

ALINMA MAKKAH REAL ESTATE FUND
(Managed by Alinma Investment Company)

INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

AND INDEPENDENT AUDITOR'S REVIEW REPORT

Alinma Makkah Real Estate Fund
(Managed by Alinma Investment Company)

INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2022

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Alinma Makkah Real Estate Fund ("the Fund") being managed by Alinma Investment Company (the "Fund Manager") as at 30 June 2022, and the related interim condensed statements of profit or loss and other comprehensive income, cash flows and changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Fund Manager is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 – "Interim Financial Reporting ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

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

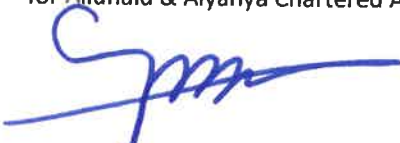
Emphasis of Matter – Material uncertainty related to going concern

We draw attention to note 3 in the accompanying interim condensed financial statements, which indicates that the Fund Manager has entered into a legally binding transaction agreement with Jabal Omar Development Company (JODC) pursuant to which the parties have agreed to fully settle all obligations and liabilities related to the Fund through the issuance of shares in JODC to the Fund unitholders. In exchange for the issuance of the new shares to the Fund unitholders, the Fund and/or the Fund related entities will surrender to JODC all of their rights over all the assets including rights of ownership and any other rights, and all collateral and security granted by JODC to the Fund and/or the Fund related entities. Upon completion of this transaction, the Fund will be terminated. This condition indicates that a material uncertainty exists that may cast significant doubt on the Fund's ability to continue as going concern.

Other Matter

The financial statements of the Fund for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 Sha'ban 1443H (corresponding to 28 March 2022). Further, the interim condensed financial statements of the Fund for the six-month period ended 30 June 2021, were reviewed by another auditor who expressed an unmodified review conclusion on those interim condensed financial statements on 9 Muharram 1443H (corresponding to 17 August 2021).

for Alluhaid & Alyahya Chartered Accountants



Saleh Al Yahya
Certified Public Accountant
License number 473

Riyadh: 16 Muhammar 1444H
(14 August 2022)



Alinma Makkah Real Estate Fund
(Managed by Alinma Investment Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Note</i>	30 June 2022 (Unaudited) SR	<i>31 December 2021 (Audited) SR</i>
ASSETS			
Cash and cash equivalents		13,207,004	1,466,349
Lease rent receivable	7	560,368,288	488,810,328
Input value-added tax receivable		61,512	-
Investment in finance lease	8	6,000,000,000	6,000,000,000
Financial assets at fair value through profit or loss (“FVTPL”)	6	-	24,474,652
TOTAL ASSETS		6,573,636,804	6,514,751,329
LIABILITIES AND EQUITY			
LIABILITIES			
Payable upon transfer of title deeds		30,000,000	30,000,000
Accrued expenses and other current liabilities		50,117,996	59,239,949
TOTAL LIABILITIES		80,117,996	89,239,949
EQUITY			
Net assets attributable to unitholders of redeemable units		6,493,518,808	6,425,511,380
TOTAL LIABILITIES AND EQUITY		6,573,636,804	6,514,751,329
Redeemable units in issue (numbers)		609,000,000	609,000,000
Net asset value attributable to each unit (SR)		10.66	10.55

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

Alinma Makkah Real Estate Fund
(Managed by Alinma Investment Company)

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

	<i>Note</i>	<i>Unaudited</i>	
		<i>For the six-month period ended</i>	<i>For the six-month period ended</i>
		<i>30 June</i>	<i>30 June</i>
		<i>2022</i>	<i>2021</i>
		<i>SR</i>	<i>SR</i>
INCOME			
Rental income		268,710,966	268,710,966
Income from financial assets at FVTPL		72,518	540,730
TOTAL INCOME		268,783,484	269,251,696
OPERATING EXPENSES			
Charge for expected credit loss allowance	7	(173,556,982)	(6,183)
Management fees	9	(24,982,224)	(23,161,366)
Other operating expenses		(2,236,850)	(704,126)
TOTAL OPERATING EXPENSES		(200,776,056)	(23,871,675)
NET INCOME FOR THE PERIOD		68,007,428	245,380,021
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		68,007,428	245,380,021

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

Alinma Makkah Real Estate Fund
(Managed by Alinma Investment Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

	<i>Unaudited</i>	
	<i>For the six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES		
Net income for the period	68,007,428	245,380,021
Adjustment for:		
Charge for expected credit loss allowance	173,556,982	6,183
Income from financial assets at FVTPL	(72,518)	(540,730)
	241,491,892	244,845,474
Changes in operating assets and liabilities:		
Decrease in lease rent receivable	(245,114,942)	(201,902,723)
(Increase) decrease in input value-added tax	(61,512)	482,878
(Decrease) increase in accrued expenses and other current liabilities	(9,121,953)	12,340,273
Net cash flows (used in) from operating activities	(12,806,515)	55,765,902
INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at FVTPL	24,547,170	68,700,000
Payments for the purchase of financial assets at FVTPL	-	(65,000,000)
Net cash flows from investing activities	24,547,170	3,700,000
FINANCING ACTIVITY		
Dividends paid	-	(60,900,000)
Net cash flows used in financing activity	-	(60,900,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,740,655	(1,434,098)
Cash and cash equivalents at beginning of the period	1,466,349	2,106,664
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	13,207,004	672,566

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

Alinma Makkah Real Estate Fund
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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

	<i>Unaudited</i>	
	<i>For the six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
EQUITY AT THE BEGINNING OF THE PERIOD	6,425,511,380	6,019,899,114
Comprehensive income:		
Net income for the period	68,007,428	245,380,021
Other comprehensive income for the period	-	-
Total comprehensive income for the period	68,007,428	245,380,021
Dividends distribution	-	(60,900,000)
EQUITY AT THE END OF THE PERIOD	6,493,518,808	6,204,379,135

REDEEMABLE UNIT TRANSACTIONS

Transactions in redeemable units for the period are summarised as follows:

	<i>Unaudited</i>	
	<i>For the six-month period ended</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>
	<i>Units</i>	<i>Units</i>
UNITS AT THE BEGINNING AND END OF THE PERIOD	609,000,000	609,000,000

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

Alinma Makkah Real Estate Fund (Managed by Alinma Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 30 June 2022

1 INCORPORATION AND ACTIVITIES

Alinma Makkah Real Estate Fund (the "Fund") is a public closed-ended fund created under an agreement between Alinma Investment Company (the "Fund Manager"), (a subsidiary of Alinma Bank (the "Bank")) and investors (the "unitholders") in the Fund, in accordance with shariah standards issued by the Shariah Board of the Fund Manager. The Fund commenced its operations on 20 Safar 1439H (corresponding to 9 November 2017).

The Fund was formed with the objective to acquire a number of income-generating real estate properties within the first phase of the Jabal Omar project next to the Grand Mosque in Mecca to provide periodic income to investors in the Fund. The Fund was required to distribute semi- annually not less than 90% per annum of net distributable profits. All income after the distribution of dividend is reinvested and is reflected in the unit price.

On 10 January 2022, the Fund Manager obtained approval from Unit holders to make a fundamental changes in terms and conditions of the Fund to allow the option for in kind exit to the Unit holders in accordance with the amended offer submitted by Jabal Omar Development Company (JODC) related to the acquisition of the assets and settlement of the obligations of the Fund in exchange of the units of the Fund with the shares of JODC based on specified swap rate. Accordingly, an approval was obtained from CMA for fundamental changes in terms and conditions of the Fund.

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.

Nama Fund Real Estate Company, a limited liability company with commercial registration number 1010899192, 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 it is liable for contractual obligations.

The Fund has appointed Albilad Capital Company (the "Custodian") to act as its custodian. The fees of the custodian are paid by the Fund as per the terms and conditions of the Fund.

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") issued by the CMA detailing requirements for all Investment Funds within the Kingdom of Saudi Arabia.

3 MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

On 2 April 2022, the Fund Manager has signed a transaction agreement with Jabal Omar Development Company ("JODC"), pursuant to which the parties have agreed to fully settle all obligations and liabilities related to the Fund through the issuance of 225,134,162 new shares in JODC to the Fund unitholders, pursuant to the determined exchange ratio being 0.4423 new shares in JODC for every unit of the Fund through a capital increase of the share capital of JODC.

In exchange for the issuance of the new shares to the Fund unitholders, the Fund and/or the Fund related entities will surrender to JODC all of their rights over the assets, pursuant to the relevant Fund documents and agreements, including rights of ownership and any other rights, and all collateral and security granted by JODC to the Fund and/or the Fund related entities being released and terminated. Upon the effective date of the agreement i.e., the date of issuance and allocation of new shares to the unitholders, as per the agreement, the Fund Manager shall terminate the Fund.

The transaction agreement may be terminated if the completion of the transaction does not occur within six months as of the date of signing the agreement or any other date as agreed between the parties in writing.

This condition indicate that the material uncertainty exist that may cast significant doubt on the Fund's ability to continue as a going concern.

Alinma Makkah Real Estate Fund
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
30 June 2022

4 BASIS OF PREPARATION

4.1 Statement of compliance

These interim condensed financial statements for the six-months period ended 30 June 2022 of the Fund have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organisation for Chartered and Professional Accountants (“SOCPA”).

The Fund Manager has prepared the financial statements on the basis that the Fund will continue to operate as a going concern. They have formed a judgement that there is a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Fund’s annual financial statements as at 31 December 2021.

4.2 Basis of measurement

These interim condensed financial statements have been prepared under historical cost convention, except for the financial assets that are measured at FVTPL which are measured at fair value. The interim condensed statement of financial position is stated broadly in order of liquidity.

4.4 Use of judgments, estimates and assumptions

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

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

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Fund’s annual financial statements for the year ended 31 December 2021 except for the adoption of new standards effective as of 1 January 2022. Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed financial statements of the Fund.

The Fund has not early adopted any standard, interpretation or amendment that has been issued but not effective yet.

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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 contract.

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	Cost SR	Fair value SR	Cost SR	Fair value SR
Alinma Saudi Riyal Liquidity Fund	-	-	24,214,142	24,474,652

Alinma Makkah Real Estate Fund
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
30 June 2022

7 LEASE RENT RECEIVABLE

	<i>30 June 2022 (Unaudited) SR</i>	<i>31 December 2021 (Audited) SR</i>
Lease rent receivable	759,002,812	513,888,066
Less: Expected credit loss allowance	(198,634,524)	(25,077,738)
Lease rent receivables, net	<u>560,368,288</u>	<u>488,810,328</u>

The movement in the expected credit loss allowance is as follows:

	<i>30 June 2022 (Unaudited) SR</i>	<i>31 December 2021 (Audited) SR</i>
Balance at the beginning of the period/year	25,077,738	-
Charge for the expected credit loss allowance for the period/year	173,556,786	25,077,738
Balance at the end of the period/year	<u>198,634,524</u>	<u>25,077,738</u>

8 NET INVESTMENT IN FINANCE LEASE

On commencement of operations, the Fund acquired certain properties located in Makkah (“Properties”), which included Hotels and malls, from JODC for a total consideration of SR 6 billion. These Properties were subsequently leased back to JODC for an annual rental amount of SR 540 million for a period of 10 years. The rental payments are due on a semi-annual basis.

Based on the terms of the sale and purchase lease agreement JODC has option either to purchase the Properties for SR 6 billion starting from 6th year till the end of lease (10th year) or act as an exclusive agent for sale of these Properties, in this case JODC will be entitled to any excess of the sale proceeds over determined IRR as per agreements between the Fund and JODC and commission at an agreed percentage. Upon termination of the lease at the end of the 10th year, in case the Properties remain unsold, the Fund is free to sell the Properties to any third party. However, JODC will have the first right of the offer. The estimated value of properties as at 30 June 2022 amounts to SR 6.673 billion (31 December 2021: SR 6,774 billion).

The exercise price is significantly lower than the current market value of the Properties and considering the locations and nature of the Properties. The Fund Manager performed an assessment of the transaction based on the above details at the inception of the lease contract and concluded that the lease agreement contains a lease and classified it as finance lease.

Alinma Makkah Real Estate Fund
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
30 June 2022

8 NET INVESTMENT IN FINANCE LEASE (continued)

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	<i>30 June 2022 (Unaudited) SR</i>	<i>31 December 2021 (Audited) SR</i>
Not later than 1 year	540,000,000	540,000,000
Later than 1 year but no more than 5 years	2,160,000,000	2,160,000,000
Later than 5 years	6,190,939,227	6,460,939,227
Total undiscounted lease payments	8,890,939,227	9,160,939,227
Unearned finance lease income	(2,890,939,227)	(3,160,939,227)
Net investment in finance lease	6,000,000,000	6,000,000,000

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 significant influence over the party in making financial or operational decisions.

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>Unaudited</i>	
			<i>For the six-month period ended 30 June 2022 SR</i>	<i>30 June 2021 SR</i>
Alinma Investment Company	Fund Manager	Management fees	(24,982,224)	(23,161,366)
Jabal Omar Development Company	Unitholder	Finance income from lease	268,710,966	268,710,966

Alinma Makkah Real Estate Fund
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
30 June 2022

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

9.2 Related party balances

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

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Balances</i>	30 June 2022 (Unaudited) SR	31 December 2021 (Audited) SR
Alinma Investment Company	Fund Manager	Accrued management fee	(44,566,989)	(47,642,453)
		Accrued administration fee	(700,000)	(350,000)
Alinma Bank	Parent Company of Fund Manager	Cash and cash equivalents	13,207,004	1,466,349
Jabal Omar Development Company	Unit holder	Net investment in finance lease	6,000,000,000	6,000,000,000
		Lease rental receivable	759,002,812	513,888,066
		Payable upon transfer of title deed	(30,000,000)	30,000,000

The unitholders' account included units held by related parties as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
	<i>Number of units</i>	
Alinma Investment Company	1,711,827	1,711,827
Alinma Bank	111,057,881	111,057,881
Jabal Omar Development Company	100,000,000	100,000,000

10 FAIR VALUE MEASUREMENT

Financial assets consist of cash and cash equivalents, other receivables and financial assets at FVTPL. Financial liabilities consist of payable upon transfer of title deeds and accrued expenses and other current liabilities.

Due to short-term nature of most of the financial instruments, their carrying amounts approximates to the fair values and all financial assets and financial liabilities are classified as level 2.

11 EVENTS AFTER THE END OF THE PERIOD

On 12 July 2022, the CMA has approved the application of JODC to increase its capital through conversion of all obligations owed by JODC to the Fund, into new ordinary shares of the Company to be issued to the unitholders of the Fund.

Further, JODC has invited its shareholders on 25 August 2022, to attend the extraordinary general assembly meeting, for the voting for the purpose of converting the entire debt owned by JODC towards the Fund by issuing new share in JODC to the Fund's unitholders for each unit they own in the Fund.

Alinma Makkah Real Estate Fund
(Managed by Alinma Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
30 June 2022

12 LAST VALUATION DATE

The last valuation date of the period was 30 June 2022 (31 December 2021: The last valuation date for the year was 31 December 2021).

13 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Fund Manager on 16 Muharram 1444H (corresponding to 14 August 2022).