

ALINMA ENAYAH ENDOWMENT FUND
(Managed by Alinma Investment Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE PERIOD FROM 1 OCTOBER 2019
TO 30 JUNE 2020 AND
INDEPENDENT AUDITOR'S REVIEW REPORT

ALINMA ENAYAH ENDOWMENT FUND

Managed by Alinma Investment Company

INTERIM CONDENSED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Unitholders of
Alinma Enayah Endowment Fund
Managed by Alinma Investment Company
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed financial statements of **Alinma Enayah Endowment Fund** (the "Fund"), managed by Alinma Investment Company that include interim condensed statement of financial position as at 30 June 2020 and the related interim condensed statements of comprehensive income, changes in net assets attributable to unitholders and cash flows for the period from 1 October 2019 to 30 June 2020, and a summary of significant accounting policies and other explanatory notes from 1 to 15.

Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 ("IAS 34") - "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim 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*, endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements 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 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.

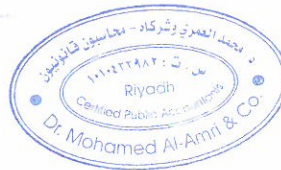
Conclusion

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

For Dr. Mohamed Al-Amri & Co.



Gihad Al-Amri
Certified Public Accountant
Registration No. 362



Riyadh, on: 6 Muharram 1442 (H)
Corresponding to: 25 August 2020 (G)

ALINMA ENAYAH ENDOWMENT FUND
Managed by Alinma Investment Company

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 30 JUNE 2020

(All amounts are in Saudi Riyals unless otherwise stated)

	Note	30 June 2020
<u>ASSETS</u>		
Cash and cash equivalents	6	1,533,622
Investments at fair value through profit or loss	7	8,039,448
Investments at amortized cost	8	3,836,252
Dividend receivable		2,611
TOTAL ASSETS		13,411,933
<u>LIABILITIES</u>		
Accrued and other liabilities	9	156,358
TOTAL LIABILITIES		156,358
Net assets value attributable to unitholders		13,255,575
Units in issue (Numbers)		1,306,959
Net assets value - per unit	11	10.14

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements

ALINMA ENAYAH ENDOWMENT FUND

Managed by Alinma Investment Company

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD FROM 1 OCTOBER 2019 TO 30 JUNE 2020**

(All amounts are in Saudi Riyals unless otherwise stated)

		For the period from 1 October 2019 to 30 June 2020
	Note	
<u>INCOME</u>		
Dividend income		55,183
Net changes in investments at fair value through profit or loss	7.4	151,855
Income from investments at amortized cost		119,030
Other income		19,312
		345,380
<u>EXPENSES</u>		
Management fee	10	(73,575)
Brokerage expense	10	(1,143)
Other expenses		(84,673)
		(159,391)
Profit for the period		185,989
Other comprehensive income		-
Total comprehensive income for the period		185,989

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements

ALINMA ENAYAH ENDOWMENT FUND

Managed by Alinma Investment Company

**INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE
TO UNITHOLDERS (UNAUDITED)****FOR THE PERIOD FROM 1 OCTOBER 2019 TO 30 JUNE 2020**

(All amounts are in Saudi Riyals unless otherwise stated)

	<u>2020</u>
Total comprehensive income for the period	185,989
Units issued	13,069,586
Net assets at 30 June	<u><u>13,255,575</u></u>

UNIT TRANSACTIONS

Transactions in units for the period ended 30 June are summarized as follows:

	<u>2020</u>
Units issued	<u>1,306,959</u>
Units at 30 June	<u>1,306,959</u>

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements

ALINMA ENAYAH ENDOWMENT FUND
Managed by Alinma Investment Company

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD FROM 1 OCTOBER 2019 TO 30 JUNE 2020

(All amounts are in Saudi Riyals unless otherwise stated)

		For the period from 1 October 2019 to 30 June 2020
	<u>Note</u>	
<u>Cash flows from operating activities</u>		
Profit for the period		185,989
<u>Adjustment for:</u>		
Unrealized gain on investments at fair value through profit or loss	7.4	(141,159)
Dividend income		(55,183)
Income from investments at amortized cost		(119,030)
		<u>(129,383)</u>
<u>Net changes in operating assets and liabilities</u>		
Investments at fair value through profit or loss		(7,898,289)
Investments at amortized cost		(3,760,706)
Accrued and other liabilities		156,358
<u>Net cash from operations</u>		<u>(11,632,020)</u>
Dividend received		52,572
Income received from investments at amortized cost		43,484
<u>Net cash used in operating activities</u>		<u>(11,535,964)</u>
<u>Cash flows from financing activities</u>		
Proceeds from units issued		13,069,586
<u>Net cash generated from financing activities</u>		<u>13,069,586</u>
<u>Net change in cash and cash equivalents</u>		1,533,622
Cash and cash equivalents at 1 October 2019		-
<u>Cash and cash equivalents at 30 June</u>	6	<u><u>1,533,622</u></u>

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements

ALINMA ENAYAH ENDOWMENT FUND

Managed by Alinma Investment Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD FROM 1 OCTOBER 2019 TO 30 JUNE 2020

(All amounts are in Saudi Riyals unless otherwise stated)

1. GENERAL

Alinma Enayah Endowment Fund, (the “Fund”), is an open ended public fund created under an agreement between Alinma Investment Company (the “Fund Manager”), a subsidiary of Alinma Bank (the “Bank”), and “Enayah Charity” operating under Charitable Health Society for Patient Care (the “Beneficiary”) in the Fund, in accordance with Shariah rules issued by the Shariah Board of the Fund Manager.

The Fund aims to enhance the developmental role of private endowments by participating in supporting health care. The Fund will invest in the financial assets and make distribution of endowment yields to achieve the principle of social solidarity. In the endowed capital, the distribution of a percentage of the proceeds (endowment yields) on an annual and continuous basis to the endowment expenses specified for the Fund. Beneficiary represents the Fund in health and medical services, and the Beneficiary is committed to disbursement of health and medical services.

Capital Market Authority (“CMA”) granted approval for the establishment of the Fund in its letter number 19-529-5-3 dated 17 Jumada I 1440H (corresponding to 23 January 2019G). The Fund commenced its operations on 2 Safar 1441H (corresponding to 1 October 2019G). The Fund has also obtained approval from General Authority of Awqaf through its letter number 40900333 dated 9 Jumad I 1440H (corresponding to 15 January 2019G) for raising of public subscription for endowments.

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 Enayah Charity is considered to be the beneficial owner of the assets of the Fund.

A novel strain of coronavirus (Covid-19) was first identified at the end of December 2019 and subsequently declared as a pandemic in March 2020 by the World Health Organization (WHO). Covid-19 continues to spread all regions around the world, including the Kingdom of Saudi Arabia and resulted in travel restrictions and curfew in the cities and hence a slowdown of economic activities and shutdown of many sectors at global and local levels.

The Fund has received dividends from its investments as planned. Although, some assets distributed lower return than expected but as of the reporting date, most of the Fund’s assets value insignificantly changed. The Covid-19 outbreak did not significantly impact the Fund’s operations. The Fund will continue to evaluate the nature and extent of the impact on its business and financial results, keeping on mind the long term goal and the nature of the Fund.

2. REGULATORY FRAMEWORK

The Fund is governed by the Investment Funds Regulations (the “Regulations”) published by CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006G) as amended by resolution of the CMA board on 16 Sha’aban 1437H (corresponding to 23 May 2016G).

3. BASIS OF PREPARATION

3.1 Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard IAS-34 “Interim Financial Reporting” endorsed in the Kingdom of Saudi Arabia. The Fund has also complied with Investment Funds Regulations published by CMA and Fund’s terms and conditions, information memorandum and key information summary (collectively hereinafter referred to as “Terms and Conditions”) with respect to preparation and presentation of these interim condensed financial statements.

The disclosures made in these interim condensed financial statements have been limited in accordance with the requirements of IAS 34. These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements.

ALINMA ENAYAH ENDOWMENT FUND

Managed by Alinma Investment Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD FROM 1 OCTOBER 2019 TO 30 JUNE 2020

(All amounts are in Saudi Riyals unless otherwise stated)

3.2 Basis of measurement

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 statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

These interim condensed financial statements have been prepared under the historical cost convention, except for the investments that are measured at fair value through profit or loss.

Furthermore, these interim condensed financial statements are prepared, using the accrual basis of accounting and are based on the going concern concept.

3.3 Functional and presentation currency

These interim condensed financial statements are presented in Saudi Riyals (SR), which is also the functional currency of the Fund.

3.4 Financial period

The financial year of the Fund commences on 1 January and ends on 31 December of each calendar year with the exception of first interim period, which started on 1 October 2019 (date of inception of the Fund) and ended on 30 June 2020 and first financial year from 1 October 2019 to 31 December 2020.

3.5 Use of estimates and judgments

In preparing these interim condensed financial statements, management has made the judgement, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. Major areas where estimates or judgments made are significant to the Fund's interim condensed financial statements or where judgment was exercised in the application of accounting policies are as follows:

Classification of investments

The Fund at initial recognition determines the relevant classification of financial assets and financial liabilities based on the business model for managing the financial asset and the terms of its contractual cash flows.

The Fund has classified its investments in discretionary equity portfolio, investments in public funds and investment in private funds at fair value through profit or loss.

The Fund has classified its investments in Murabaha placements and Sukuk at amortized cost based on the business model of managing these investments.

Recognition and measurement of provisions

Key assumptions are made about the likelihood and magnitude of an outflow of resources.

4. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

There are no new standards issued; however, there are number of amendments to standards that are effective from 1 January 2020, but they do not have a material effect on the interim condensed financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been adopted by the Fund in presenting these interim condensed financial statements.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in investment account and cash in discretionary equity portfolio managed by the Fund Manager and Murabaha placements, if any, with an original maturity of three months or less.

ALINMA ENAYAH ENDOWMENT FUND

Managed by Alinma Investment Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD FROM 1 OCTOBER 2019 TO 30 JUNE 2020

(All amounts are in Saudi Riyals unless otherwise stated)

Financial instruments

Initial recognition and measurement

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Fund executes purchase or sale of the assets). Regular way purchase or sale of financial assets requires settlement of assets within the time frame generally established by regulation or convention in the market place.

All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on trade date at which the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. For all other financial assets and financial liabilities, transaction costs are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

De-recognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards are transferred.

Classification and subsequent measurement of financial assets

Financial assets are classified into the following specified categories:

- Financial assets at fair value through profit or loss;
- Financial assets at fair value through other comprehensive income; or
- Financial assets at amortized cost.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate Sukuk, Murabaha placement.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Fund's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at fair value through profit or loss, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized in statement of profit or loss.
- **Fair value through other comprehensive income:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortized cost are recognized in statement of profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to statement of profit or loss.
- **Fair value through profit or loss:** Financial assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are classified as fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value is presented in the statement of profit or loss in the period in which it arises.

ALINMA ENAYAH ENDOWMENT FUND

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD FROM 1 OCTOBER 2019 TO 30 JUNE 2020

(All amounts are in Saudi Riyals unless otherwise stated)

Financial instruments (continued)

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Fund's policy is to designate equity investments as fair value through other comprehensive income when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to the statement of profit or loss, including on disposal.

Impairment of financial assets

Under IFRS 9, the Fund uses forward-looking information to recognize expected credit losses – the 'expected credit loss' (ECL) model.

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

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

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

12-month expected credit losses are recognized for the first category while lifetime expected credit losses are recognized for the second and third category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

Liabilities are recognized on an accrual basis for amounts to be paid in the future in return for services received, whether or not billed by the provider.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Fund has designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method.

Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at the market price, because this price provides a reasonable approximation of the exit price.

ALINMA ENAYAH ENDOWMENT FUND

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD FROM 1 OCTOBER 2019 TO 30 JUNE 2020

(All amounts are in Saudi Riyals unless otherwise stated)

Financial instruments (continued)

Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the interim condensed statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Provisions

Provisions are recognized 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.

Unitholders equity

The net assets represent units issued by the Fund Manager and accumulated profit generated by the Fund. The units are classified as equity as explained below.

Units subscribed are recorded at the face value per unit for which the subscription request applications are received.

The Fund classifies its units as an equity instrument if the units have all of the following features:

- It entitles the holder / person entitled by holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata shares of the Fund's net assets.
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

The Fund's participating units meet the definition of puttable instruments classified as equity instruments under International Accounting Standard (IAS 32) 16A-B and accordingly, are classified as equity instruments.

The Fund continuously assesses the classification of the units. If the units cease to have any of the features or meet all the conditions set out in paragraphs 16A and 16B of IAS 32, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized in net assets. The subscription of units is accounted for as equity transactions as long as units are classified as equity.

Net assets value per unit

Net assets value per unit disclosed in the interim condensed statement of financial position is calculated by dividing the net assets of the Fund by the number of units in issue at the period end. The net assets value of the Fund is determined on the valuation day by dividing the net value of assets (fair value of total assets minus liabilities) by the total number of outstanding units on the relevant valuation day.

Profit distribution

The Fund will distribute profits of not less than 70% of the endowment yield on a periodic basis to the Beneficiary. The Fund Board will determine the percentage of the distribution of the profits as described in terms and conditions of the Fund.

Revenue recognition

Income from investments in Murabaha placements and Sukuk is recognized on an effective yield basis.

Realized gains and losses on financial assets carried at fair value through profit or loss sold are determined at the time of derecognition of such financial assets.

ALINMA ENAYAH ENDOWMENT FUND

Managed by Alinma Investment Company

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD FROM 1 OCTOBER 2019 TO 30 JUNE 2020**

(All amounts are in Saudi Riyals unless otherwise stated)

Revenue recognition (continued)

Dividend income is recognized when declared (i.e. when the Fund's right to receive the dividend is established).

Zakat

Zakat is the obligation of unitholders and is not provided for in the interim condensed financial statements.

Management fee, custody fee and other expenses

The Fund's expenses include management fee, custody fee and other expenses. These expenses are recognised on an accrual basis and are based on predetermined rates specified in the Terms and Conditions of the Fund. Detailed policies are as follows:

Management fee

The Fund Manager charges the Fund, on every valuation day, a management fee at an annual rate of 0.75% of the Fund's net assets value. These charges are calculated and accrued on each valuation day.

Custody fee

The Fund accrues the custody fee expense at an annual rate of 0.1% of the net assets value at the end of each valuation day.

Other fees

The Fund Manager recovers from the Fund any other expense incurred on behalf of the Fund as per Terms and Conditions of the Fund.

6. CASH AND CASH EQUIVALENTS

	Note	30 June 2020
Cash in investment account		1,157,811
Cash in discretionary equity portfolio		375,811
	10	1,533,622

The cash and cash equivalents are held in the name of Fund Manager on behalf of the Fund without any restriction.

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020
- Public funds (note 7.1)	4,713,095
- Discretionary equity portfolio (note 7.2)	2,276,353
- Private funds (note 7.3)	1,050,000
	8,039,448

7.1. Public Funds

	30 June 2020
Riyad REIT Fund	1,109,025
Alinma Saudi Riyal Liquidity Fund	1,250,815
Itqan Murabahat and Sukuk Fund	2,353,255
	4,713,095

Investment in these funds are valued at latest available net assets value (NAV). The geographical dispersion of these investments is within the Kingdom of Saudi Arabia.

ALINMA ENAYAH ENDOWMENT FUND

Managed by Alinma Investment Company

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD FROM 1 OCTOBER 2019 TO 30 JUNE 2020**

(All amounts are in Saudi Riyals unless otherwise stated)

7.2. Discretionary equity portfolio

This represents amount invested in a discretionary equity portfolio of shares listed on TADAWUL and managed by the Fund Manager.

7.3. Private Funds

This represents investment in Sidra Income Fund, a private equity fund in the Kingdom of Saudi Arabia, licensed by CMA. This fund is focused on investing in infrastructure supply chain transactions in Indonesia. The fund's transactions are denominated in US dollar. The fund has not published its audited financial statements for its first financial period ended 31 December 2019.

7.4. NET CHANGES IN INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the period from 1 October 2019 to 30 June 2020
Realized fair value gain	10,696
Unrealized fair value gain	141,159
	<u>151,855</u>

8. INVESTMENTS AT AMORTIZED COST

	30 June 2020
Murabaha placements*	2,500,000
Sukuk**	1,260,706
Accrued income on Murabaha placements & Sukuk	75,546
	<u>3,836,252</u>

*The Murabaha placements are with the bank operating in the gulf region and has an original maturity of 1 year. It carries profit rate of 3.55% per annum.

**The above Sukuk is issued by the Government in the Kingdom of Saudi Arabia with an original maturity of 30 years (maturity April 2049) and carries a fixed coupon rate at 4.64 % per annum. This Sukuk is listed on TADAWUL.

9. ACCRUED AND OTHER LIABILITIES

	30 June 2020
Accrued management fee (note 10)	73,575
Accrued custody fee	9,944
Accrued Fund Board fee (note 10)	29,973
Others	42,866
	<u>156,358</u>

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

In the ordinary course of its activities, the Fund transacts with related parties. Related party transactions are in accordance with the Terms and Conditions of the Fund. All the related party transactions are approved by the Fund Board. Related parties comprise the Fund Board Members, Fund Manager, Alinma Bank (the parent company of the Fund Manager) and entities related to the Bank and the Fund Manager.

ALINMA ENAYAH ENDOWMENT FUND
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD FROM 1 OCTOBER 2019 TO 30 JUNE 2020

(All amounts are in Saudi Riyals unless otherwise stated)

TRANSACTIONS AND BALANCES WITH RELATED PARTIES *(continued)*

Transactions:

Significant transactions with related parties in the ordinary course of business included in the interim condensed financial statements are summarized below:

			For the period from 1 October 2019 to 30 June 2020
<u>Related party</u>	<u>Relationship</u>	<u>Transactions</u>	
Alinma Investment Company	Fund Manager	Management fee	73,575
		Brokerage expense	1,143
Fund Board	Members of the Fund Board	Fund Board fee	29,973

Balances:

Balances with the related parties included in the interim condensed statement of financial position are as follows:

			30 June 2020
<u>Related party</u>	<u>Relationship</u>	<u>Balances</u>	
Alinma Investment Company	Fund Manager	Cash and cash equivalents	1,533,622
		Accrued management fee	73,575
Fund Board	Members of the Fund Board	Accrued Fund Board fee	29,973

11. UNIT VALUE RECONCILIATION

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 (ECL) calculated in accordance with IFRS 9 only for the purpose of the investment Fund's financial reporting.

All financial assets held at amortized cost were considered for ECL as on 30 June 2020. However, the impact of ECL on these assets was immaterial. Accordingly, these financial statements do not contain any ECL adjustment and therefore reconciliation of the unit price calculated according to the applicable financial reporting framework to the unit price calculated for the purpose of unit transactions is not required.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchies. This grouping is determined based on the lowest level of significant inputs used in the fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equity instruments. The Fund does not adjust the quoted price for these instruments.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD FROM 1 OCTOBER 2019 TO 30 JUNE 2020

(All amounts are in Saudi Riyals unless otherwise stated)

FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

The following table analyses, within the fair value hierarchy, the Fund's assets and liabilities (by class) measured at fair value at 30 June 2020.

	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	2,276,353	5,763,095	-
Sukuk classified at amortized cost with a carrying value of SR 1,260,706 traded in an active market and with fair value of SR 1,355,181 at 30 June 2020.			

For other assets and liabilities carried at amortized cost, their carrying values approximate their fair values.

Classification of financial instruments

	30 June 2020
Financial assets at amortized cost	
Cash and cash equivalents	1,533,622
Investments at amortized cost	3,836,252
Dividend receivable	2,611
Financial assets at fair value through profit or loss	
Investment in public funds	4,713,095
Investment in discretionary equity portfolio	2,276,353
Investment in private funds	1,050,000

13. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager, which is ultimately responsible for the overall management of the Fund.

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its terms and conditions document that sets out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The table below shows the maximum exposure to credit risk for the components of the interim condensed statement of financial position.

	30 June 2020
Cash and cash equivalents	1,533,622
Investments at amortized cost	3,836,252
Dividend receivable	2,611
	5,372,485

The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

The Fund's cash and cash equivalents and investments at amortized cost are held with the banks having sound credit rating.

ALINMA ENAYAH ENDOWMENT FUND

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Credit risk *(continued)*

All financial assets held at amortized cost were considered for ECL as on 30 June 2020. However, the impact of ECL on these assets was immaterial as the Fund is not exposed to significant credit risk and there is no history of default on recovery of these balances.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet its commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

The table below shows an analysis of financial assets and financial liabilities according to when they are expected to be recovered or settled respectively. The amount disclosed are the contractual undiscounted cash flows which equal their carrying balances as the impact of discounting is not significant.

	<u>Up to 1 year</u>	<u>Over 1 year</u>
Financial assets		
Cash and cash equivalents	1,533,622	-
Investments at fair value through profit or loss	6,989,448	1,050,000
Investments at amortized cost	2,575,546	1,260,706
Dividend receivable	2,611	-
	<u>11,101,227</u>	<u>2,310,706</u>
Financial liabilities		
Accrued and other liabilities	156,358	-
	<u>156,358</u>	<u>-</u>

The Fund manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise.

Market risk*Commission rate risk*

Commission rate risk arises from the possibility that changes in market special commission rates will affect future profitability or the fair value of the financial instruments.

As of the date of the interim condensed statement of financial position, the Fund is not exposed to significant commission rate risk as majority of its assets are fixed commission bearing and the liabilities are non-commission bearing.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates.

The functional currency of the Fund is Saudi Riyals. As the Fund's financial assets and financial liabilities are denominated in its functional currency, the Fund is not subject to currency risk.

Price risk

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements. The price risk arises primarily from uncertainty about the future prices of the financial instruments that the Fund holds. The Fund Manager closely monitors the price movement of its financial instruments listed on TADAWUL. The Fund manages the risk through diversification of its investment portfolio by investing in diversified financial instruments.

14. LAST VALUATION DAY

The last valuation day for the purpose of the preparation of these interim condensed financial statements is 30 June 2020.

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15. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund Manager on 6 Muharram 1442H (corresponding to 25 August 2020G).
