma Investment Company works to investigate and anticipate the investment feasibility of the fund by analyzing the economic situation, the target market, and the suitability of the fund's assets to achieve its investment goals. The fund manager also works to appoint a company specialized in property management and leasing, which stimulates the operation of the assets owned by the fund in the best possible conditions. The fund manager also works to evaluate the performance of the property manager periodically to ensure the efficiency and quality of the company specialized in property management.
11	Risks of fluctuations in the value of real estate and liquidity deficiency	Real estate shall be considered an asset class with low liquidity, and its degree of liquidity fluctuates depending on the demand and desire for this type of investment. If the Fund needs to liquidate its real estate investments, or part of them, at an inappropriate time, the selling price may be less than the book value. Therefore, any delay or difficulty that the Fund may encounter in disposing of its assets may negatively and significantly affect the return obtained by unit holders.		✓		Alinma Investment Company works to investigate and anticipate the investment feasibility of the fund by analyzing the economic situation, the target market, and the suitability of the fund's assets to achieve its investment goals. The fund manager is also working on searching for suitable alternative methods if there is a need to liquidate the fund's real estate investments
12	Risks of challenging the ownership of the fund for real estate assets	The integrity of the title deeds does not necessarily represent the full rights to dispose of real estate ownership and may be subject to challenge. Therefore, the real estate assets acquired by the Fund may be subject to any legal disputes related to the ownership of those assets, which in turn may impair the Fund's ability to dispose of or transfer the real estate assets in a manner free of mortgage and restrictions, and this may in some cases cause the Fund to lose ownership of the real estate assets Which it believes was acquired legally. In addition, these disputes over ownership may materially affect the value of real estate assets, and thus the value of units in the Fund.			✓	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 shall be considered low in the presence of mortgages, restrictions, 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 also include the seller's commitment that the Real estate be free of the aforementioned risks.

**A statement about the special commissions that the fund manager received during the period, clearly stating their nature and how to benefit from them:**

To define and determine the risks, the following is an assessment of the Fund's risks, which were discussed in the Fund's terms and conditions memorandum, the probability of its occurrence, and the mechanism for evaluating the specific risks.

No.	Type of risk	Description of risks	Probability of its occurrences			Risk assessment mechanism
			High	Medium	Low	
<b>A. Risks related to the Fund and its assets:</b>						
13	Risks of competitive nature in the retail sectors and commercial centers in the Kingdom	Some of the initial real estate assets are located in areas characterized by strong competition in the retail sector in general and the commercial centers sector in particular. In addition, commercial centers may be developed and established located directly near real estate assets, which leads to creating direct competition with real estate assets. In light of this, the returns and market value of real estate assets will depend on the ability of real estate assets to compete for tenants with other competitors. Therefore, the success of other competitors in attracting and retaining tenants may affect the Fund's real estate asset returns and have a material adverse effect on the Fund's business, financial condition, cash flows and operating results.		✓		Alinma Investment Company works to investigate and anticipate the investment feasibility of the fund by analyzing the economic situation, the target market, and the suitability of the fund's assets to achieve its investment goals. The fund manager is also working to appoint a company specialized in property management and leasing, which stimulates the operation of the assets owned by the fund in the best possible conditions.
14	Risks that the Fund's future rental income will depend on its ability to attract and retain suitable tenants and its effective management of real estate assets.	There can be no assurance that the Fund will be able to attract and retain suitable tenants on the terms and conditions it seeks. Moreover, the financial stability of the Fund's tenants may affect the Fund's financial performance. The financial stability of tenants may change over time as a result of factors directly related to tenants or the overall economy of the Kingdom, which may affect their ability to pay rent amounts. In addition, the Fund may incur costs related to retaining existing tenants and attracting new tenants, and the costs and time required to enforce the rights under the lease with a distressed tenant, including eviction and re-letting costs, which may be huge. Failure to attract and retain suitable tenants may have a material adverse effect on the Fund's business, financial condition, cash flows and operating results, and may also negatively affect the value of real estate assets.		✓		Alinma Investment Company works to investigate and anticipate the investment feasibility of the fund by analyzing the economic situation, the target market, and the suitability of the fund's assets to achieve its investment goals. The fund manager is also working to appoint a company specialized in property management and leasing, which stimulates the operation of the assets owned by the fund in the best possible conditions.
15	Risks of loss of main tenants in the initial real estate assets	If some or all of the major tenants decide not to continue or do not renew their leases, this may result in potentially significant rental space becoming vacant, which may delay the rapid finding of a replacement tenant to occupy those spaces. Therefore, terminating the contracts of any of the major tenants or not renewing them may negatively affect the financial position, cash flows and operating results, and may also negatively affect the value of real estate assets.		✓		The fund manager has appointed a company specialized in property management and leasing, which stimulates the operation of the assets owned by the fund in the best possible conditions. If the tenants leave, the fund manager shall work in cooperation with the property manager to study the economic situation, the market, rent the units to other tenants, and operate the assets in the best possible conditions.
16	Risk of not guaranteeing that rental prices will be maintained in accordance with prevailing market prices	Rental prices for real estate assets depend on several factors, including, but not limited to, the prevailing supply and demand conditions and the quality and designs of the real estate assets. There is no guarantee that the Fund Manager (through the Property Manager) will be able to secure new leases or renew existing ones at prevailing rental rates. Accordingly, the failure of the Fund Manager (through the Property Manager) to do so may have a material adverse effect on the Fund's business, financial condition and operating results.		✓		Alinma Investment Company works to investigate and anticipate the investment feasibility of the fund by analyzing the economic situation, the target market, and the suitability of the fund's assets to achieve its investment goals. The fund manager is also working to appoint a company specialized in property management and leasing, which stimulates the operation of the assets owned by the fund in the best possible conditions.

**A statement about the special commissions that the fund manager received during the period, clearly stating their nature and how to benefit from them:**

To define and determine the risks, the following is an assessment of the Fund's risks, which were discussed in the Fund's terms and conditions memorandum, the probability of its occurrence, and the mechanism for evaluating the specific risks.

No.	Type of risk	Description of risks	Probability of its occurrences			Risk assessment mechanism
			High	Medium	Low	
<b>A. Risks related to the Fund and its assets:</b>						
17	Risks of the Fund relying on significant operational support from the property manager	The real estate assets shall be managed by the retail real estate company in accordance with a real estate management and operation agreement signed between the fund manager and the retail real estate company. The delay or failure of the retail real estate company in fulfilling its obligations, including the maintenance of real estate assets, may have a material negative impact on the Fund's business, financial condition and operating results.		✓		The property manager is a real estate company that specializes in the work assigned to it and has committed to providing sufficient technical and administrative staff to implement the scope of work. The fund manager also periodically evaluates the companies providing essential services to the fund, and presents this evaluation to the fund's board of directors. In the event that it turns out that the property manager's evaluation is not consistent with Fund requirements, corrective action shall be taken.
18	Risks that the Fund may be subject to certain fixed costs that will not decrease as revenues decrease	Rents and operating income that will be returned to the Fund may decrease as a result of various adverse changes affecting the Fund's real estate assets or tenants. It shall be noted that some of the Fund's main expenses, including management fees, maintenance costs, and operational costs of real estate assets, will not be reduced due to the decrease in revenues. Therefore, if rents and operating income decline while costs remain the same, the Fund's revenues and available funds for distribution to unit owners may decline.		✓		The fund manager studies all circumstances and the possibility of reducing costs as much as possible and operating the fund in the best possible conditions, in cooperation with the property manager, who works hard to maintain the current operating expenses rate Through its effective management.
19	Risks of the negative impact of the lack of or non-compliance with regulatory approvals and licensing requirements on real estate assets	All necessary regulatory approvals and licenses shall be obtained for operation. It cannot be guaranteed that all regulatory approvals relevant to real estate assets will be obtained or renewed in a timely manner. Furthermore, violation of the terms of any such regulatory approvals may result in their cancellation, withdrawal, suspension or imposition of financial penalties by the relevant regulatory authorities. In addition, any amendments to existing laws and regulations may impose unexpected requirements that result in the incurrence of unexpected capital expenditures, which may have a material adverse effect on the Fund's business, financial condition, cash flows and operating results of the Fund..		✓		Appointing a company specialized in property management and leasing business would mitigate the risks related to regulatory problems due to the property manager's experience in managing assets similar to those owned by the fund. The fund manager also works to periodically review the latest developments and regulatory legal changes and ensure the fund's compliance with that.
20	Risks that real estate assets may be subject to significant damage due to natural disasters and other causes beyond the fund manager's control and for which insurance (if any) may not be sufficient.	Real estate assets may be vulnerable to physical damage from fire, storms, earthquakes, or other natural disasters, or other causes such as political unrest. If any such event occurs, the Fund may lose the invested capital in real estate assets, as well as expected income. In addition, no assurance can be given that resulting losses (including loss of rental income) may be fully compensated under insurance cover (if any) and there are certain types of risks and losses (for example, losses resulting from political unrest, business war or some natural disasters) may not be economically or generally insured. If any of these events occur, it may have a material negative impact on the Fund's business, financial condition, cash flows and operating results.			✓	The fund manager works to insure the fund's assets for part of the aforementioned risks, such as accidents and fires. The losses resulting from these accidents and what they may cause to external parties are also insured. The insurance company and the amount of insurance coverage shall be studied and compared to the value of the insured. The geographic distribution of the fund's assets would also reduce the existing risk of natural disasters



**A statement about the special commissions that the fund manager received during the period, clearly stating their nature and how to benefit from them:**

To define and determine the risks, the following is an assessment of the Fund's risks, which were discussed in the Fund's terms and conditions memorandum, the probability of its occurrence, and the mechanism for evaluating the specific risks.

No.	Type of risk	Description of risks	Probability of its occurrences			Risk assessment mechanism
			High	Medium	Low	
<b>A. Risks related to the Fund and its assets:</b>						
21	Risks of expropriation of real estate assets	The state has the right to compulsorily seize real estate for public benefit, including - but not limited to - building roads and public facilities. Although compensation may be paid for expropriation, there is a risk that the value of the compensation will be insufficient in comparison to the size of the investment, the lost profit or the increase in the value of the investment. If expropriation is achieved, the value of distributions to unitholders, the value and trading price of the units may decline, and unitholders may lose all or part of their invested capital.		✓		Risks of the possibility of challenging the ownership of the real estate shall be considered relatively low, based on the structure of the fund before its establishment, which was conducted through due diligence studies. If there is expropriation, the Fund shall be compensated with the value of the expropriated assets
22	Risks of e-commerce changing the competitive environment of traditional retail businesses	store tenants in initial real estate assets mainly rely on traditional sales operations through existing outlets in commercial markets. These traditional businesses may be negatively affected by the noticeable increase in electronic stores that use the Internet as their platform, which has arisen with great demand from consumers and sellers of retail products, as this may lead to a shrinkage of the customer base of traditional stores and visitors to malls, which could have a material negative impact on the Fund's business, financial condition and operating results.		✓		The fund manager works to investigate and anticipate the investment feasibility of the fund by analyzing the economic situation, the target market, the suitability of the fund's assets to achieve its investment goals, and by searching for the best investments that may have a positive impact for the fund.
23	Financing risks	It is possible that the Fund may obtain bank financing to finance the development of its assets, or the acquisition of additional real estate, which involves a high degree of risk, and may expose the Fund and its investments to other factors such as high financing costs (the financing cost obtained by the Fund may increase if High rates of financing profits, which negatively affects its performance. In addition, the fund's assets may be mortgaged to financing donors, and the financing bank may demand execution on the assets in the event of any default by the fund, which also depends on the terms of that financing.		✓		Alinma Investment Company is working on studying the most appropriate structure for the fund's capital in a way that achieves the maximum interest of the fund's unitholders.
24	Risks of investing in money market funds	These are all risks similar to the risks of investing in money market funds licensed by the Capital Market Authority, which may be exposed to other investment funds in which the Fund may invest, which are represented by the failure of any debtor to the Monetary Fund to fulfill its contractual obligations with the party agreed upon with it, which may cause a loss to the Fund for all or part of the amount invested in these transactions, which in turn may negatively affect the fund's performance and thus the value of the unit will decrease.			✓	The fund manager works to invest cash surpluses in low-risk products, provided that the returns of these funds and the risks associated with them shall be reviewed, noting that the amounts invested in money market funds shall be considered insignificant compared to the size of the fund's assets. Investment returns in money market funds shall also be included in the periodic reports to unitholders and the fund's financial statements.



**A statement about the special commissions that the fund manager received during the period, clearly stating their nature and how to benefit from them:**

To define and determine the risks, the following is an assessment of the Fund's risks, which were discussed in the Fund's terms and conditions memorandum, the probability of its occurrence, and the mechanism for evaluating the specific risks.

No.	Type of risk	Description of risks	Probability of its occurrences			Risk assessment mechanism
			High	Medium	Low	
<b>A. Risks related to the Fund and its assets:</b>						
25	Risks of some real estate assets relying on rented electrical generators	Some real estate assets are not connected to the electricity network of the Saudi Electricity Company, as these assets are supplied with electrical energy through electrical generators rented from a company licensed by the Electricity and Cogeneration Regulatory Authority to generate electricity from mobile units. It shall be noted that if the electrical generator rental agreement is terminated, the fund manager (through the property manager) shall have to search for an alternative electrical generator provider. Accordingly, the fund manager's delay (through the property manager) in finding an electric generator provider, or his failure to find an alternative, may affect the operation of the real estate assets, which in turn may negatively affect the financial position, cash flows and operating results of the fund.			✓	The fund manager works to connect all real estate assets to the electricity supply of the Saudi Electricity Company. The fund manager also works in cooperation with the property manager to ensure the presence of several companies that provide electric generator rental services with the aim of reducing the risks of affecting the operation of assets as a result of power outages in commercial centers.
26	Government policy risks	Any future reduction of subsidies for electricity and water in the Kingdom, amendments to the value-added tax or real estate transaction tax, or the imposition of any new taxes may reduce available income and may reduce the levels of demand for the Fund's real estate assets. Hence the cash distributions and the market value of the fund's units.			✓	The fund manager analyzes the events surrounding the fund's investments, seeks to avoid avoidable risks, and reduces the distribution of those risks, with the aim of avoiding potential harm.
27	Risks of considerations of compliance with Islamic Sharia controls	As the Fund will invest in investment opportunities that are compatible with Islamic Sharia controls and determined by the Fund's Sharia Committee, including adherence to Islamic Sharia controls determined by the Fund's Sharia Committee with regard to management and financing operations and all aspects pertaining to the Fund, and thus this could limit the Fund's ability to Implementing certain investments, and this may result in missing some opportunities that are not compatible with Sharia.			✓	The fund manager seeks to ensure that the fund's investments comply with Islamic Sharia regulations, as the Sharia Committee reviews the deals and agreements to which the fund is a party.
28	Real estate development risks	Developing and marketing a new real estate project involves several risks, including but not limited to: delay in timely completion of work, exceeding specified costs, poor quality of work, inability to achieve sales, and force majeure. Starting a new project also involves other risks, including delays in obtaining the necessary governmental approvals and permits for development, and other required governmental approvals and permits, and since investing in units in the Fund is an indirect investment in any real estate development project in which the Fund invests, any development of a real estate project (if any) shall have a direct and significant impact on the value of the fund's units.			✓	Appointing a development company with sufficient experience in the field of real estate development would reduce development risks, and the fund manager has sufficient experience to deal with events that may arise during the real estate development phase with the developer, including the quality of work and delays in completing the work.

**A statement about the special commissions that the fund manager received during the period, clearly stating their nature and how to benefit from them:**

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

No.	Type of risk	Description of risks	Probability of its occurrences			Risk assessment mechanism
			High	Medium	Low	
<b>A. Risks related to the Fund and its assets:</b>						
29	Risk of volatility in distributions	Although, according to the Real Estate Investment Funds Regulations issued by Capital Market Authority Council, the Fund shall be required to distribute at least 90% of its net profits to unit owners on an annual basis, there is no guarantee about the actual amounts distributed by the Fund, and the Fund may be unable to make any distributions due to unforeseen events resulting in an increase in costs, including capital expenditures in the event of urgent or sudden large-scale and expensive renovations, or a decrease in revenues, such as in the event of a decrease in annual rental collections in the event that the tenant is late in paying the rent on time or is unable to pay the rent for any reason beyond his control or intentionally.		✓		The fund manager seeks to increase the fund's revenues and reduce its costs as much as possible, with the aim of achieving the highest possible distribution, while studying future distributions and their timing to work to reduce the risks related to distribution fluctuations.
30	Risk of uninsured losses	The Fund will maintain commercial liability insurance, title insurance, and other types of insurance covering all properties owned and managed by the Fund, to the type and limits that it believes are adequate and appropriate given the relative risks applicable to the property and at the cost of appropriate coverage, while applying good industry practices. It is also possible to insure against certain losses, taking into account some contracts, including the restrictions of insurance policies. Therefore, the Fund may incur material losses that exceed insurance proceeds and may become unable to continue obtaining insurance coverage at commercially reasonable prices. If the Fund faces an uninsured loss or a loss that exceeds its insurance limits in relation to the ownership of one or more properties, it is possible that the Fund will lose the invested capital in the damaged property as well as the expected future returns from this property. Certainly, any such loss is likely to negatively affect the Fund's financial condition, the results of its operations and the resulting cash flows, and thus the Fund's ability to provide financial distributions to unit holders.			✓	The fund manager works to insure the real estate subject of investment to avoid the risks of force majeure and losses, and thus the potential risks resulting from all losses are reduced. The fund manager seeks to ensure that the insurance coverage is sufficient for all risks that may arise on the assets.

## A statement about the special commissions that the fund manager received during the period, clearly stating their nature and how to benefit from them:

No.	Type of risk	Description of risks	Probability of its occurrences			Risk assessment mechanism
			High	Medium	Low	
<b>A. Other risks</b>						
1	Risks of the Fund's dependence on the Kingdom's economy and its position in the global market	The Fund's results and financial condition will be affected by the state of the economy in the Kingdom and global economic conditions that affect the Kingdom's economy. Despite its growth in other sectors, the Saudi economy still depends on the price of oil and gas in global markets, and therefore a decline in oil and gas prices may slow down or disrupt the Saudi economy, and the resulting impact on liquidity could negatively affect demand in Real estate sector. In addition, any adverse change in one or more macroeconomic factors, such as the exchange rate, commission rates, inflation, wage levels, unemployment, foreign investment and international trade, could have a material adverse effect on the Fund's business, financial condition and operating results..			✓	The fund manager analyzes the events surrounding the fund's investments, seeks to avoid avoidable risks, and reduces the distribution of those risks, with the aim of avoiding potential harm.
2	Risks of continuing political, economic and legal environments being subject to ongoing changes	The political, economic and legal environments in the Kingdom have undergone continuous developments. Adverse social, economic and political developments in the Kingdom, neighboring countries or others in the region may have a material adverse impact on the Fund's business, financial condition, cash flows and operating results.		✓		The fund manager analyzes the events surrounding the fund's investments, seeks to avoid avoidable risks, and reduces the distribution of those risks, with the aim of avoiding potential harm.
3	Risks of litigation with others (third parties)	The Fund's asset activities are likely to be exposed to the risks of entering into legal disputes with third parties, and the Fund will bear defense fees against third party claims and settlement amounts or judgments, which would affect the Fund's assets and reduce potential distributions.			✓	The Fund Manager will claim the Fund's rights amicably or through the judicial authorities. As usual, litigation and pleading fees are claimed from the losing party. The Fund Manager will work to take the necessary legal advice to protect the Fund from legal claims from others, the Fund Manager, in cooperation with the Fund's advisor, will investigate the likelihood of success of any case before claiming it.
4	Risks of future data or future statements	<p>These terms and conditions have been prepared on the basis of certain assumptions used by the previous fund manager based on his experience in the markets and sectors in which he operates, in addition to publicly available market information. Future operating conditions may differ from the assumptions used previously, and therefore no warranty or representation is made as to the accuracy or completeness of any such assumptions.</p> <p>Certain statements in these terms and conditions constitute or may be deemed to constitute "future statements". It is possible to infer these future statements through the use of some future words such as "intends," "estimates," "believes," "anticipates," "expects," "targets," "targeted," "it is possible," or "it will be," "or "must" or "expected" or precluding forms of these words and other words that are close or similar in meaning. These future statements reflect the Fund Manager's current view regarding future events, but do not constitute a guarantee of future performance.</p> <p>There are many factors that may lead to the actual results, actual performance or actual achievements achieved by the Fund Manager being significantly different from what was explicitly or implicitly expected. Article 10 (Risks of Investing in the Fund) of these Terms and Conditions contains a more detailed description of some of the risks and factors that could lead to such an effect. If one or more of these risks or uncertainties materialize, or if any of the assumptions prove incorrect or accurate, the Fund's actual results may differ materially from the results stated in these terms and conditions as estimated, believed, expected or planned. Accordingly, potential investors shall examine all future statements in light of these interpretations and not rely solely on these statements.</p>			✓	The fund manager periodically reviews the fund's strategy and future statements, and the fund's disclosures, reports and financial statements include updates on the fund's general situation and performance.

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

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**AND INDEPENDENT AUDITOR'S REPORT**

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

---

FINANCIAL STATEMENTS  
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 – 30

**INDEPENDENT AUDITOR'S REPORT**  
**To The Unitholders of Alinma Retail REIT Fund**  
**(Managed by Alinma Investment Company)**

**Opinion**

We have audited the accompanying financial statements of Alinma Retail 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 year then ended, and notes to the financial statements, including a material accounting policies 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 year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT**  
**To The Unitholders of Alinma Retail 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 commercial buildings 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 892 million (2022: SR 885 million) which was net of accumulated depreciation of SR 192 million (2022: SR 153 million) and an accumulated impairment allowance of SR 170 million (2022: SR 158 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 5.6, the significant accounting estimates, judgement and assumptions relating to investment properties are disclosed in note 4.1 and 4.2, related disclosures about investment properties are included in notes 6 and 7 of the accompanying financial statements.</i></p>	<p>Our audit procedures related to assessing impairment of investment properties included:</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 year 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 checked the accuracy of impairment loss recognized in the statement of comprehensive income during the year; and</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 Retail 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 pronouncement that are endorsed by SOCPA and the applicable provisions of the Real Estate Investment Fund Regulations issued by the Board of Capital Market Authority, and the Fund's terms and conditions and the information memorandum, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 Retail 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 Retail 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: 21 Ramadan 1445H  
(31 March 2024)



Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Notes</i>	2023 SR	2022 SR
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investment properties	6	<b>892,137,982</b>	884,827,327
<b>TOTAL NON-CURRENT ASSETS</b>		<b>892,137,982</b>	884,827,327
<b>CURRENT ASSETS</b>			
Rental income receivable	8	<b>4,808,912</b>	3,264,812
Prepayment and other receivables	9	<b>4,468,210</b>	11,666,388
Amounts due from a related party	10	<b>1,219,338</b>	1,219,338
Financial asset at FVTPL	11	<b>1,953,427</b>	-
Financial assets at amortised cost	12	<b>25,618,215</b>	15,047,667
Cash and bank balance		<b>14,172,383</b>	6,917,115
<b>TOTAL CURRENT ASSETS</b>		<b>52,240,485</b>	38,115,320
<b>TOTAL ASSETS</b>		<b>944,378,467</b>	922,942,647
<b>LIABILITIES AND EQUITY</b>			
<b>NON-CURRENT LIABILITIES</b>			
Non-current portion of lease liabilities	13	<b>6,323,457</b>	6,676,748
Long term borrowings	14	<b>55,100,000</b>	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>61,423,457</b>	6,676,748
<b>CURRENT LIABILITIES</b>			
Current portion of lease liabilities	13	<b>650,000</b>	650,000
Contract liabilities	15	<b>8,185,737</b>	409,381
Accrued expenses and other payables	16	<b>7,671,363</b>	8,266,421
Zakat payable	17	<b>997,084</b>	1,178,861
Dividends payable	26	<b>100,086</b>	100,086
<b>TOTAL CURRENT LIABILITIES</b>		<b>17,604,270</b>	10,604,749
<b>TOTAL LIABILITIES</b>		<b>79,027,727</b>	17,281,497
<b>EQUITY</b>			
Net assets attributable to unitholders		<b>865,350,740</b>	905,661,150
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>944,378,467</b>	922,942,647
Units in issue (number)		<b>118,000,000</b>	118,000,000
Net assets value per unit (SR)	7	<b>7.33</b>	7.68
Per unit fair value (SR)	7	<b>8.05</b>	7.68

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 31 December 2023

	<i>Notes</i>	2023 SR	2022 SR
<b>Income</b>			
Rental income from investment properties	18	51,633,469	48,735,471
<b>Total income</b>		<b>51,633,469</b>	<b>48,735,471</b>
<b>Expenses</b>			
Depreciation on investment properties	6	(38,194,642)	(31,805,335)
Property manager fee and operating expenses	20	(20,280,974)	(20,192,839)
Management fees	10	(5,132,497)	(6,927,484)
Settlement discounts		(2,139,910)	-
General and administrative expenses	19	(2,983,069)	(2,195,587)
Reversal of (charge for) expected credit losses	8	22,510,670	(10,652,661)
<b>Total expenses</b>		<b>(46,220,422)</b>	<b>(71,773,906)</b>
<b>Operating income (loss) for the year</b>		<b>5,413,047</b>	<b>(23,038,435)</b>
Financial charges	21	(4,468,269)	(311,837)
Special commission income		182,381	47,667
Gain from financial asset at FVTPL		114,281	-
Other income		9,750	461,723
<b>Loss for the year before impairment and zakat</b>		<b>1,251,190</b>	<b>(22,840,882)</b>
(Charge for) reversal of impairment on investment properties	6	(11,471,600)	19,419,315
<b>Loss for the year before zakat</b>		<b>(10,220,410)</b>	<b>(3,421,567)</b>
Zakat	17	-	(181,777)
<b>Net loss for the year</b>		<b>(10,220,410)</b>	<b>(3,603,344)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(10,220,410)</b>	<b>(3,603,344)</b>

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

STATEMENT OF CASH FLOWS  
For the year ended 31 December 2023

	Notes	2023 SR	2022 SR
<b>OPERATING ACTIVITIES</b>			
Loss for the year before zakat		(10,220,410)	(3,421,567)
<i>Adjustments for</i>			
Depreciation on investment properties		37,716,585	31,327,278
Charge for (reversal of) impairment on investment properties		11,471,600	(19,419,315)
(Reversal of) charge for expected credit losses		(22,510,670)	10,652,661
Finance charges		4,468,270	311,837
Depreciation on right-of-use assets		478,059	478,057
Special commission income		(182,381)	(47,667)
Gain from financial asset at FVTPL		(114,281)	-
		<u>21,106,772</u>	<u>19,881,284</u>
<b>Changes in operating assets and liabilities:</b>			
Decrease (increase) in prepayment and other receivables		7,198,178	(315,493)
Decrease (increase) in rental income receivable		21,481,013	(5,253,068)
Increase (decrease) contract liabilities		7,261,914	(1,155,199)
(Decrease) increase in accrued expenses and other payables		(595,058)	5,827,266
Decrease in amounts due from a related party		-	463,248
Decrease in amounts due to related parties		-	(63,592)
		<u>56,452,818</u>	<u>19,384,446</u>
<b>Cash flows from operating activities</b>		<b>56,452,818</b>	<b>19,384,446</b>
Zakat paid		(181,777)	-
		<u>56,271,041</u>	<u>19,384,446</u>
<b>Net cash flows from operating activities</b>		<b>56,271,041</b>	<b>19,384,446</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of investment properties		(56,976,897)	(364,550)
Purchases of financial assets at amortized cost		(10,500,000)	(15,000,000)
Purchase of financial asset at FVTPL		(15,111,831)	-
Proceeds from disposal of financial asset at FVTPL		13,272,686	-
Special commission income received		111,828	-
		<u>(69,204,212)</u>	<u>(15,364,550)</u>
<b>Net cash flows used in investing activities</b>		<b>(69,204,212)</b>	<b>(15,364,550)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from drawdown of long-term borrowings		55,100,000	-
Payment of principal portion of lease liabilities		(650,000)	(650,000)
Finance cost paid		(4,171,561)	-
Distributions		(30,090,000)	(25,801,498)
		<u>20,188,439</u>	<u>(26,451,498)</u>
<b>Net cash flows from (used in) financing activities</b>		<b>20,188,439</b>	<b>(26,451,498)</b>
<b>Net increase (decrease) in cash and bank balance</b>		<b>7,255,268</b>	<b>(22,431,602)</b>
Cash and bank balance at the beginning of the year		6,917,115	29,348,717
<b>Cash and bank balance at end of the year</b>		<u><b>14,172,383</b></u>	<u><b>6,917,115</b></u>

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2023

	2023 SR	2022 SR
<b>EQUITY AT THE BEGINNING OF THE YEAR</b>	<b>905,661,150</b>	<b>932,864,494</b>
<b>Comprehensive loss:</b>		
Net loss for the year	<b>(10,220,410)</b>	<b>(3,603,344)</b>
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	<b>(10,220,410)</b>	<b>(3,603,344)</b>
Distributions (note 26)	<b>(30,090,000)</b>	<b>(23,600,000)</b>
<b>EQUITY AT THE END OF THE YEAR</b>	<b>865,350,740</b>	<b>905,661,150</b>

**REDEEMABLE UNIT TRANSACTIONS**

Transactions in redeemable units for the year are summarized as follows:

	2023 <i>Units</i>	2022 <i>Units</i>
<b>UNITS AT THE BEGINNING AND END OF THE YEAR</b>	<b>118,000,000</b>	<b>118,000,000</b>

The accompanying notes from 1 to 29 form an integral part of these financial statements.



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

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2023**

**1 INCORPORATION AND ACTIVITIES**

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

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

While the Fund will primarily invest in developed real estate assets which are ready for use, it may also opportunistically invest in real estate development projects in a value not exceeding 25% of the Fund's total asset value with the aim of achieving an increase in value per unit; provided that:

- (i) at least 75% of the Fund's total assets are invested in developed real estate assets which generate periodic income and;
- (ii) the Fund shall not invest in white land.

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

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

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

**2 REGULATING AUTHORITY**

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

**3 BASIS OF PREPARATION**

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 Organization 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 Retail REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended 31 December 2023

**4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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

**4.1 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.

**4.2 Impairment of investment properties**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Fund is not yet committed to or significant future investments that will enhance the performance of the investment properties being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different investment properties, are disclosed and further explained in Note 22.

**4.3 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 8 and note 24.1 in these financial statements.

**4.4 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.

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2023

**4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**4.5 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.

**4.6 Going concern**

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

**5 MATERIAL ACCOUNTING POLICIES INFORMATION**

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

**5.1 Financial instruments**

**5.1.1 Financial Instruments - Initial recognition and subsequent measurement**

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

**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.

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2023

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

**5.1 Financial instruments (continued)**

**5.1.1 Financial Instruments - Initial recognition and subsequent measurement (continued)**

**i) Financial assets (continued)**

**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 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 bank balance, Murabaha and accrued special commission.

**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 investment in mutual funds. Dividends 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.

**ii) Financial liabilities**

**Initial recognition and measurement**

The Fund's financial liabilities include dividend payable, accrued expenses and other liabilities, contract liabilities and other long-term borrowings. Financial liabilities are measured at amortised cost.

**Subsequent measurement**

**Financial liabilities at amortised cost**

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.

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2023

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

**5.1 Financial instruments (continued)**

**iii) Financial liabilities (continued)**

***Derecognition***

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.

**5.1.2 Current versus non-current classification**

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

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

A liability is current when:

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

The Fund classifies all other liabilities as non-current

**5.2 Fair value measurement**

The Fund measures financial instruments such as investments in mutual funds unit 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 Retail REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2023

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

**5.2 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 22.

**5.3 Impairment of non-financial assets**

The carrying values of non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.

**5.4 Right-of-use assets**

The Fund recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Fund is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

**5.5 Lease liabilities**

At the commencement date of the lease, the Fund recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Fund and payments of penalties for terminating a lease, if the lease term reflects the Fund exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2023

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

**5.6 Investment properties**

Investment properties comprise completed freehold or leasehold properties that are held to earn rentals or for capital appreciation or both. Investment properties under freehold are stated at cost including transaction costs net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes expenditure that is directly attributable to the acquisition of the items. Whereas investment properties under leasehold are accounted for in accordance with IFRS 16. The cost less estimated residual value, if any, of investment property under freehold is depreciated on a straight-line basis over the estimated useful lives of the assets. Land, on the other hand, is reported at cost.

Investment property is derecognised either when it has been disposed of (i.e., at the date the recipient obtains control of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in IFRS 15) or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Fund considers the effects of variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in IFRS 15.

The fair value of investment properties is disclosed in note 7 and 22 in these financial statements.

**5.7 Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Fund has received consideration from the customer. Contract liabilities are recognised as revenue when the Fund performs under the contract.

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

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

**5.9 Rental income**

Rental income from operating lease of property is recognized on a straight-line basis over the term of the operating lease. In addition, the Fund subleases investment property acquired under head leases with lease terms exceeding 12 months at commencement. Subleases are classified as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying investment property. All the Fund's subleases are classified as operating leases.

**5.10 Net assets value**

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

**5.11 Distribution**

The Fund has a policy of distributing and paying at least 90% percent of the Fund's net profits on semi-annual basis, the fund manager can make additional distributions during the year.

**5.12 Finance Cost**

Finance cost is recognized in statement of comprehensive income in the period in which they are incurred.

**5.13 Zakat**

Zakat is provided for in accordance with Zakat, Tax and Customs Authority ("ZATCA") regulations. Adjustments arising from final Zakat assessments are recorded in the period in which such assessments are made.



Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2023

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

**5.14 New standards, amendments and interpretations issued and effective on or after 1 January 2023**

The Fund applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated).

***IFRS 17 Insurance Contracts***

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

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

The new standard had no impact on the Funds financial statements.

***Definition of Accounting Estimates - Amendments to IAS 8***

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Funds financial statements.

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Fund disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the financial statements.

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

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

***International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12***

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the financial statements of the Fund.

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)  
NOTES TO THE FINANCIAL STATEMENTS  
31 December 2023

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

**5.15 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

**6 INVESTMENT PROPERTIES**

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

**31 December 2023**

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Accumulated Impairment (note 6.3.5) SR</i>	<i>Net book value SR</i>
Hafar Al-Batin Mall	473,741,902	(77,887,644)	(82,674,258)	313,180,000
Al Khair Mall	325,365,563	(34,781,699)	-	290,583,864
Tabuk Mall	221,873,668	(33,765,797)	(87,017,869)	101,090,002
Dawadmi Mall	177,313,210	(44,053,178)	-	133,260,032
Signature Mall	55,103,000	(1,078,916)	-	54,024,084
	<u>1,253,397,343</u>	<u>(191,567,234)</u>	<u>(169,692,127)</u>	<u>892,137,982</u>

**31 December 2022**

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

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)  
NOTES TO THE FINANCIAL STATEMENTS  
31 December 2023

6 INVESTMENT PROPERTIES (continued)

6.1 The movement in the investment properties during the year is as follows:

	<i>Land and buildings</i> SR	<i>Right-of-use asset</i> SR	<i>Total</i> SR
<b>Cost</b>			
Balance as at 1 January 2022	1,187,461,337	8,594,560	1,196,055,897
Additions during the year	364,550	-	364,550
Balance as at 31 December 2022	1,187,825,887	8,594,560	1,196,420,447
Additions during the year	56,976,897	-	56,976,897
Balance as at 31 December 2023	1,244,802,784	8,594,560	1,253,397,344
<b>Accumulated depreciation</b>			
Balance as at 1 January 2022	120,133,084	1,434,174	121,567,258
Depreciation charge during the year	31,327,276	478,059	31,805,335
Balance as at 31 December 2022	151,460,360	1,912,233	153,372,593
Depreciation charge during the year	37,716,585	478,057	38,194,642
Balance as at 31 December 2023	189,176,945	2,390,290	191,567,235
<b>Accumulated impairment</b>			
Balance as at 1 January 2022	177,639,842	-	177,639,842
Impairment reversal during the year	(19,419,315)	-	(19,419,315)
Balance as at 31 December 2022	158,220,527	-	158,220,527
Impairment charged during the year	11,471,600	-	11,471,600
Balance as at 31 December 2023	169,692,127	-	169,692,127
<b>Net book amount as at 31 December 2023</b>	<b>885,933,712</b>	<b>6,204,270</b>	<b>892,137,982</b>
<b>Net book amount as at 31 December 2022</b>	<b>878,145,000</b>	<b>6,682,327</b>	<b>884,827,327</b>

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

During the year, depreciation charged to the statement of comprehensive income amounted to SR 37,716,585 (2022: SR 31,805,335).

6.1.1 The useful lives of freehold properties are assessed at 25 years from date of acquisition.

6.1.2 The useful life of Dawadmi Mall (leasehold) is assessed at 19 years from the date of acquisition.

6.2 **Freehold and leasehold properties**

Land comprises of the lands acquired or leased on which the buildings are built. The Fund acquired freehold properties in Riyadh, Hafar Al-Batin and Tabuk with an aggregate area of 185,721 square meter of land. The consideration for the properties was partly paid in cash and partly settled through issuance of 79,060,000 units of the Fund. Additionally, the Fund leased land in Dawadmi with an area of 72,678 square meter of land.

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2023

**6 INVESTMENT PROPERTIES (continued)**

**6.3 Listed below are the details of the investment properties:**

<b>PROPERTY</b>	<b>DISCRIPTION</b>
<b>Dawadmi Mall</b>	This property is a fully constructed commercial facility on a leasehold land, located in Dawadmi, Kingdom of Saudi Arabia ("KSA").
<b>Alkhair Mall</b>	This property is a fully constructed commercial facility on a freehold land, located in Al Malga District, Riyadh, KSA.
<b>Hafar Al-Batin Mall</b>	This property is a fully constructed commercial facility on a freehold land, located in Al Rayan District, Hafar Al-Batin, KSA.
<b>Tabuk Mall</b>	This property is a fully constructed commercial facility on a freehold land, located in Al Rajhi District, Tabuk, KSA.
<b>Signature Mall</b>	This property is a fully constructed commercial facility on a freehold land, located in Al Suhada District, Riyadh, KSA.

**6.4 Impairment of investment properties**

During the year, the investment properties were tested for impairment and the management recognized a net charge of SR 11,471,600 (2022: recognized a reversal of SR 19,419,315) to adjust the value of its investment properties to its recoverable amount based on the average value as at the reporting period determined by the independent evaluators as shown in note 7. The key assumptions used for valuation as at 31 December for these investment properties are disclosed in note 22.

**6.5 Ownership of investment properties**

All properties are held in the name of Wabel Fund Company (the "SPV"), except for Dawadmi land which is a leased property. The SPV is holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties.

**7 EFFECTS ON NET ASSET VALUE IF INVESTMENTS IN REAL ESTATE PROPERTIES 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 Fund's real estate assets based on two evaluations prepared by independent evaluators. However, investment in real estate properties are carried at cost less depreciation and impairment, if any, in these financial statements.

The fair value measurement of the investment properties are determined by two selected independent valuers accredited by the Saudi Authority for Accredited Valuers ("Taqeem"), i.e., Abaad Real Estate Valuation Company, and Value Experts Real Estate Valuation Company. The valuers are independent, not related to the Fund, who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued.

The discounted cash flow ("DCF") and income capitalisation valuation model (refer note 22) has 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").

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2023

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

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

31 December 2023	Appraiser 1 SR	Appraiser 2 SR	Average SR
Hafar Al-Batin Mall	299,100,000	327,260,000	313,180,000
Al Khair Mall	329,200,000	376,080,000	352,640,000
Tabuk Mall	100,200,000	101,980,000	101,090,000
Dawadmi Mall	125,300,000	135,530,000	130,415,000
Signature Mall	66,700,000	69,340,000	68,020,000
	<u>920,500,000</u>	<u>1,010,190,000</u>	<u>965,345,000</u>
31 December 2022	Appraiser 1 SR	Appraiser 2 SR	Average SR
Hafar Al-Batin Mall	351,400,000	340,980,000	346,190,000
Al Khair Mall	266,000,000	295,850,000	280,925,000
Tabuk Mall	141,800,000	128,370,000	135,085,000
Dawadmi Mall	93,200,000	138,690,000	115,945,000
	<u>852,400,000</u>	<u>903,890,000</u>	<u>878,145,000</u>

Management has used the average of the two valuations for the purposes of disclosing the fair value of the investment properties. The investment properties were valued taking into consideration a number of factors, including the area and type of property and rent amount. The inputs used in the above level 3 fair valuation are disclosed in note 22.

7.2 The unrealized loss on investment properties based on fair value evaluation is set out below:

	2023 SR	2022 SR
Average fair value of investment properties (note 7.1)	965,345,000	878,145,000
Less: Carrying value of investment properties (note 6.1)	(885,933,712)	(878,145,000)
Net impact based on the fair value	<u>79,411,288</u>	<u>-</u>
Units in issue (numbers)	<u>118,000,000</u>	<u>118,000,000</u>
Impact per unit share based on fair value evaluation (SR)	<u>0.72</u>	<u>-</u>

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

	2023 SR	2022 SR
Net assets value at cost	865,350,740	905,661,150
Net impact based on evaluations	79,411,288	-
Net assets based on fair value	<u>944,762,028</u>	<u>905,661,150</u>

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2023

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

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

	2023 SR	2022 SR
Net assets value per unit at cost	7.33	7.68
Impact on net assets value per unit on account of unrealised profit based on fair valuations	0.72	-
Net assets value per unit based on fair value	<u>8.05</u>	<u>7.68</u>

**8 RENTAL INCOME RECEIVABLE**

This represents rental income receivable from the investment properties in accordance with the terms of the corresponding tenancy agreements. Rental income receivables are current in nature.

As at 31 December 2023, the Fund had an allowance for expected credit losses amounting to SR 27,278,124 (2022: SR 49,788,794). Information about the Fund's exposure to expected credit loss are shown in note 21.1.

	2023 SR	2022 SR
Rental income receivable	32,087,036	53,053,606
Less: Allowance for expected credit losses	(27,278,124)	(49,788,794)
	<u>4,808,912</u>	<u>3,264,812</u>

Following is the aging analysis of rental income receivables as at the reporting date:

	2023 SR	2022 SR
Less than 90 days	921,845	1,656,323
Between 91 to 180 days	3,033,022	2,113,640
Between 181 to 360 days	5,307,749	10,119,412
More than 360 days	22,824,420	39,164,231
	<u>32,087,036</u>	<u>53,053,606</u>

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

	2023 SR	2022 SR
At the beginning of the year	49,788,794	39,136,133
(Reversal of) charge for the year	(22,510,670)	10,652,661
At the end of the year	<u>27,278,124</u>	<u>49,788,794</u>

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2023

**9 PREPAYMENT AND OTHER RECEIVABLES**

	2023 SR	2022 SR
Trade receivable	2,932,168	2,575,841
Receivable from ZATCA*	1,467,685	9,047,230
Prepaid expenses	68,357	43,317
	<u>4,468,210</u>	<u>11,666,388</u>

\* During 2021, the Fund has received value added tax (“VAT”) assessments from the ZATCA for the period ended 31 December 2018 and year ended 31 December 2021 amounting to SR 18,276,974 for non-submission and payment of its VAT returns. The Fund has filed an appeal during the financial year 2021 with ZATCA and the General Secretariate of Tax Committees (“GSTC”) stating that the Fund has submitted and paid the due amounts of VAT through one of its related parties and believes that as the VAT was calculated and submitted based on the regulations of ZATCA accordingly, the demand is not justified. The amount of SR 9,047,230 represented the payments made to ZATCA as for the eligibility to file an appeal. During the year ended 31 December 2023 the GSTC has issued final appeal decision in favour of the Fund.

**10 RELATED PARTY TRANSACTIONS AND BALANCES**

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

*a) Management fee*

In consideration for managing the assets of the Fund, the Fund Manager in accordance with the terms and conditions of the Fund charges the Fund a management fee equal to 0.75% (2022: 0.75%) of the net asset value of the Fund given that it does not exceed 12% of the funds operating cash flow. Management fees is calculated and payable on quarterly basis.

*b) Board of Directors remuneration*

Each independent member of the Board of Directors is allowed a remuneration of SR 5,000 (2022: SR 5,000) per board meeting.

**10.1 Related party transactions**

Following are the details of the transactions with related parties during the year:

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Nature of transactions</i>	2023 SR	2022 SR
Alinma Investment Company	Fund Manager	Management fees	(5,132,497)	(6,927,484)
Fund Board	Board Members	Fund Board fee	(57,500)	(25,000)



Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)  
NOTES TO THE FINANCIAL STATEMENTS  
31 December 2023

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

**10.2 Related party balances**

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

**a) Amounts due from a related party**

	2023 SR	2022 SR
SWICORP	<u>1,219,338</u>	<u>1,219,338</u>

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

**11 FINANCIAL ASSETS AT FVTPL**

Financial assets at FVTPL represents investment of 156,621 units in Alinma Saudi Riyal Liquidity Fund, an open-ended mutual fund managed by the Fund Manager. The primary objective of the investee Fund is to invest in Shariah compliant Murabaha contract.

	31 December 2023	
	Cost (SR)	Market value (SR)
Alinma Saudi Riyal Liquidity Fund	<u>1,886,160</u>	<u>1,953,427</u>

**12 FINANCIAL ASSETS AT AMORTISED COST**

	2023 SR	2022 SR
Wakala investment (i)	25,500,000	15,000,000
Accrued Special commission income	118,215	47,667
	<u>25,618,215</u>	<u>15,047,667</u>

(i) This represents investments placed with an investment company operating in Kingdom of Saudi Arabia maturity within 1 year and carries an average special commission income rate of 5.75% per annum (31 December 2022: 4.4%).

**13 LEASE LIABILITIES**

	2023 SR	2022 SR
Balance at the beginning of the year	7,326,748	7,664,911
Add: finance charges	296,709	311,837
Less: payments made during the year	(650,000)	(650,000)
Balance at the end of the year	6,973,457	7,326,748
Less: Current portion of lease liabilities	(650,000)	(650,000)
<b>Non-current portion of lease liabilities</b>	<u>6,323,457</u>	<u>6,676,748</u>

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**14 LONG-TERM BORROWINGS**

On 7 November 2022, the SPV of the Fund, on behalf of the Fund, entered into a financing agreement (“agreement”) with Alinma Bank (the “Bank”) amounting to SR 750 million to finance acquisition of properties. During the year, the Fund had made a drawdown of SR 55.1 million, and SR 694.9 million represents the unused portion of the facility.

The agreement bears a commission rate of three-month Saibor + 1.3% per annum, payable annually. The principal amount is scheduled to be paid in full at the end of the term of agreement on 30 November 2030.

The agreement is secured against the pledge of title deed of the investment property (Signature Mall) (note 6).

The agreement is subjected to covenant clauses, whereby the Fund is required to meet certain requirements. As of 31 December 2023, the Fund in compliance with these requirements.

During the year ended 31 December 2023, the Fund incurred financial charges amounting to SR 4,171,560.

**15 CONTRACT LIABILITY**

Unearned rental income represents rental income received during the year but not yet recognised as revenue. The movement in contract liabilities for the year is as follows:

	2023 SR	2022 SR
At the beginning of the year	409,381	1,564,580
Received during the year	59,409,825	47,580,272
Recognized during the year	(51,633,469)	(48,735,471)
<b>At the end of the year</b>	<b>8,185,737</b>	<b>409,381</b>

**16 ACCRUED EXPENSES AND OTHER PAYABLES**

	2023 SR	2022 SR
Management fees (note 10)	6,371,166	7,125,057
Value added tax payable	1,049,895	552,589
Custody fees	83,913	132,413
Property manager fees	-	335,534
Other expenses	166,389	120,828
	<b>7,671,363</b>	<b>8,266,421</b>

**17 ZAKAT**

**17.1 Charge for the year**

Zakat charge amounting to SR nil (2022: SR 3,259,697) provided in the statement of comprehensive income for the year ended 31 December 2023 consists of current year provision. The current year’s provision is based on the following:

	2023 SR	2022 SR
Unitholders equity	-	956,364,406
Unitholders account and provisions	-	47,869,346
Book value of long term assets and other assets	-	(1,043,047,854)
	-	(38,814,102)
Zakat base before adjusted net loss for the Gregorian year	-	(40,020,190)
Adjusted net loss for the year (note 17.2)	-	7,231,094
	-	<b>(32,789,096)</b>

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)  
NOTES TO THE FINANCIAL STATEMENTS  
31 December 2023

**17 ZAKAT (continued)**

Zakat is payable at 2.5% higher of approximate zakat base or adjusted net income.

**17.2 Adjusted net loss**

	2023 SR	2022 SR
Loss before zakat	-	(3,421,567)
Add: Provisions charged during the year	-	10,652,661
Adjusted net loss for the year	<u>-</u>	<u>7,231,094</u>

**17.3 Zakat provision**

The movement in the zakat provision for the years ended 31 December is as follows:

	2023 SR	2022 SR
At the beginning of the year	-	997,084
Charged during the year	-	181,777
Paid during the year	-	-
At the end of the year	<u>-</u>	<u>1,178,861</u>

**17.4 Status of assessment**

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.

**18 RENTAL INCOME FROM INVESTMENT PROPERTIES**

	2023 SR	2022 SR
Rental income	<u>51,633,469</u>	<u>48,735,471</u>

- (i) The Fund’s rental income from investment properties is concentrated within one operating segment and geographical region of the Kingdom of Saudi Arabia, comprising of 5 investment properties having signed annual rental as disclosed in note 6.3.

**19 GENERAL AND ADMINISTRATIVE EXPENSES**

	2023 SR	2022 SR
Professional fees	928,100	311,649
Property insurance	486,614	597,232
Administration fees	458,515	336,006
Regulator fees	400,000	400,000
Legal fees	195,685	64,793
Listing fees	190,679	101,457
Custodian fees	181,024	205,310
Board oversight fees	57,500	25,000
Other expenses	84,952	154,140
	<u>2,983,069</u>	<u>2,195,587</u>

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)  
NOTES TO THE FINANCIAL STATEMENTS  
31 December 2023

**20 PROPERTY MANAGER FEE AND OPERATING EXPENSES**

	2023 SR	2022 SR
Operating expenses	17,186,882	16,068,039
Property manager fees	3,094,092	4,124,800
	<u>20,280,974</u>	<u>20,192,839</u>

**21 FINANCIAL CHARGES**

	2023 SR	2022 SR
Long-term borrowings finance charge	4,171,560	-
Lease liability finance charge	296,709	311,837
	<u>4,468,269</u>	<u>311,837</u>

**22 FAIR VALUE MEASUREMENT**

**22.1 Financial assets**

Financial assets consist of cash and bank balance, rental income receivables, due from a related party, financial assets at amortised cost and other receivables. Financial liabilities consist of dividends payable, due to related parties, and management fee payable lease liabilities and long-term borrowing. The fair values of financial assets and financial liabilities are not materially different from their carrying values due to short term nature and are classified as level 2.

<i>As at 31 December 2023</i>	<i>Level 1 SR</i>	<i>Level 2 SR</i>	<i>Level 3 SR</i>	<i>Total SR</i>
Financial assets at FVTPL (note 11)	-	1,953,427	-	1,953,427

**22.2 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 SR</i>	<i>Level 2 SR</i>	<i>Level 3 SR</i>	<i>Total SR</i>
<i>Investment properties</i>				
Hafar Al-Batin Mall	-	-	313,180,000	313,180,000
Al Khair Mall	-	-	352,640,000	352,640,000
Tabuk Mall	-	-	101,090,000	101,090,000
Dawadmi Mall	-	-	130,415,000	130,415,000
Signature Mall	-	-	68,020,000	68,020,000
	<u>-</u>	<u>-</u>	<u>965,345,000</u>	<u>965,345,000</u>
<i>31 December 2022</i>	<i>Level 1 SR</i>	<i>Level 2 SR</i>	<i>Level 3 SR</i>	<i>Total SR</i>
<i>Investment properties</i>				
Hafar Al-Batin Mall	-	-	346,190,000	346,190,000
Al Khair Mall	-	-	280,925,000	280,925,000
Tabuk Mall	-	-	135,085,000	135,085,000
Dawadmi Mall	-	-	115,945,000	115,945,000
	<u>-</u>	<u>-</u>	<u>878,145,000</u>	<u>878,145,000</u>

Alinma Retail REIT Fund  
 (Managed by Alinma Investment Company)  
 NOTES TO THE FINANCIAL STATEMENTS  
 31 December 2023

**22 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 Company and VALUE EXPERT Company as disclosed in note 7. They are accredited independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

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

<i>Valuation approach</i>	<i>Key assumptions</i>	<i>Range</i>	
		<i>2023</i>	<i>2022</i>
Discounted cash flow	Discount rate (%)	10.30% - 11.55%	10.81% - 11.51%
	Growth rate (%)	2.8%-2.01%	2.8% - 2.01%
	Capitalization rate (%)	7.5% - 9%	7.5% - 9%
	Vacancy (%)	8 - 60	25

**23 LEASE COMMITMENTS**

Future rental commitments under the leases are as follows:

	2023	2022
	SR	SR
No later than one year	43,590,249	45,428,046
Later than one year and not later than five years	93,688,679	119,621,212
Later than five years	42,418,663	63,906,047
	<u>179,697,591</u>	<u>228,955,305</u>

**24 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.

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

**24 FINANCIAL RISK MANAGEMENT (Continued)**

**24.1 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:

	2023 SR	2022 SR
Financial assets at amortised cost	25,618,215	15,047,667
Cash and bank balance	14,172,383	6,917,115
Rental income receivables (note 8)	4,808,912	3,264,812
Trade receivable	2,932,168	2,575,841
Amounts due from a related party (note 10)	1,219,338	1,219,338
	<u>48,751,016</u>	<u>29,024,773</u>

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. As at the year-end, the related parties have sound financial position and have the ability to repay their debts towards the Fund. For banks and financial institutions, the Fund only deals with reputable banks with sound credit ratings.

**24.2 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.

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

31 December 2023	On demand SR	Less than 12 months SR	More than 12 months SR	Total SR
Lease liabilities	-	650,000	8,450,000	9,100,000
Contract liabilities	-	8,185,737		8,185,737
Dividends payable	100,086	-		100,086
Long term borrowing	-	-	55,100,000	55,100,000
	<u>100,086</u>	<u>8,835,737</u>	<u>63,550,000</u>	<u>72,485,823</u>

Alinma Retail REIT Fund  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2023

**24 FINANCIAL RISK MANAGEMENT (Continued)**

**24.2 Liquidity risk (Continued)**

31 December 2022	<i>On demand</i> SR	<i>Less than</i> <i>12 months</i> SR	<i>More than</i> <i>12 months</i> SR	<i>Total</i> SR
Lease liabilities	-	650,000	9,100,000	9,750,000
Contract liabilities	-	409,381	-	409,381
Dividends payable	100,086	-	-	100,086
	<u>100,086</u>	<u>1,059,381</u>	<u>9,100,000</u>	<u>10,259,467</u>

**24.3 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.

**25 OPERATING SEGMENT**

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

**26 DISTRIBUTIONS**

In accordance with the approved terms and conditions of the Fund, the Fund's Board announced profit distribution of SR 30,090,000 as following.

- On 5 April 2023 the fund board approved distribution of SR 0.125 per unit totalling to SR 14,750,000
- On 4 July 2023 the fund board approved distribution of SR 0.13 per unit totalling to SR 15,340,000

An amount of SR 30,090,000 (2022: SR 25,801,498) was paid during the year ended 31 December 2023. Furthermore, As of 31 December 2023, an amount of SR 100,086 (2021: SR 100,086) is still payable in relation to Fund's distribution.

**27 LAST VALUATION DAY**

The last valuation day for the year was 31 December 2023 (2022: 31 December 2022).

**28 EVENTS AFTER THE REPORTING DATE**

Subsequent to the reporting date the board of the Fund announced profit distribution of SR 0.17 per unit totaling to SR 20,060,000 which is payable on 9<sup>th</sup> of January 2024.

**29 APPROVALS OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the Fund's Board of Directors on 19 Ramadan 1445H (corresponding to 29 March 2024).





الإِنماء للاستثمار  
alinma investment



Fruitful partnership

Licensed by the Capital Market Authority No. 09134-37

# Thank you

For more information about the Fund and the project's work, Please contact us via one of the following channels:

To call from inside the Kingdom: 8004413333

To call from mobile or from outside the Kingdom: 920000343

To

correspond

electronically:

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