

ALINMA SAUDI RIYAL LIQUIDITY FUND
(Managed by Alinma Investment Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
FOR SIX MONTHS ENDED 30 JUNE 2020 AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

ALINMA SAUDI RIYAL LIQUIDITY FUND
Managed by Alinma Investment Company

INTERIM CONDENSED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Unitholders of
Alinma Saudi Riyal Liquidity Fund
Managed by Alinma Investment Company
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed financial statements of **Alinma Saudi Riyal Liquidity 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 six months then ended and a summary of selected significant accounting policies and other explanatory notes from 1 to 16.

Management is responsible for the preparation and fair presentation of these interim condensed 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 interim condensed financial statements based on our review.


Scope of Review

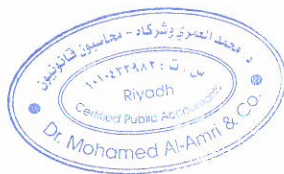
We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, 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: 7 Muharram 1442 (H)
Corresponding to: 26 August 2020 (G)

ALINMA SAUDI RIYAL LIQUIDITY FUND
Managed by Alinma Investment Company

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

(All amounts are in Saudi Riyals unless otherwise stated)

		30 June 2020	31 December 2019
	Note	(Unaudited)	(Audited)
<u>ASSETS</u>			
Cash and cash equivalents	7	303,164,588	20,220,701
Investments at fair value through profit or loss	8	330,730,028	139,225,782
Investments at amortized cost	9	2,633,713,179	2,199,054,723
TOTAL ASSETS		3,267,607,795	2,358,501,206
<u>LIABILITIES</u>			
Redemptions payable		130,749	758,331
Accrued and other liabilities	10	1,471,019	1,636,668
TOTAL LIABILITIES		1,601,768	2,394,999
Net assets value attributable to unitholders		3,266,006,027	2,356,106,207
Units in issue (Numbers)		284,399,856	207,433,982
Net assets value - per unit	12	11.48	11.36

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements

ALINMA SAUDI RIYAL LIQUIDITY FUND

Managed by Alinma Investment Company

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR SIX MONTHS ENDED 30 JUNE 2020**

(All amounts are in Saudi Riyals unless otherwise stated)

	Note	30 June 2020	30 June 2019
<u>INCOME</u>			
Income from investments at amortized cost		39,648,004	28,505,390
Net changes in investments at fair value through profit or loss	8.2	2,753,162	1,148,685
		42,401,166	29,654,075
<u>EXPENSES</u>			
Management fee	11	(7,216,937)	(6,178,249)
Other expenses		(325,513)	(187,423)
Impairment loss on investments at amortized cost		(1,478,972)	(338,871)
		(9,021,422)	(6,704,543)
Profit for the period		33,379,744	22,949,532
Other comprehensive income for the period		-	-
Total comprehensive income for the period		33,379,744	22,949,532

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements

ALINMA SAUDI RIYAL LIQUIDITY FUND

Managed by Alinma Investment Company

INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (UNAUDITED)**FOR SIX MONTHS ENDED 30 JUNE 2020**

(All amounts are in Saudi Riyals unless otherwise stated)

	<u>2020</u>	<u>2019</u>
Net assets at 1 January	2,356,106,207	1,564,450,968
Total comprehensive income for the period	33,379,744	22,949,532
Changes from unit transactions		
Units issued	2,344,551,521	999,131,470
Units redeemed	(1,468,031,445)	(629,602,725)
Net change from unit transactions	876,520,076	369,528,745
Net assets at 30 June	<u>3,266,006,027</u>	<u>1,956,929,245</u>

UNIT TRANSACTIONS

Transactions in units are summarized as follows:

	<u>2020</u>	<u>2019</u>
	Units	
Units at 1 January	207,433,982	141,588,979
Units issued	205,247,206	89,607,545
Units redeemed	(128,281,332)	(56,599,871)
Net change in units	76,965,874	33,007,674
Units as at 30 June	<u>284,399,856</u>	<u>174,596,653</u>

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements

ALINMA SAUDI RIYAL LIQUIDITY FUND
Managed by Alinma Investment Company

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR SIX MONTHS ENDED 30 JUNE 2020

(All amounts are in Saudi Riyals unless otherwise stated)

	<u>Note</u>	<u>30 June 2020</u>	<u>30 June 2019</u>
<u>Cash flows from operating activities</u>			
Profit for the period		33,379,744	22,949,532
<i>Adjustments for:</i>			
Unrealized gain on investments at fair value through profit or loss	8.2	(2,753,162)	(1,148,685)
Impairment loss on investments at amortized cost		1,478,972	338,871
Income from investments at amortized cost		(39,648,004)	(28,505,390)
		<u>(7,542,450)</u>	<u>(6,365,672)</u>
<i>Net changes in operating assets and liabilities</i>			
Investments at fair value through profit or loss		(188,751,084)	(35,953,671)
Investments at amortized cost		(431,753,104)	(964,600,325)
Accrued and other liabilities		<u>(165,649)</u>	<u>971,439</u>
Net cash from operations		<u>(628,212,287)</u>	<u>(1,005,948,229)</u>
Income received from investments at amortized cost		35,263,680	50,325,458
Net cash used in operating activities		<u>(592,948,607)</u>	<u>(955,622,771)</u>
<u>Cash flows from financing activities</u>			
Proceeds from units issued		2,344,551,521	999,131,470
Payments on redemption of units		<u>(1,468,659,027)</u>	<u>(644,490,193)</u>
Net cash generated from financing activities		<u>875,892,494</u>	<u>354,641,277</u>
Net change in cash and cash equivalents		282,943,887	(600,981,494)
Cash and cash equivalents at 1 January		<u>20,220,701</u>	<u>865,155,755</u>
Cash and cash equivalents at 30 June	7	<u><u>303,164,588</u></u>	<u><u>264,174,261</u></u>

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements

ALINMA SAUDI RIYAL LIQUIDITY FUND

Managed by Alinma Investment Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR SIX MONTHS ENDED 30 JUNE 2020

(All amounts are in Saudi Riyals unless otherwise stated)

1. GENERAL

Alinma Saudi Riyal Liquidity fund, (the "Fund"), is an open 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 rules issued by the Shariah board of the Fund Manager.

The Fund is designed for investors seeking capital preservation and high liquidity through exposure to Shariah compliant products. All income is reinvested in the Fund and is reflected in the unit price.

CMA granted approval for the establishment of the Fund in its letter number 2010/7487/5 dated 21 Ramadhan 1431 H (corresponding to 31 August 2010 G). The Fund commenced its operations on 26 Muharram 1432 H (corresponding to 1 January 2011 G).

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.

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.

Fund's performance is indirectly affected due to the effect of Covid-19 on economic activities and sectors performances. This is reflected in the reduced profit rates of different assets of the Fund. However, the Fund does not foresee a going concern issue due to the above for at least 12 months after the reporting period.

2. REGULATORY FRAMEWORK

The Fund is governed by the Investment Funds Regulations (the "Regulations") published by the Capital Market Authority ("CMA") on 3 Dhul Hijja 1427H (corresponding to 24 December 2006G) as amended by the resolution of the CMA board on 16 Sha'ban 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 and should be read in conjunction with the annual audited financial statements of the Fund for the year ended 31 December 2019 ("last annual financial statements").

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 the 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.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR SIX MONTHS ENDED 30 JUNE 2020**

(All amounts are in Saudi Riyals unless otherwise stated)

Basis of measurement (continued)

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

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.

3.5 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.

The significant judgments, estimates, and underlying assumptions are reviewed on an ongoing basis and were the same as those described in the last annual financial statements.

However, as explained in note 1 above, the Fund has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of Covid-19 pandemic. Management believes that all sources of estimation uncertainty remain similar to those disclosed in the last annual financial statements. The Fund will continue to monitor the situation, and any changes required will be reflected in future reporting periods.

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 and have been explained in the last annual financial statements, but they do not have a material effect on the interim condensed financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, applied in the preparation of these interim condensed financial statements are the same as those applied in the preparation of the last annual financial.

6. MANAGEMENT FEE, CUSTODY FEE AND OTHER EXPENSES

The Fund's expenses include management fee, custody fee and other expenses. These expenses are recognised on accrual basis and are based on predetermined rates as 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 20% (2019: 20%) of the Fund's net return. These charges are calculated and accrued on each valuation day.

Custody fee

The Fund accrues the custody fee expense at an annual rate of 0.01% (2019: 0.0175%) of the net assets value at the end of each valuation day.

Other expenses

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

ALINMA SAUDI RIYAL LIQUIDITY FUND
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR SIX MONTHS ENDED 30 JUNE 2020
(All amounts are in Saudi Riyals unless otherwise stated)

7. CASH AND CASH EQUIVALENTS

		30 June 2020	31 December 2019
	Note	(Unaudited)	(Audited)
Cash at bank - current account	11	3,228,355	187,750
Cash in investment account	11	20,018	20,033,254
Murabaha placements – original maturities of three months or less		299,918,651	-
		303,167,024	20,221,004
Less: Expected credit loss allowance		(2,436)	(303)
		303,164,588	20,220,701

The current account is maintained with a local bank and investment account is maintained with Fund Manager.

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

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020	31 December 2019
	(Unaudited)	(Audited)
Public investment funds (note 8.1)	330,730,028	139,225,782

8.1 Public investment funds

	30 June 2020	31 December 2019
	(Unaudited)	(Audited)
Alpha Murabaha Fund	150,324,294	-
Albilad Al-Murabih Murabaha Fund	62,605,318	81,837,824
FALCOM SAR Murabaha Fund	50,099,418	-
Alawwal Murabaha Fund	46,872,249	51,230,187
Al-Mubarak SAR Trade Fund	20,828,749	-
Itqan Fund for Murabahat and Sukuk	-	6,157,771
	330,730,028	139,225,782

Investment in these funds is valued at published net assets value on Tadawul. The geographical dispersion of above investments is within the Kingdom of Saudi Arabia.

8.2 NET CHANGES IN INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020	30 June 2019
Unrealized fair value gain	2,753,162	1,148,685

ALINMA SAUDI RIYAL LIQUIDITY FUND
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR SIX MONTHS ENDED 30 JUNE 2020**

(All amounts are in Saudi Riyals unless otherwise stated)

9. INVESTMENTS AT AMORTISED COST

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Murabaha placements – original maturities of more than three months (note 9.1 and 11)	2,553,376,466	2,118,906,595
Sukuk (note 9.2)	56,512,000	59,230,900
Accrued income on Murabaha placements and Sukuk	26,204,392	21,820,068
	2,636,092,858	2,199,957,563
Less: Expected credit loss allowance	(2,379,679)	(902,840)
	2,633,713,179	2,199,054,723

9.1 It includes Murabaha placements with banks operating in Saudi Arabia and in various gulf countries.

9.2 This represents investments in Sukuk issued in the Kingdom of Saudi Arabia by Sadara Basic Services Company Sukuk (maturity date 15 December 2028) and Sukuk issued by Al Bilad Bank (maturity 30 Aug 2026).

10. ACCRUED AND OTHER LIABILITIES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Accrued management fee (note 11)	1,148,872	1,405,440
Accrued custody fee	156,450	61,108
Other accruals	165,697	170,120
	1,471,019	1,636,668

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

In the ordinary course of its activities, the Fund transacts with its 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, Fund Manager and Alinma Bank (the Parent Company of the Fund Manager).

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

	Units (number)	Net Asset Value SR	% of total Units
Units owned by the Fund Manager			
30 June 2020 (Unaudited)	19,260,343	221,344,276	7%
31 December 2019 (Audited)	-	-	-

ALINMA SAUDI RIYAL LIQUIDITY FUND
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR SIX MONTHS ENDED 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 Fund's business included in the interim condensed financial statements are summarized below:

<u>Related party</u>	<u>Relationship</u>	<u>Transactions</u>	For six months ended	
			30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
Alinma Investment Company	Fund Manager	Management fee	7,216,937	6,178,249
		Brokerage fee	10,752	5,246
Fund Board	Members of Fund Board	Fund Board fee	12,000	12,000

Balances:

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

<u>Related party</u>	<u>Relationship</u>	<u>Balances</u>	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Alinma Bank	Parent Company of the Fund Manager	Cash at bank	3,228,355	187,750
Alinma Investment Company	Fund Manager	Accrued management fee	1,148,872	1,405,440
		Murabaha placements	80,000,000	100,000,000
		Cash in investment account	20,018	20,033,254

12. 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 financial reporting.

Adjustment of the unit price calculated according to the applicable financial reporting framework alongside with the unit price calculated for the purpose of unit transactions is as set out below:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Unit price calculated in accordance with the interim condensed financial statements	11.48	11.36
Effect of expected credit loss on unit price (a)	0.01	-
Unit price calculated for unit transaction	11.49	11.36

a) the adjustment represents the impact of the ECL calculated as per IFRS 9 related to financial instruments carried at amortised cost.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR SIX MONTHS ENDED 30 JUNE 2020**

(All amounts are in Saudi Riyals unless otherwise stated)

13. 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.

There were no transfers between the levels during the period.

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

	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss			
30 June 2020 (Unaudited)	-	330,730,028	-
31 December 2019 (Audited)	-	139,225,782	-
Classification of financial instruments			
	30 June 2020 (Unaudited)	31 December 2019 (Audited)	
Financial assets at amortized cost			
Cash and cash equivalents	303,164,588	20,220,701	
Murabaha placements and Sukuk	2,633,713,179	2,199,054,723	
Financial assets at fair value through profit or loss			
Investment in public funds	330,730,028	139,225,782	

14. RECLASSIFICATION

Certain comparative figures in the interim condensed statement of cash flows have been reclassified, to conform with current period presentation.

15. LAST VALUATION DAY

The last valuation day for the purpose of the preparation of these interim condensed financial statements is 30 June 2020 (2019: 31 December 2019).

16. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund Manager on 7 Muharram 1442H (corresponding to 26 August 2020G).