

ALINMA ORPHAN CARE ENDOWMENT FUND

Managed by
(Alinma Investment Company)

**FINANCIAL STATEMENTS
FOR THE PERIOD FROM 14 JULY 2019
TO 31 DECEMBER 2020 AND
INDEPENDENT AUDITOR'S REPORT**

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

FINANCIAL STATEMENTS

FOR THE YEAR PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

INDEX	Page
Independent auditor's report	2 - 5
Statement of financial position	6
Statement of profit or loss and other comprehensive income	7
Statement of changes in net assets attributable to unitholders	8
Statement of cash flows	9
Notes to the financial statements	10 - 23

INDEPENDENT AUDITOR'S REPORT

**To the Unitholders of
Alinma Orphan Care Endowment Fund**
Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of **Alinma Orphan Care Endowment Fund** (the "Fund"), managed by Alinma Investment Company (the "Fund Manager") which comprise the statement of financial position as at 31 December 2020 and the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to the unitholders and statement of cash flows for the period from 14 July 2019 to 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020, and its financial performance and its cash flows for the period from 14 July 2019 to 31 December 2020 in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund and Fund Manager in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the period ended 31 December 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

INDEPENDENT AUDITOR'S REPORT (continued)

Valuation of investments at fair value through profit or loss

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As at 31 December 2020, the Fund includes a portfolio of listed equity securities, public and private funds amounting to SR 9.83 million. These investments are measured at fair value with the corresponding fair value changes recognized in the statement of profit or loss.</p> <p>The fair value of listed equity securities is based on the closing price per share on the last business day of the financial year.</p> <p>The fair value of public and private funds is valued based on the latest available net assets value.</p> <p>We considered this as a key audit matter given the significance of the valuation on the financial position of the Fund.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of the Fund's policies related to investments and comparing with applicable accounting standards; • An assessment of the methodology, appropriateness of the valuation technique and inputs used to value the investments. • Ensuring the Fund's holding in the respective shares and units for listed equities, public and private funds, through custodian statements; • Testing the valuation of investments at the reporting date from quoted prices on Tadawul for listed securities and the latest available net assets value of public and private funds; and • Assessing the adequacy of the related disclosures.

Refer note 5 for accounting policy and note 7 for related disclosure

Impairment of investments at amortized cost

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As at 31 December 2020, the Fund has investments in Murabaha deposits and Sukuks amounting to SR 3.01 million. These investments are classified and measured at amortized cost and they are subject to risk of impairment in value due to either adverse market situations and / or liquidity constraints faced by the issuer.</p> <p>Management considers the above investments impaired when there is an evidence of deterioration in the financial health of the investee, industry or sector performance, changes in technology and operational and financing cash flows.</p> <p>We considered this as a key matter since the assessment of impairment requires significant judgement by the management and the potential impact of impairment could be material to the financial statements</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of the Fund's policies related to investments and comparing with applicable accounting standards; • An assessment of the creditworthiness of the counterparties of Murabaha deposits and Sukuks. • Analyzing the cash flows from the instruments to consider any defaults based on the terms and conditions of the offering documents of Sukuks and Murabaha deposits. • Assessing the adequacy of the related disclosures.

Refer note 5 for accounting policy and note 8 for related disclosures

INDEPENDENT AUDITOR'S REPORT (continued)

Other information

Management is responsible for the other information. The other information comprises the Fund's performance report included in the annual report, but does not include the financial statements and our audit report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA, the requirements of the Investment Funds Regulations as published by the Capital Market Authority ("CMA") in the Kingdom of Saudi Arabia and the Fund's Terms and Conditions, information memorandum and key information summary with respect to the preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Those Charged with Governance, i.e. the Fund Board, are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management and Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Dr. Mohamed Al-Amri & Co.



Gihad Al-Amri
Certified Public Accountant
License No. 362



Riyadh, on: 22 Sha'ban 1442 (H)
Corresponding to: 04 April 2021 (G)

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

	Note	31 December 2020
<u>ASSETS</u>		
Cash and cash equivalents	6	770,646
Investments at fair value through profit or loss – FVTPL	7	9,829,170
Investment at amortized cost	8	3,008,154
TOTAL ASSETS		13,607,970
<u>LIABILITIES</u>		
Accruals and other liabilities	9	229,411
TOTAL LIABILITIES		229,411
Net assets value attributable to unitholders		13,378,559
Units in issue (Numbers)		1,261,544
Net assets value - per unit (SR)		10.60
Contingencies and commitments	11	-

The accompanying notes from 1 to 18 form an integral part of these financial statements

ALINMA ORPHAN CARE ENDOWMENT FUND

Managed by Alinma Investment Company

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

		For the period from 14 July 2019 to 31 December 2020
	<u>Note</u>	
<u>INCOME</u>		
Dividend income		67,731
Net fair value gain from investments at FVTPL	7.4	766,910
Finance income from investments at amortized cost		197,705
		1,032,346
<u>EXPENSES</u>		
Management fee		(123,121)
Other operating expenses		(144,492)
Brokerage expense		(1,611)
		(269,224)
Profit for the period		763,122
Other comprehensive income for the period		-
Total comprehensive income for the period		763,122

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

	For the period from 14 July 2019 to 31 December 2020
Net assets at 14 July	-
CHANGES FROM OPERATIONS	
Profit and total comprehensive income for the period	763,122
CHANGES FROM UNIT TRANSACTIONS	
Proceeds from units issued	12,615,437
Net assets at 31 December	<u>13,378,559</u>
UNITS TRANSACTIONS	
Transactions in units for the period ended 31 December are summarized as follows:	
	For the period from 14 July 2019 to 31 December 2020
Units at 14 July	-
Units issued	1,261,544
Units at 31 December	<u>1,261,544</u>

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

		For the period from 14 July 2019 to 31 December 2020
	<u>Note</u>	
<u>Cash flows from operating activities</u>		
Profit for the period		763,122
<i>Adjustment for:</i>		
Unrealized fair value gain on investments at FVTPL	7.4	(632,613)
Finance income from investments at amortized cost		(197,705)
Dividend income		(67,731)
		<u>(134,927)</u>
Net changes in operating assets and liabilities:		
Investments at FVTPL		(9,196,557)
Investment at amortized cost		(2,983,977)
Accruals and other liabilities		229,411
Cash used in operations		<u>(12,086,050)</u>
Dividend received		67,731
Finance income received from investment at amortized cost		173,528
Net cash used in operating activities		<u>(11,844,791)</u>
<u>Cash flows from financing activities</u>		
Proceeds from units issued		12,615,437
Net cash generated from financing activities		<u>12,615,437</u>
Net change in cash and cash equivalents		770,646
Cash and cash equivalents at 14 July		-
Cash and cash equivalents at 31 December	6	<u>770,646</u>

The accompanying notes from 1 to 18 form an integral part of these financial statements

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

1. GENERAL

Alinma Orphan Care 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 “Ekhaa Charity” operating under Charitable Foundation for Orphan’s 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 and supporting care for orphans. The Fund will invest in the financial assets and make distribution of endowment yields to achieve the principle of social solidarity. The Fund will distribute a percentage of the profits (endowment yields) on an annual and continuous basis to the endowment expenses specified for the Fund. Beneficiary represents the Fund in orphan care services and the Beneficiary is committed to spend the Fund returns on elevating the level of service and care provided to orphans.

Capital Market Authority (“CMA”) granted approval for the establishment of the Fund in its letter number 19/528/5/3 dated 17 Jumad Alawal 1440 H (corresponding to 23 January 2019 G). The Fund commenced its operations on 11 Dhu’l-Qi’dah 1440 H (corresponding to 14 July 2019 G). The Fund has also obtained approval from General Authority of Awqaf through its letter number 40900305 dated 1 Jumad Alawal 1440H (corresponding to 7 January 2019G) for raising public subscription for endowments.

In dealing with 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 Ekhaa Charity is considered to be the beneficial owner of the assets of the Fund.

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On 20 March 2020, the government in the Kingdom of Saudi Arabia announced a temporary lockdown as a measure to reduce the spread of the COVID-19. The lockdown was subsequently relaxed from the end of May 2020.

Fund’s performance is indirectly affected due to the effect of Covid-19 on economic activities and sectors performances. 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 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 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

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 financial statements.

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

3.2 Basis of measurement

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

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. However, all assets and liabilities would be classified as current.

3.3 Functional and presentation currency

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

3.4 Financial year

The first financial period of the Fund commences from 14 July 2019 and ends on 31 December 2020. Thereafter, each subsequent financial year shall be for twelve Gregorian months starting from 1 January until 31 December.

3.5 Use of estimates and judgments

In the ordinary course of business, the preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. 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 judgements made are significant to the Fund's financial statements or where judgement 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 equity securities at fair value through profit or loss. Gains or losses arising from subsequent changes in fair value and on sale of financial assets at fair value through profit or loss are recognized in profit or loss.

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

Impairment of financial assets

The Fund applies and determines expected credit loss (ECL) model for the measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost e.g., Sukuk, Murabaha deposits and bank balances. An expected credit loss is the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. For the determination of the expected credit loss, the fund evaluates among other factors, the credit risk, default and timing of collection since initial recognition. This requires recognizing allowance for expected credit losses in the statements of profit or loss and other comprehensive income even for receivables that are newly originated or acquired.

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

Assessment of key sources of estimation uncertainty due to Covid-19

The Fund has reviewed the key sources of estimation uncertainties related to impairment of financial assets and investments classification against the backdrop of Covid-19 pandemic. Management believes that all sources of estimation uncertainty remains the same and therefore, did not result in any change in these financial statements. The Fund will continue to monitor the situation, and any changes required will be reflected in future reporting periods.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

4.1 New standards, interpretations and amendments effective in current year

The following are the new standards, interpretations and amendments to standards that are effective in the current year.

<u>Standards</u>	<u>Title</u>	<u>Effective date</u>
IAS 1	Presentation of Financial Statements- Amendments regarding the definition of materiality	1 January 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reforms	1 January 2020
	Revised Conceptual Framework for Financial Reporting	1 January 2020

IAS 1 - Presentation of Financial Statements

Amendments to its definition of material to make it easier for companies to make materiality judgements. The materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

The amendments are intended to make the definition of material easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

The Fund does not have a material impact on its financial statements from the above.

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

4.2 New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Fund has decided not to adopt early. The most significant of these are as follows:

<u>Standards</u>	<u>Title</u>	<u>Effective date</u>
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reforms – Phase 2	1 January 2021
IAS 37	Provisions, Contingent Liabilities and Contingent Assets- Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022
	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IAS1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	1 January 2023
IFRS 9	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2023

4.3 Others

The Fund does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Fund.

The Fund is yet to assess the impact of the above amendments in its financial statements

5. SIGNIFICANT ACCOUNTING POLICIES

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 deposits, if any, with an original maturity of three months or less.

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 that require 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 income statement) 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.

ALINMA ORPHAN CARE ENDOWMENT FUND

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

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 (FVTPL);
- Financial assets at fair value through other comprehensive income (FVOCI); 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 FVTPL, 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. Profit income from these financial assets is included in 'Special finance income' using the effective interest rate method.

• **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 financial assets at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, special finance 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 profit or loss statement. Profit income from these financial assets is included in 'Special finance income' using the effective interest rate method.

• **Fair value through profit or loss:** Financial assets that do not meet the criteria for amortized cost or FVOCI are classified as financial assets at 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 and other comprehensive income in the year in which it arises.

Equity instruments

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 FVTPL, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Fund's policy is to designate equity investments as FVOCI 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 losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Fund's right to receive payments is established.

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

Impairment of financial assets

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

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

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

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

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

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 FVTPL.

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.

Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the 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.

Equity attributable to unitholders

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

(i) Units

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

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

(i) Units (continued)

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

- It entitles the 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 IAS 32. 16(A-B) and accordingly, are classified as equity instruments.

The Fund continuously assesses the classification of the redeemable units. If the participating units cease to have any of the features or meet all the conditions set out in paragraphs 16A and 16B of International Accounting Standard (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 attributable to unit holders. The subscription of participating units are 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 statement of financial position is calculated by dividing the net assets of the Funds by the number of units in issue at the reporting date.

Zakat and income tax

Zakat and income tax are not provided for in the accompanying financial statements as the unitholders do not account for their contributions in the Fund as an asset subject to zakat and income tax.

Profit distribution

The Fund will distribute realized 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 realized profits as described in terms and conditions of the Fund.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the amount can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and taxes.

Realized gains and losses on investments at FVTPL sold are determined on a weighted average cost basis.

Dividend income is recognized in the statement of profit or loss when declared (i.e. when the Fund's right to receive the dividend is established).

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

Revenue recognition (continued)

Finance income on financial assets at amortized cost, i.e. Sukuk and Murabaha deposits, is calculated using the effective yield basis and is recognized in the statement of profit or loss and other comprehensive income. Finance income is calculated by applying the effective finance rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset i.e. after deduction of the loss allowance.

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. Management and custody fee 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 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

	31 December 2020
Cash in investment account	714,388
Cash in discretionary equity portfolio	56,258
	770,646

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

	31 December 2020
Public funds (note 7.1)	6,106,011
Discretionary equity portfolio (note 7.2)	2,670,327
Private funds (note 7.3)	1,052,832
	9,829,170

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

7.1. Public Funds

	31 December 2020
Alinma Saudi Riyal Liquidity Fund	3,013,101
Itqan Murabaha and Sukuk Fund	2,017,660
Riyad REIT Fund	1,075,250
	6,106,011

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.

7.2. Discretionary equity portfolio

This represents amount invested in a discretionary equity portfolio of shares listed on Tadawul. It is managed by the Fund Manager.

7.3. Private Funds

This represents investment in Sidra Income Fund a private equity fund in 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 and the fund still has to issue its audited financial statements for the year ended 31 December 2020.

7.4. NET FAIR VALUE GAIN FROM INVESTMENTS AT FVTPL

	For the period from 14 July 2019 to 31 December 2020
Realized gain	134,297
Unrealized gain	632,613
	766,910

8. INVESTMENT AT AMORTIZED COST

	31 December 2020
Murabaha deposit	1,000,000
Sukuk	1,983,977
Accrued income on Murabaha deposits and Sukuk	24,177
	3,008,154

The Murabaha deposits are with the bank operating in gulf region and has an original maturity of six months. It carries profit rate of 3.5% per annum.

The Sukuks are issued by the Government of Saudi Arabia amounting to SR 0.98 million and Rawabi Holding amounting to SR 1 million. The Sukuk issued by the Government of Saudi Arabia has an original maturity of 30 years (April 2049) and carry a fixed coupon rate of 4.64%. This Sukuk is listed on Saudi Stock Exchange. The Sukuk issued by Rawabi Holding has an original maturity of 2 year (July 2022) and carry a fixed coupon rate of 5.10%.

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

9. ACCRUALS AND OTHER LIABILITIES

	31 December 2020
Accrued management fee (note 10)	123,121
Accrued custody fee	6,684
Other accruals and other liabilities	99,606
	229,411

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.

Transactions:

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

<u>Related party</u>	<u>Relationship</u>	<u>Transactions</u>	For the period from 14 July 2019 to 31 December 2020
Alinma Investment Company	Fund Manager	Management fee	(123,121)
		Brokerage expenses	(1,611)
Fund Board Members	Members of Fund Board	Fund Board fee	(37,754)

Balances:

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

<u>Related party</u>	<u>Relationship</u>	<u>Balances</u>	31 December 2020
Alinma Investment Company	Fund Manager	Cash in investment account	770,646
		Accrued management fee	(123,121)
Fund Board	Members of Fund Board	Fund Board Fee	(22,138)

11. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 31 December 2020.

12. SEGMENT REPORTING

The Fund carries a portfolio of equity instruments of entities listed on Saudi Stock Exchange. The Fund Manager periodically assesses the performance and allocates resources to the business as one unit and, as such, no separate operating segments were identified for financial reporting purposes. Consequently, segment reporting as required by IFRS 8 'Operating Segments' has not been disclosed.

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

13. 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 calculated in accordance with IFRS 9 only for the purpose of the investment fund's financial statements.

All financial assets held at amortized cost were considered for ECL as on 31 December 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.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial instruments comprise financial assets and financial liabilities. The Fund's financial assets and liabilities consists of bank balances, financial assets at fair value through profit or loss, investment at amortized cost, accruals and other liabilities.

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 year.

The following table analyses, within the fair value hierarchy, the Fund's assets and liabilities (by class) measured at fair value at 31 December 2020.

Financial assets at FVTPL

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
31 December 2020	2,670,327	6,106,011	1,052,832

Sukuk classified at amortized cost (with a carrying value of the principal of SR 983,978) are traded in an active market and had fair value of SR 987,486 at 31 December 2020.

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

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

Classification of financial instruments

	31 December 2020
Financial assets at amortized cost	
Cash and cash equivalents	770,646
Investment at amortized cost	3,008,154
Financial assets at fair value through profit or loss	
Investment in public funds	6,106,011
Investment in discretionary equity portfolio	2,670,327
Investment in private funds	1,052,832
Financial liabilities at amortized cost	
Accruals and other liabilities	229,411

15. FINANCIAL RISK MANAGEMENT

The principal investment objectives of the Fund are to provide investors with income and capital growth over the medium and long term by trading in equity and other instruments.

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 Fund is exposed to credit risk on its cash and cash equivalents and investment at amortized cost. The Fund Manager seeks to limit its credit risk by monitoring credit exposures. The Fund does not have a formal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing credit worthiness of counter-parties.

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

	31 December 2020
Cash and cash equivalents	770,646
Investments at amortized cost	3,008,154
	3,778,800

The Fund's bank balance is held with a local bank which is the Parent Company of the Fund Manager and the investment account is held with Alinma Investment Company which is a subsidiary of a local bank both having sound credit rating.

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

Credit risk (continued)

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss.

All financial assets were considered for ECL as on 31 December 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.

	Up to one year	More than one year and up to five year	More than five year	Total
Financial liabilities				
Accruals and other liabilities	229,411	-	-	229,411
	229,411	-	-	229,411

Maturity profile

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.

	Up to one year	More than five year	Total
Financial assets			
Cash and cash equivalents	770,646	-	770,646
Investments at fair value through profit or loss	9,829,170	-	9,829,170
Investments at amortized cost	1,024,177	1,983,977	3,008,154
	11,623,993	1,983,977	13,607,970
Financial liabilities			
Accruals and other liabilities	229,411	-	229,411
	229,411	-	229,411

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 statement of financial position, the Fund is not exposed to significant commission rate risk as all financial assets and 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.

ALINMA ORPHAN CARE ENDOWMENT FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 JULY 2019 TO 31 DECEMBER 2020

(All amounts are in Saudi Riyals unless otherwise stated)

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 at Saudi Stock Exchange "Tadawul". The Fund manages the risk through diversification of its investment portfolio by investing in diversified financial instruments.

16. CAPITAL MANAGEMENT

The capital of the Fund is represented by net assets attributable to holders of participated units. The net assets attributable to holders of participated units can change significantly on each valuation quarter, as the Fund is subject to subscriptions at the discretion of unit holders on every valuation quarter, 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 and at the same time to make distribution of endowment yields to unit holders in order to achieve the fund's objectives.

The Fund Board and the Manager monitor capital on the basis of the value of net assets attributable to Unit holders.

17. LAST VALUATION DAY

The last valuation day for the purpose of the preparation of these financial statements is 31 December 2020.

18. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board on 22 Sha'ban 1442H (corresponding to 04 April 2021G).
