

ALINMA HOSPITALITY REIT FUND
(Managed by Alinma Investment Company)

INTERIM CONDENSED FINANCIAL STATEMENTS

**FOR THE PERIOD FROM 30 JANUARY 2023 TO 30 JUNE 2023
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

Alinma Hospitality REIT Fund
(Managed by Alinma Investment Company)

INTERIM CONDENSED FINANCIAL STATEMENTS

For the period from 30 January 2023 to 30 June 2023

INDEX	PAGE
Independent auditor's review report	1
Interim condensed statement of financial position	2
Interim condensed statement of comprehensive income	3
Interim condensed statement of cash flows	4
Interim condensed statement of changes in equity	5
Notes to the interim condensed financial statements	6 – 18

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Alinma Hospitality REIT Fund ("the Fund") being managed by Alinma Investment Company (the "Fund Manager") as at 30 June 2023, and the related interim condensed statements of comprehensive income, cash flows and changes in equity for the period from 30 January 2023 to 30 June 2023 and a summary of significant accounting policies and other explanatory notes. The Fund Manager is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 – "Interim Financial Reporting ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

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

for Alluhaid & Alyahya Chartered Accountants



Saleh Al Yahya
Certified Public Accountant
License No. 473

Riyadh: 23 Muharram 1445H
(10 August 2023)



Alinma Hospitality REIT Fund
(Managed by Alinma Investment Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Notes</i>	<i>Unaudited SR</i>
ASSETS		
NON-CURRENT ASSETS		
Investment properties	6	1,008,182,423
TOTAL NON-CURRENT ASSETS		<u>1,008,182,423</u>
CURRENT ASSETS		
Rental income receivable		128,207
Prepayment and other receivables		202,206
Financial assets at fair value through profit or loss ("FVTPL")	8	46,464,942
Cash and cash equivalents		18,871,479
TOTAL CURRENT ASSETS		<u>65,666,834</u>
TOTAL ASSETS		<u>1,073,849,257</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Accrued expenses and other liabilities		7,052,156
Unearned rental income		10,869,506
Dividends payable	11	32,640,672
TOTAL LIABILITIES		<u>50,562,334</u>
EQUITY		
Net assets attributable to unitholders		1,023,286,923
TOTAL LIABILITIES AND EQUITY		<u>1,073,849,257</u>
Redeemable units in issue (numbers)		<u>102,002,100</u>
Net assets value attributable to unitholders (SR)		<u>10.03</u>

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

Alinma Hospitality REIT Fund
(Managed by Alinma Investment Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period from 30 January 2023 to 30 June 2023

	<i>Notes</i>	<i>Unaudited SR</i>
INCOME		
revenue from investment properties		51,941,796
Gain from financial assets at FVTPL		464,942
TOTAL INCOME		<u>52,406,738</u>
OPERATING EXPENSES		
Depreciation on investment properties	6	(9,845,077)
Management fees	9	(3,676,283)
Custodian fees		(50,000)
General and administrative expenses		(2,928,783)
TOTAL OPERATING EXPENSES		<u>(16,500,143)</u>
NET PROFIT FOR THE PERIOD		<u>35,906,595</u>
Other comprehensive income		-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>35,906,595</u></u>

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

Alinma Hospitality REIT Fund
(Managed by Alinma Investment Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the period from 30 January 2023 to 30 June 2023

	<i>Unaudited</i> SR
OPERATING ACTIVITIES	
Net profit for the period	35,906,595
<i>Adjustments for:</i>	
Gain from financial assets at FVTPL	(464,942)
Depreciation on investment properties	9,845,077
	<u>45,286,730</u>
<i>Changes in operating assets and liabilities:</i>	
Rental income receivable	(128,207)
Prepayment and other receivables	(202,206)
Accrued expenses and other payables	7,052,156
Unearned rental income	10,869,506
	<u>62,877,979</u>
INVESTING ACTIVITIES	
Purchase of investment properties	(509,407,500)
Purchase of financial assets at FVTPL	(46,000,000)
	<u>(555,407,500)</u>
FINANCING ACTIVITIES	
Proceeds from issuance of units	511,401,000
	<u>511,401,000</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>18,871,479</u></u>
NON-CASH TRANSACTIONS	
Purchase of investment properties (note 6)	508,620,000
Dividend payable	32,640,672

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

Alinma Hospitality REIT Fund
 (Managed by Alinma Investment Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period from 30 January 2023 to 30 June 2023

	<i>Unaudited</i> <i>SR</i>
Comprehensive Income:	
Net profit for the period	35,906,595
Other comprehensive income for the period	-
Total comprehensive income for the period	35,906,595
Dividends (note 11)	(32,640,672)
	<u>3,265,923</u>
CHANGE FROM UNIT TRANSACTIONS	
Contributions against issuance of units (note 6)	1,020,021,000
EQUITY AT THE END OF THE PERIOD	<u><u>1,023,286,923</u></u>
REDEEMABLE UNITS TRANSACTIONS	
Transactions in redeemable units for the period are summarised as follows:	
	<i>Unaudited</i> <i>Units</i>
Units issued during the period	102,002,100
UNITS AT THE END OF THE PERIOD	<u><u>102,002,100</u></u>

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

Alinma Hospitality REIT Fund (Managed by Alinma Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2023

1 INCORPORATION AND ACTIVITIES

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

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

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

As per terms and conditions of the Fund, the initial term of the Fund is 99 years with an option to extend it for a similar term years with the approval of Unitholders, the Fund's Board and the Capital Market Authority (the "CMA")

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

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

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

2 REGULATING AUTHORITY

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

3 BASIS OF PREPARATION

3.1 *Statement of compliance*

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

The interim condensed financial statements do not include all the information and the required disclosures will be included in the Fund's annual financial statements for the year ending 31 December 2023.

3.2 *Basis of measurement*

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

Alinma Hospitality REIT Fund
(Managed by Alinma Investment Company)

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

3 BASIS OF PREPARATION (continued)

3.3 Functional and presentation currency

These interim condensed financial statements are presented in Saudi Riyals ("SR"), which is the functional currency of the Fund. All financial information has been rounded off to the nearest SR except where otherwise indicated.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies applied in the preparation of these interim condensed financial statements are set out below.

4.1 Cash and cash equivalents

Cash and cash equivalents comprise of current account with bank, cash in investment account and Murabaha deposits, if any, with an original maturity of three months or less

4.2 Investment properties

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

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

The estimated useful lives of the buildings range from 26 to 33 years.

4.3 Impairment of non-financial assets

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

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

Alinma Hospitality REIT Fund
(Managed by Alinma Investment Company)

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 *Financial Instruments - Initial recognition and subsequent measurement*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) *Financial assets*

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows.

The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Subsequent measurement

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

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

Financial assets held for trading

In applying that classification, a financial asset is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Held-for-trading assets are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

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 the interim condensed statement of comprehensive income when the asset is derecognised, modified or impaired. The Fund's financial assets at amortised cost includes cash and cash equivalents and rental income receivables.

Alinma Hospitality REIT Fund
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

30 June 2023

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 *Financial Instruments - Initial recognition and subsequent measurement (continued)*
i) *Financial assets (continued)*

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

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

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

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

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

Derecognition

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

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

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

Impairment

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

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

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

Alinma Hospitality REIT Fund
(Managed by Alinma Investment Company)

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Financial assets (continued)

Impairment (continued)

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

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

ii) Financial liabilities

Initial recognition and measurement

The Fund's financial liabilities include management and administration fees payable and other liabilities. All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

Subsequent measurement

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

Financial liabilities at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. This is the category most relevant to the Fund. After initial recognition, financial liabilities are subsequently measured at amortised cost using the Effective Interest Rate ("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 interim condensed statement of comprehensive income.

This category generally applies to redemption payable and accrued expenses and other current liabilities.

Derecognition

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

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 interim condensed statement of financial position.

4.5 Fair value measurement

The Fund measures financial instruments such as equity instruments 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.

Alinma Hospitality REIT Fund
(Managed by Alinma Investment Company)

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Fair value measurement (continued)

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.

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.

4.6 Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.7 Net assets value per unit

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

4.8 Management fees, subscription fees, custodian fees and other expenses

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

Alinma Hospitality REIT Fund
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

30 June 2023

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Revenue recognition

The Fund recognizes revenue from contracts with customers based on a five-step model:

1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Fund expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Fund will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Fund expects to be entitled in exchange for satisfying each performance obligation.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Fund satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Fund's performance as the Fund performs; or
- The Fund's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Fund's performance does not create an asset with an alternative use to the Fund and the Fund has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied. When the Fund satisfies a performance obligation by delivering the promised services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to contract liability. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The specific recognition criteria described below must also be met before revenue is recognized.

Rental income from lease of investment properties

Rental income arising from operating lease on investment properties is recognised, net of discount, in accordance with the terms of leases over the lease term on a straight-line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the lease asset.

4.10 Zakat and income tax

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

4.11 Distribution

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

4.12 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>
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	1 January 2024
Disclosures: Supplier finance arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

Alinma Hospitality REIT Fund
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

30 June 2023

5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Going concern

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

Impairment of investment property

At each reporting date, the Fund Manager reviews the carrying amounts of investment property to determine if there is any indication of impairment. If any such indication exists, then the investment property's recoverable amount is estimated.

The recoverable amount of the investment property is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the property. In process of determining the value in use based on the estimated future cash flows, the management also performs sensitivity analysis of significant inputs on the forecasted cash flow to evaluate the impact on the currently estimated headroom for the investment property.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in statement of profit or loss. The Fund will continue to monitor the situation, and any changes required will be reflected in future reporting periods.

Fair value measurement

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

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

The Fund measures financial instruments at fair value at each statement of financial position date. The Fund holds investments in a fund which is fair valued using the net assets value as of the reporting date.

Alinma Hospitality REIT Fund
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

30 June 2023

6 INVESTMENT PROPERTIES

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

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Net book value SR</i>
Vittori Palace Hotel	451,500,000	4,189,870	447,310,130
Rafal Ascott Hotel	257,250,000	2,805,797	254,444,203
Clarion Hotel Jeddah Airport	158,670,000	1,570,120	157,099,880
Comfort inn and Suites Hotel	85,355,000	737,839	84,617,161
Comfort inn Hotel	65,252,500	541,451	64,711,049
	<u>1,018,027,500</u>	<u>9,845,077</u>	<u>1,008,182,423</u>

PROPERTY	DISCRIPTION
Vittori Palace Hotel	This property is a fully constructed commercial facility on a freehold land, located in Khuzam Street – King Abdullah District, Riyadh, Kingdom of Saudi Arabia. The property has been leased out for the term of 5 years.
Rafal Ascott Hotel	This property is a fully constructed commercial facility on a freehold land, located in Olaya Street – Al-Sahafa District, Riyadh, Kingdom of Saudi Arabia. The SPV of the Fund, on behalf of the Fund, has entered into an operational agreement of 5 years with Al-Maskan Al-Hadri Real Estate Development Company (“Operator”), for operating and managing the hotel operations in the property. The Fund will be generating a fixed income from this arrangement each year.
Clarion Hotel Jeddah Airport	This property is a fully constructed commercial facility on a freehold land, located in Prince Majed Street – Nozha District, Jeddah, Kingdom of Saudi Arabia. The property has been leased out for the term of 5 years.
Comfort inn and Suites Hotel	This property is a fully constructed commercial facility on a freehold land, located in King Abdulaziz Road – Al Zahra District, Jeddah, Kingdom of Saudi Arabia. The SPV of the Fund, on behalf of the Fund, has entered into an operational agreement of 5 years with Seera Hospitality Company (“Operator”), for operating and managing the hotel operations in the property. The Fund will be generating a fixed income from this arrangement each year.
Comfort inn Hotel	This property is a fully constructed commercial facility on a freehold land, located in Wadi Al-Awsat Street – Olaya District, Riyadh, Kingdom of Saudi Arabia. The property has been leased out for the term of 5 years.

Alinma Hospitality REIT Fund
(Managed by Alinma Investment Company)

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

6 INVESTMENT PROPERTIES (continued)

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

	<i>Lands</i> SR	<i>Buildings</i> SR	<i>Total</i> SR
<i>Cost</i>			
Additions during the period	254,910,061	763,117,439	1,018,027,500
At the end of the period	254,910,061	763,117,439	1,018,027,500
<i>Accumulated depreciation</i>			
Depreciation charge for the period	-	(9,845,077)	(9,845,077)
At the end of the period	-	(9,845,077)	(9,845,077)
<i>Net book amount as at 30 June 2023</i>	254,910,061	753,272,362	1,008,182,423

Acquisition of investment properties is partially funded through units issued amounting to SR 508.6 million, equivalent to 50.86 million units and the remaining amount of SR 509.4 million equivalent to 50.94 million units is funded through cash. The title deed of the investment properties are registered in the name of the SPV.

7 EFFECTS ON NET ASSETS VALUE IF INVESTMENT PROPERTY ARE FAIR VALUED

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

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

As at 30 June 2023, the valuation of investment properties are as follows:

	Appraiser 1 (SR)	30 June 2023 (Unaudited) Appraiser 2 (SR)	Average (SR)
Vittori Palace Hotel	437,210,000	453,075,000	445,142,500
Rafal Ascott Hotel	265,620,000	274,865,000	270,242,500
Clarion Hotel Jeddah Airport	157,290,000	167,453,636	162,371,818
Comfort inn and Suites Hotel	87,450,000	90,449,380	88,949,690
Comfort inn Hotel	63,650,000	68,280,000	65,965,000
	1,011,220,000	1,054,123,016	1,032,671,508

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

Alinma Hospitality REIT Fund
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

30 June 2023

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

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

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

	<i>30 June 2023 (Unaudited) SR</i>
Average fair value of investment properties	1,032,671,508
Less: Carrying value of investment properties (note 6.1)	<u>(1,008,182,423)</u>
Unrealised gain based on fair value	<u>24,489,085</u>
Units in issue (numbers)	<u>102,002,100</u>
Impact per unit share based on fair value evaluation (SR)	<u>0.24</u>

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

	<i>30 June 2023 (Unaudited) SR</i>
Net assets value at cost	1,023,286,923
Unrealised gain based on fair value evaluations	<u>24,489,085</u>
Net assets based on fair value	<u>1,047,776,008</u>

iii. The net asset value per unit, using fair values of the property inventories is set out below:

	<i>30 June 2023 (Unaudited) SR</i>
Net assets value per unit at cost	10.03
Impact on net assets value per unit on account of unrealised gain based on evaluations	<u>0.24</u>
Net assets value per unit based on fair value	<u>10.27</u>

Alinma Hospitality REIT Fund
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

30 June 2023

8 FINANCIAL ASSETS AT FVTPL

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

	<i>30 June 2023 (Unaudited)</i>	
	Cost (SR)	Market value (SR)
Alinma Saudi Riyal Liquidity Fund	46,000,000	46,464,942

9 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

a) Management fees

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

b) Administration fees

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

b) Board of Directors remuneration

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

9.1 Related party transactions

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

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Nature of transaction</i>	<i>For the period from 30 January 2023 to 30 June 2023 (Unaudited) SR</i>
Alinma Investment company	Fund Manager	Management fees	(3,676,283)
		Expenses paid on behalf of the Fund	(1,239,500)
		Administration fees	(75,000)
Fund Board of Directors	Board of Directors	Board fees	(20,000)

Alinma Hospitality REIT Fund
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

30 June 2023

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

9.2 Related party balances

Period end balances (payable) arising from transactions with related parties, which are included as part of accrued expenses and other liabilities in the interim condensed statement of financial position are as follows:

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Balances</i>	<i>30 June 2023 (Unaudited) SR</i>
Alinma Investment company	Fund Manager	Management fees payable	(3,676,283)
		Establishment cost	(1,239,500)
		Administration fees	(75,000)

10 FAIR VALUE MEASUREMENT

Financial assets consist of cash and cash equivalents, financial assets at FVTPL and rental income receivable. Financial liabilities consist of unearned rental income, dividends payable and other liabilities.

Due to the short-term nature of most of the financial instruments, their carrying amounts are considered to be the same as their fair values. The fair values of financial assets held at FVTPL amounting to SR 46,464,942 are classified under level 2.

11 DIVIDENDS DISTRIBUTION

During the period ended 30 June 2023, in accordance with the terms and conditions of the Fund, the Fund's Board has declared dividends of SR 0.32 per unit for the period ended 30 June 2023, amounting to SR 32,640,672, which is still payable as of 30 June 2023.

12 LAST VALUATION DATE

The last valuation date of the Fund was 30 June 2023.

13 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Fund Manager on 23 Muharram 1445H (corresponding to 10 August 2023).