

**ALINMA SAUDI GOVERNMENT SUKUK ETF  
FUND – SHORT MATURITY**  
(An Exchange-traded fund)  
**Managed by Alinma Investment Company**  
**Interim condensed financial statements (Unaudited)**  
**For the six-month period ended 30 June 2021**  
together with the  
**INDEPENDENT AUDITOR’S REVIEW REPORT**

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**  
(An exchange-traded fund)  
**Managed by Alinma Investment Company**  
**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
For the six-month period ended 30 June 2021

<b><u>Content</u></b>	<b><u>Page</u></b>
Independent auditor’s review report	1
Interim condensed statement of financial position	2
Interim condensed statement of profit or loss and other comprehensive income	3
Interim condensed statement of changes in net assets (equity) attributable to the Unitholders	4
Interim condensed statement of cash flows	5
Notes to the interim condensed financial statements	6 – 13



## KPMG Professional Services

Riyadh Front, Airport Road  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Headquarter

Commercial Registration No.1010425494

## كي بي ام جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

# Independent auditor's report on review of interim condensed financial statements

## To the Unitholders of Alinma Saudi Government Sukuk ETF Fund – Short Maturity

### Introduction

We have reviewed the accompanying 30 June 2021 interim condensed financial statements of **Alinma Saudi Government Sukuk ETF Fund – Short Maturity** (the "Fund"), managed by Alinma Investment Company (the "Fund Manager") which comprises:

- the interim condensed statement of financial position as at 30 June 2021;
- the interim condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2021;
- the interim condensed statement of changes in net assets (equity) attributable to the Unitholders for the six-month period ended 30 June 2021;
- the interim condensed statement of cash flows for the six-month period ended 30 June 2021; and
- the notes to the interim condensed financial statements.

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 and to comply with the applicable provisions of the Investment Funds Regulations issued by Capital Market Authority, the Fund's Terms and Conditions and the Information Memorandum. 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 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 30 June 2021 interim condensed financial statements of Alinma Saudi Government Sukuk ETF Fund – Short Maturity are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

## KPMG Professional Services

**Khalil Ibrahim Al Sedais**

License No: 371

Riyadh 17 August 2021

Corresponding to 9 Muharram 1443H



KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (15,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

كي بي ام جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي ام جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي ام جي المستقلة والتابعة لـ كي بي ام جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**

(An exchange-traded fund)

Managed by Alinma Investment Company

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2021

(All amounts in Saudi Arabian Riyals unless otherwise stated)

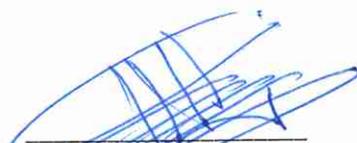
	<i>Note</i>	<b>30 June 2021</b> (Unaudited)	31 December 2020 (Audited)
<b>ASSETS</b>			
Investments at amortised cost	8	<u>1,242,229,336</u>	1,247,571,295
Cash and cash equivalents	9	<u>7,570,205</u>	8,494,622
<b>Total assets</b>		<u><b>1,249,799,541</b></u>	<u>1,256,065,917</u>
<b>LIABILITIES</b>			
Accrued management fee	12	<u>301,775</u>	<u>313,993</u>
<b>NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS</b>		<u><b>1,249,497,766</b></u>	<u>1,255,751,924</u>
Units in issue (Numbers)	12.2	<u>12,500,000</u>	<u>12,500,000</u>
Net assets (equity) value per unit – IFRS	15	<u>99.96</u>	<u>100.46</u>
Net assets (equity) value per unit – Dealing	15	<u>101.93</u>	<u>103.30</u>

  
Zaki Abdullah Al Awami  
Fund Manager

The accompanying notes from 1 to 19 form an integral part of these interim condensed financial statements.

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**  
 (An exchange-traded fund)  
**Managed by Alinma Investment Company**  
**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME (UNAUDITED)**  
 For the six-month period ended 30 June 2021  
 (All amounts in Saudi Arabian Riyals unless otherwise stated)

		For the six-month period ended 30 June	
	<i>Note</i>	<u>2021</u>	<u>2020</u>
<b>INCOME</b>			
Income from investments at amortised cost	8.3	13,561,238	10,442,637
<b>EXPENSES</b>			
Management fee	12	(1,828,022)	(1,179,296)
Other expenses	10	(80)	(548,442)
(Reversal) / Charge for expected credit loss allowance		<u>12,706</u>	<u>(69,845)</u>
<b>Total expenses</b>		<u>(1,815,396)</u>	<u>(1,797,583)</u>
<b>Net profit for the period</b>		<b>11,745,842</b>	8,645,054
Other comprehensive income for the period		<u>--</u>	<u>--</u>
<b>Total comprehensive income for the period</b>		<u><b>11,745,842</b></u>	<u>8,645,054</u>

  
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 Zaki Abdullah Al Awami  
 Fund Manager

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**  
 (An exchange-traded fund)  
 Managed by Alinma Investment Company  
**INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS (EQUITY)**  
**ATTRIBUTABLE TO THE UNIT HOLDERS (UNAUDITED)**  
 For the six-month period ended 30 June 2021  
 (All amounts in Saudi Arabian Riyals unless otherwise stated)

	<i>Note</i>	For the six-month period ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Net assets (equity) attributable to the Unitholders at the beginning of the period		1,255,751,924	--
Total comprehensive income for the period		11,745,842	8,645,054
<i>Contributions and redemptions by the Unitholders:</i>			
Issuance of units – in kind	12.1 & 12.2	--	1,225,000,000
Issuance of units – in cash	12.2	--	25,000,000
Redemption of units		--	--
Net change from unit transactions		--	1,250,000,000
Cash distributions	11	(18,000,000)	--
<b>Net assets (equity) attributable to Unitholders at end of the period</b>		<b>1,249,497,766</b>	<b>1,258,645,054</b>

**UNIT TRANSACTIONS:**

Transactions in units for the period are summarized as follows:

	<i>Note</i>	For the six-month period ended 30 June	
		(in Units)	
		2021 (Unaudited)	2020 (Unaudited)
Units at the beginning of the period		12,500,000	--
Units issued during the period	12.2	--	12,500,000
Units redeemed during the period		--	--
<b>Net change in units</b>		--	12,500,000
<b>Units at end of the period</b>		<b>12,500,000</b>	<b>12,500,000</b>

  
 Zaki Abdullah Al-Awami  
 Fund Manager

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**  
(An exchange-traded fund)  
**Managed by Alinma Investment Company**  
**INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)**  
For the six-month period ended 30 June 2021  
(All amounts in Saudi Arabian Riyals unless otherwise stated)

	<b>For the six-month period ended 30 June</b>	
<i>Note</i>	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>Cash flows from operating activities</b>		
Net profit for the period	11,745,842	8,645,054
<i>Adjustments for:</i>		
Income from investments at amortised cost	8.3 (13,561,238)	(10,442,637)
Expected credit losses allowance on investments at amortised cost	8 (801)	62,601
Expected credit losses allowance on cash and cash equivalents	9 (11,905)	7,244
	(1,828,102)	(1,727,738)
<b>Changes in operating assets and liabilities</b>		
Increase in accrued management fee	(12,218)	561,017
	(1,840,320)	(1,166,721)
Acquisition of investments held at amortised cost	--	(15,563,518)
Payment for transfer of accrued special commission	8.4 --	(9,436,482)
Special commission income received	8.4 18,903,998	1,389,566
Transferred accrued special commission received	8.4 --	9,436,482
<b>Net cash generated from / (used in) operating activities</b>	<b>17,063,678</b>	<b>(15,340,673)</b>
<b>Cash flows from investing activities</b>	--	--
<b>Cash flows from financing activities</b>		
Proceeds from issuance of units	12.2 --	25,000,000
Cash distributions	11 (18,000,000)	--
<b>Net cash (used in) / generated from financing activities</b>	<b>(18,000,000)</b>	<b>25,000,000</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	(936,322)	9,659,327
Cash and cash equivalents at the beginning of the period	8,506,531	--
<b>Cash and cash equivalents at the end of the period</b>	<b>9</b> 7,570,209	<b>9,659,327</b>

  
Zaki Abdullah Al Awami  
Fund Manager

# ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY

(An exchange-traded fund)

Managed by Alinma Investment Company

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(All amounts in Saudi Arabian Riyals unless otherwise stated)

### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Alinma Saudi Government Sukuk ETF Fund – Short Maturity (the "Fund") is an exchange-traded fund, managed by Alinma Investment Company (the "Fund Manager"), that provides long term capital appreciation by investing in a series of short term sovereign Sukuk issued by the government authorities in the Kingdom of Saudi Arabia.

The Fund was established by virtue of the approval of the Capital Market Authority on 6 Jumada'1 1441H corresponding to 1 January 2020 and commenced its operations on 24 February 2020.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund. Furthermore, the Unitholders are considered to be the beneficial owners of the assets of the Fund. The Fund Manager is also the administrator of the Fund. The Fund Manager has appointed Apex Fund Services Bahrain WLL ("Apex") to act as the administrator of the Fund. Credit Suisse Saudi Arabia is the custodian of the Fund as per the terms and conditions of the Fund.

The Fund Manager's address is as follows:

Al-Anoud Tower, Building No.2

King Fahad Road

P.O. Box 66333

Riyadh 11576

Kingdom of Saudi Arabia

### 2 IMPACT OF COVID-19

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

The Fund Manager is continuously monitoring the situation and its impact on the Fund's operation, cash flows and financial position. The Fund Manager believes, based on their assessment, that the Fund has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future as and when they become due.

### 3 REGULATORY FRAMEWORK

The Fund is governed by the Investment Fund Regulations (the "Regulations") published by Capital Market Authority ("CMA") on 3 Dhul Hijja 1427 H (corresponding to 24 December 2006) thereafter amended on 16 Sha'ban 1437 H (corresponding to 23 May 2016).

The Regulation was further amended (the "Amended Regulations") on 17 Rajab 1442 H ((corresponding to 1 March 2021), detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations came into effect from 19 Ramadan 1442 H (corresponding to 1 May 2021). Based on the assessment by the Fund Manager, the amendments in the Regulations did not result to significant impact to the interim condensed financial statements of the Fund.

### 4 PRIMARY MARKET OPERATION (CREATION AND REDEMPTION OF UNITS)

The primary market operations are only carried out by the Fund Manager who is the authorized Market Maker. The creation and redemption activities are done on the basis of blocks of exchange traded fund (ETF) units (*for the Fund, one block equals 10,000 ETF units*), referred to as "creation unit and redemption unit" respectively. The process of creation and redemption of ETF units is on an in-kind basis whereby the Fund Manager and the Market Maker interexchange ETF units with the Fund and the basket of assets, through the custodian, for the purpose of creation and redemption of ETF units. The created units are then freely floated on Tadawul for public trading.

# ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY

(An exchange-traded fund)

Managed by Alinma Investment Company

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(All amounts in Saudi Arabian Riyals unless otherwise stated)

### 5 BASIS OF PREPARATION

#### a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and in compliance with the applicable provisions of the Investment Funds Regulation issued by Capital Market Authority, the Fund’s Terms and Conditions and the Information Memorandum.

The preparation of financial statements in conformity with the IFRS that are endorsed in KSA requires the use of certain critical accounting estimates. It also requires Fund Manager to exercise its judgement in the process of applying Fund’s accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5(d) of the financial statements.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund’s annual financial statements for the year ended 31 December 2020.

#### b) Basis of measurement

These financial statements have been prepared on a going concern basis, applying the historical cost convention.

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 its business for the foreseeable future. Furthermore, the Fund Manager is not aware of any material uncertainty that may cast doubt upon the Fund’s ability to continue as going concern. Therefore, these financial statements have been prepared on going concern basis.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the interim condensed statement of financial position.

#### c) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (“SR”), which is also the functional and presentational currency of the Fund.

#### d) Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The significant assumptions made by the Fund Manager in applying the Fund’s accounting policies and the key sources of estimation uncertainty are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020.

### 6 SIGNIFICANT ACCOUNTING POLICIES

The accounting and risk management policies, estimates and assumptions used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020.

### 7 CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARD

#### 7.1 *New standards, amendments and interpretations adopted in preparation of these financial statements:*

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB), have been effective from 1 January 2021 and accordingly adopted by the Fund, as applicable:

<u>Standard / Amendments</u>	<u>Description</u>
Amendment to IFRS 16	COVID-19 Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 7	Interest Rate Benchmark Reform

The adoption of the amended standards and interpretations applicable to the Fund did not have any significant impact on these condensed interim financial statements.

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**

(An exchange-traded fund)

**Managed by Alinma Investment Company**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(All amounts in Saudi Arabian Riyals unless otherwise stated)

**7 CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARD (CONTINUED)**

**7.2 New standards and amendments issued but not yet effective and not early adopted:**

Standards issued but not yet effective up to the date of issuance of the Fund’s condensed interim financial statements are listed below. The Fund intends to adopt these standards when they become effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Amendments to IA 37	Onerous contracts: Cost of fulfilling a contract	1 January 2022
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual improvement to IFRS Standards Property, plant and equipment: Proceeds before intended use	1 January 2022
Amendments to IAS 16	Reference to the conceptual framework	1 January 2022
Amendments to IFRS 3	Classification of liabilities as current or non- current	1 January 2022
Amendments to IAS 1	Insurance contracts	1 January 2023
IFRS 17	Definition of accounting estimate	1 January 2023
Amendments to IAS 8	Disclosure of accounting policies	1 January 2023
Amendments to IAS 1 and IFRS Practice statement 2		1 January 2023

The Fund Manager anticipates that the application of these new standards and amendments in the future will not have significant impact on the Fund.

**8 INVESTMENTS AT AMORTISED COST**

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Nominal value of Sukuk	<b>1,205,218,000</b>	1,205,218,000
Premium paid	<b>38,013,927</b>	38,013,927
Less: Amortisation of premium paid	<b>(13,158,141)</b>	(7,815,380)
	<b>1,230,073,786</b>	1,235,416,547
Accrued special commission income ( <i>Note 8.4</i> )	<b>12,340,061</b>	12,340,060
	<b>1,242,413,847</b>	1,247,756,607
Less: Expected credit losses allowance	<b>(184,511)</b>	(185,312)
	<b>1,242,229,336</b>	1,247,571,295

**8.1** Below is the movement during the period:

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Balance at the beginning of the period	<b>1,235,416,547</b>	--
Nominal value of sukuk transferred	--	1,205,431,000
Premium paid on transfer of sukuk	--	35,132,518
	<b>1,235,416,547</b>	1,240,563,518
Re-balancing of portfolio		
- Subscriptions during the period	--	159,639,035
- Redemption during the period	--	(159,531,584)
- Gain on redemption due to re-balancing	--	3,500,961
Less: Amortisation during the period	<b>(5,342,761)</b>	(8,755,383)
	<b>1,230,073,786</b>	1,235,416,547

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**

(An exchange-traded fund)

**Managed by Alinma Investment Company****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(All amounts in Saudi Arabian Riyals unless otherwise stated)

**8 INVESTMENTS AT AMORTISED COST (CONTINUED)**

**8.2** The Fund has invested in Saudi Government Sukuks for a cost of SR 1,243.2 million (31 December 2020: SR 1,243.2 million) with a nominal value of SR 1,205.2 million (2020: SR 1,205.2 million), which have a fixed annual rate for special commission income of 2.2% to 3.7% (31 December 2020: 2.7% to 3.7%) and maturity in 1 years to 4 years (31 December 2020: 2 years to 5 years). The premium paid on transfer of the sukuku is being amortised over their remaining term. These sukuku are held with the custodian Credit Suisse Saudi Arabia.

**8.3** Below is the breakup of income from investments at amortised cost:

	<b>For the six-month period ended</b>	
	<b>30 June 2021 (Unaudited)</b>	30 June 2020 (Unaudited)
Special commission income	<b>18,903,999</b>	14,040,548
Less: Amortisation of premium paid	<b>(5,342,761)</b>	(3,597,911)
	<b><u>13,561,238</u></b>	<u>10,442,637</u>

**8.4** Below is the movement for accrued special commission income:

	<b>For the six-month period ended</b>	
	<b>30 June 2021 (Unaudited)</b>	30 June 2020 (Unaudited)
Accrued special commission income at the beginning of the period	<b>12,340,060</b>	--
Special commission income earned during the period	<b>18,903,999</b>	14,040,548
Special commission transferred to the Fund from Alinma Bank (Note 12.1)	--	9,436,482
Less: Special commission income received during the period	<b>(18,903,998)</b>	(10,826,048)
Accrued special commission income as at period end	<b><u>12,340,061</u></b>	<u>12,650,982</u>

**9 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise balance held with Alinma Bank by the Fund Manager on behalf of the Fund. Below is the breakup for cash and cash equivalents:

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Balance held with bank	<b>7,570,209</b>	8,506,531
Less: Expected credit loss allowance	<b>(4)</b>	(11,909)
	<b><u>7,570,205</u></b>	<u>8,494,622</u>

**10 OTHER EXPENSES**

	<b>For the six-month period ended</b>	
	<b>30 June 2021 (Unaudited)</b>	30 June 2020 (Unaudited)
Brokerage and commission charges	--	393,750
Other expenses	<b>80</b>	154,691
	<b><u>80</u></b>	<u>548,441</u>

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**

(An exchange-traded fund)

**Managed by Alinma Investment Company****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(All amounts in Saudi Arabian Riyals unless otherwise stated)

**11 CASH DISTRIBUTIONS**

During the period, the Fund Manager announced and paid a cash distribution of SR 1.44 per unit amounting to SR 18.0 million for the existing units of 12,500,000 units.

**12 TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

In the ordinary course of its activities, the Fund transacts business with its related parties at mutually agreed terms in accordance with the terms and conditions of the Fund which are approved by the Fund Manager. Related parties comprise the Fund Board, Fund Manager and Alinma Bank (the Parent Company of the Fund Manager and a Unitholder of the Fund).

Significant transactions with related parties in the ordinary course of Fund's business included in the financial statements are summarized below:

<u>Related party</u>	<u>Relationship</u>	<u>Transaction</u>	<u>For the six-month period ended</u>	
			<u>30 June 2021</u> (Unaudited)	<u>30 June 2020</u> (Unaudited)
Alinma Investment Company	Fund Manager	Management fee expense	<u>1,828,022</u>	<u>1,179,296</u>
		Management fees paid	<u>1,840,240</u>	<u>561,017</u>
		Expense charged during the period	<u>80</u>	<u>--</u>
		Expense paid during the period	<u>80</u>	<u>--</u>
Alinma Bank	Unitholder	Transfer of investments at amortised cost	<u>--</u>	<u>1,225,000,000</u>
		Units issued against in-kind consideration	<u>--</u>	<u>1,225,000,000</u>

The following table summarises the details of balances with related parties

<u>Related Party</u>	<u>Relationship</u>	<u>Balance</u>	<u>30 June 2021</u> (Unaudited)	<u>31 December 2020</u> (Audited)
Alinma Investment Company	Fund Manager	Accrued management fee	<u>301,775</u>	<u>313,993</u>
		Balance held with bank	<u>7,570,209</u>	<u>8,506,531</u>
Alinma Bank	Unitholder	Net assets (equity) attributable to Unitholders (11,520,012 units)	<u>1,151,540,400</u>	<u>1,157,302,179</u>

**12.1** During comparative period, Alinma Bank transferred Sukuks issued by the Saudi Government to the Fund amounting to SR 1,250 million (including accrued special commission income till date of transfer amounting to SR 9.4 million) with in exchange for cash amounting to SR 25 million and units in the Fund at a value of SR 1,225 million.

**12.2** During comparative period, the Fund issued 12.5 million units at par amounting to SR 1,250 million. Out of the total SR 1,250 million, SR 1,225 million was subscribed by Alinma Bank as in-kind transaction and the remaining SR 25 million was subscribed by others for cash.

# ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY

(An exchange-traded fund)

Managed by Alinma Investment Company

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(All amounts in Saudi Arabian Riyals unless otherwise stated)

### 13 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy in measuring and disclosing the fair value of financial instruments, as disclosed in its annual financial statements for the year ended 31 December 2020, is consistently applied during the period.

#### *Fair value hierarchy – Financial instruments measured at amortised cost*

The table below analyses financial instruments measured at amortised cost at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The fair values are based on broker quotes at the reporting date.

	Carrying Value	30 June 2021			Total
		Fair value (Unaudited)			
		Level 1	Level 2	Level 3	
Investments at amortised cost	1,242,229,336	1,254,542,266	--	--	1,254,542,266
<b>Total</b>	<b>1,242,229,336</b>	<b>1,254,542,266</b>	<b>--</b>	<b>--</b>	<b>1,254,542,266</b>

	Carrying Value	31 December 2020			Total
		Fair value (Audited)			
		Level 1	Level 2	Level 3	
Investments at amortised cost	1,247,571,295	1,270,528,430	--	--	1,270,528,430
<b>Total</b>	<b>1,247,571,295</b>	<b>1,270,528,430</b>	<b>--</b>	<b>--</b>	<b>1,270,528,430</b>

Other financial instruments include cash and cash equivalent and accrued management fees. The gross carrying amounts of these financial instruments approximate fair value, because of their short tenure.

### 14 CAPITAL MANAGEMENT

The capital of the Fund is represented by net assets (equity) attributable to holders of redeemable units. The amount of equity attributable to holders of redeemable units can change significantly on each valuation day, as the Fund is subject to subscriptions and redemptions at the discretion of Unitholders on every valuation day, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for Unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund. The Fund Board and the Fund Manager monitor capital on the basis of the value of net assets (equity) attributable to Unitholders.

### 15 UNIT VALUE RECONCILIATION

Sukuku are measured at market price to give an indicative unit price for trading. However, in the statement of financial position, the Sukuku are carried at amortised cost less expected credit losses allowance. The unit price after adding the effect of the Fair value (Market Price) is provided below.

In accordance with CMA circular no. 1/6/1872/17 dated 13 Rabi Al-Thani 1439H (corresponding to 31 December 2017), the CMA Board decided on 10 Rabi Al-Thani 1439H (corresponding to 28 December 2017) to restrict the recording of expected credit losses calculated in accordance with IFRS 9 only for the purpose of financial statements.

# ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(All amounts in Saudi Arabian Riyals unless otherwise stated)

### 15 UNIT VALUE RECONCILIATION (CONTINUED)

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Unit price calculated in accordance with the financial statements	<u>99.96</u>	<u>100.46</u>
Unit price calculated for trading	<u>101.93</u>	<u>103.30</u>

### 16 FINANCIAL RISK MANAGEMENT

The Fund has exposure to the following risks from financial instruments:

- a) credit risk;
- b) liquidity risk;
- c) market risk.

The risk management framework and policies of the Fund are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2020.

#### a) *Credit risk*

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. The Fund is exposed to credit risk on its balance of cash equivalents held with the Fund Manager and investments at amortized cost.

#### a) *Liquidity risk*

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

#### b) *Market risk*

‘Market Risk’ is the risk that changes in market prices – such as currency risk, interest rate risk and other price risk.

##### Currency risk

Currency risk is the risk that the value of a financial instrument may fluctuate due to a change in foreign exchange rates. The Fund primarily transacts in SAR, which is the functional currency of the Fund and accordingly does not have exposure to currency risk.

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market special commission rates. The Fund’s investment in Sukuk are at fixed rate and are carried at amortised cost, therefore as of the date of the statement of financial position, a change in special commission rates would not affect the statement of profit or loss and other comprehensive income.

### 17 LAST VALUATION DAY

In accordance with the terms and conditions of the Fund, the valuation day is an official working / business day in the Kingdom of Saudi Arabia. The last valuation day of the Fund for the period was 30 June 2021.

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**

(An exchange-traded fund)

**Managed by Alinma Investment Company**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(All amounts in Saudi Arabian Riyals unless otherwise stated)

**18 CONTINGENCIES AND COMMITMENTS**

The Fund has no contingencies and commitments requiring disclosures as at 30 June 2021.

**19 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Fund Manager on 9 Muharram 1443H corresponding to 17 August 2021.