

BIR ARIYADH ENDOWMENT FUND
(Managed by Alinma Investment Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE PERIOD FROM 18 OCTOBER 2020
TO 30 JUNE 2021 AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

BIR ARIYADH ENDOWMENT FUND
(Managed by Alinma Investment Company)

INTERIM CONDENSED FINANCIAL STATEMENTS FOR SIX MONTHS PERIOD ENDED 30 JUNE 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Alinma Bir Ariyadh Endowment Fund** ("the Fund"), managed by Alinma Investment Company (the "Fund Manager") as of 30 June 2021 and the related interim condensed statements of profit or loss and other comprehensive income, changes in net assets attributable to unitholders and cash flows for six months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, that is endorsed in the Kingdom of Saudi Arabia. A review of interim 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 that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

For Dr. Mohamed Al-Amri & Co.

Ghid Al-Amri
Certified Public Accountant
Registration No. 362



Riyadh, on: 10 Muharram 1443 (H)
Corresponding to: 18 August 2021 (G)

BIR ARIYADH ENDOWMENT FUND
 (Managed by Alinma Investment Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

(All amounts are in Saudi Riyals unless otherwise stated)

	<u>Note</u>	30 June 2021
		(Unaudited)
ASSETS		
Cash and cash equivalents	5	5,998,348
Investments at fair value through profit or loss (“FVTPL”)	6	26,800,440
Investments at amortized cost	7	20,329,557
TOTAL ASSETS		<u>53,128,345</u>
LIABILITIES		
Accrued and other liabilities	8	337,053
TOTAL LIABILITIES		<u>337,053</u>
Net assets value attributable to unitholders		<u>52,791,292</u>
Units in issue (Numbers)		<u>5,032,516</u>
Net assets value - per unit		<u>10.49</u>

BIR ARIYADH ENDOWMENT FUND
 (Managed by Alinma Investment Company)

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME
 FOR SIX MONTHS PERIOD ENDED 30 JUNE 2021**
 (All amounts are in Saudi Riyals unless otherwise stated)

	<u>Note</u>	For the period from 18 October 2020 to <u>30 June 2021</u> (Unaudited)
<u>INCOME</u>		
Net change in investments at FVTPL	6.4	2,605,239
Income from investments at amortized cost		389,769
		2,995,008
<u>EXPENSES</u>		
Management fee	9	(312,815)
Brokerage expense	9	(1,776)
Other expenses		(221,382)
		(535,973)
Profit for the period		2,459,035
Other comprehensive income		-
Total comprehensive income for the period		2,459,035

BIR ARIYADH ENDOWMENT FUND
 (Managed by Alinma Investment Company)

**INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE
 TO UNITHOLDERS**
FOR SIX MONTHS PERIOD ENDED 30 JUNE 2021
 (All amounts are in Saudi Riyals unless otherwise stated)

	For the period from 18 October 2020 to 30 June 2021
Net assets at 18 October 2020	-
Total profit and comprehensive income for the period	2,459,035
Changes from unit transactions	
Units issued	50,332,257
Net assets at 30 June 2021 (Unaudited)	52,791,292
UNITS TRANSACTIONS	
Transactions in units for the period ended 30 June are summarized as follows:	
Units as at 18 October 2020	-
Units issued during the period	5,032,516
Units as at 30 June 2021 (Unaudited)	5,032,516

BIR ARIYADH ENDOWMENT FUND
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INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR SIX MONTHS PERIOD ENDED 30 JUNE 2021
 (All amounts are in Saudi Riyals unless otherwise stated)

	<u>Note</u>	For the period from 18 October 2020 to 30 June 2021 (Unaudited)
<u>Cash flows from operating activities</u>		
Profit for the period		2,459,035
<i>Adjustment for:</i>		
Unrealized fair value gain on investments at FVTPL	6.4	(2,605,239)
Income from investments at amortized cost		(389,769)
Impairment of sukuk		79,576
		(456,397)
<u>Net changes in operating assets and liabilities</u>		
Investments at FVTPL, net		(24,195,201)
Investment at amortized cost		(20,118,632)
Accrued and other liabilities		337,053
<u>Net cash used in operations</u>		(44,433,177)
Income received from investments at amortized cost		99,268
<u>Net cash used in operating activities</u>		(44,333,909)
<u>Cash flows from financing activities</u>		
Proceeds from units issued		50,332,257
<u>Net cash generated from financing activities</u>		50,332,257
<u>Net change in cash and cash equivalents</u>		5,998,348
Cash and cash equivalents at 18 October		-
<u>Cash and cash equivalents at 30 June</u>	5	5,998,348

BIR ARIYADH ENDOWMENT FUND
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR SIX MONTHS PERIOD ENDED 30 JUNE 2021**
(All amounts are in Saudi Riyals unless otherwise stated)

1. GENERAL

Bir Ariyadh 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 “Al-Bir Charity in Riyadh” (the “Beneficiary”) in the Fund, in accordance with Shariah rules issued by the Shariah Board of the Fund Manager.

The Fund aims to strengthen and enhance the development role of private endowments in supporting needy families. The Fund will invest in the financial assets and make distribution of endowment yields to achieve the principle of social solidarity. From the endowed capital, the Fund distributes 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 Charity association, and the Beneficiary is committed to spend the Fund returns on the poor and needy families.

Capital Market Authority (“CMA”) granted approval for the establishment of the Fund in its letter dated 2 Dhu'l-Qi'dah 1441H (corresponding to 23 July 2020G). The Fund commenced its operations on 1 Rabea Al-Awl 1442H (corresponding to 18 October 2020G). The Fund has also obtained approval from General Authority of Awqaf through its letter number 6 dated 14 /8/ 1441H (corresponding to 8 April 2020) 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, Al bir Charity in Riyadh is considered to be the beneficial owner of the assets of the Fund.

Covid-19 update

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’s performance is indirectly affected due to the effect of Covid-19 on economic activities and sectors performances. This is reflected in the values of different assets of the fund.

The Fund does not foresee a going concern issue due to the above for at least 12 months after the reporting period. The Fund will further continue to evaluate the nature and extent of the impact on its operations and financial results.

2. REGULATORY FRAMEWORK

The Fund is governed by the Investment Fund Regulations (the “Regulations”) published by CMA on 3 Dhul Hija 1427H (corresponding to 24 December 2006G) as amended by the resolution of CMA board on 16 Sha'aban 1437H (corresponding to 23 May 2016G). It is further amended by the resolution of CMA board on 12 Rajab 1442H (corresponding to 24 February 2021G).

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” as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

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3.1 Statement of compliance (continued)

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.

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

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

Furthermore, these interim condensed financial statements are prepared using 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. All financial information presented has been rounded to the nearest SR unless stated otherwise.

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 October 2020 (date of inception of the Fund) and ended on 30 June 2021 and first financial year from 18 October 2020 to 31 December 2021.

3.4 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 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.

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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.

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. 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.

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.

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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.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(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.

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Equity attributable to unitholders (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 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. The net asset 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.

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 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

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).

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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 recognized 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 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 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.

5. CASH AND CASH EQUIVALENTS

	30 June 2021	
		Note
Cash in investment account	5,765,875	
Cash in bank account	211,628	
Cash in discretionary equity portfolio	20,845	
	<hr/>	
10	5,998,348	

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

6. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021	
		(Unaudited)
Public funds (Note 6.1)	11,395,745	
Discretionary equity portfolio (Note 6.2)	13,379,904	
Private funds (note 6.3)	2,024,790	
	<hr/>	
	26,800,440	

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6.1 Public Funds

	30 June 2021 (Unaudited)
Alinma Saudi Riyal Liquidity Fund	11,395,745
	<u>11,395,745</u>

Investment in this fund is valued at latest available net assets value (NAV). The geographical dispersion of this investment is within the Kingdom of Saudi Arabia.

6.2 Discretionary equity portfolio

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

6.3 Private Fund

As at 30 June 2021, the Fund has investments in Falcom Murabaha Financing Fund (FMF) amounting to SR 2 million respectively. FMF is a private equity fund licensed by CMA, mainly involved in achieving absolute return and long-term capital gains by investing in Murabaha financing.

The fund has not published its audited financial statements for the period ended 30 June 2021.

6.4 Net fair value change in investments at fair value through profit or loss

	For the period from 18 October 2020 to 30 June 2021 (Unaudited)
Realized gain	95,416
Unrealized fair value gain	2,506,823
	<u>2,605,239</u>

7. INVESTMENTS AT AMORTIZED COST

	30 June 2021 (Unaudited)
*Murabaha deposits	14,500,000
**Sukuks	5,524,166
Accrued income on Murabaha deposits & Sukuks	305,391
	<u>20,329,557</u>

* As at 30 June 2021, the Murabaha deposit amounting to SR 12.5 million is placed with Al Salam Bank, operating in gulf region and has original maturity of one year, with a profit margin of 3.5% per annum. The remaining deposits amounting to SR 1 million each are placed with Al Khabeer Capital Investment Company, operating in gulf region and have original maturity of two and three years, respectively, with a profit margin of 5.25% and 6% per annum, respectively.

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7. INVESTMENTS AT AMORTIZED COST (continued)

** The Sukuks are issued by the Government of Saudi Arabia amounting to SR 5.524 million. The Sukuk issued by the Government of Saudi Arabia has an original maturity of 30 years (March 2050) and carry a fixed coupon rate of 3.68%. This Sukuk is listed on Saudi Stock Exchange.

8. ACCRUED AND OTHER LIABILITIES

	30 June 2021 (Unaudited)
Accrued management fee (Note 10)	195,085
Accrued custody fee	26,075
Others	<u>115,893</u>
	<u><u>337,053</u></u>

9. 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 interim condensed financial statements are summarized below:

Related party	Relationship	Transactions	For the period from 18 October 2020 to 30 June 2021 (Unaudited)	
		Management fee	Brokerage expenses	Fund Board fee
Alinma Investment Company	Fund Manager	(312,815)		
Fund Board	Members of the Fund Board	(1,776)		(22,915)

Balances:

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

Related party	Relationship	Balances	30 June 2021 (Unaudited)
Alinma Investment Company	Fund Manager	Cash and cash equivalents	5,998,348
Fund Board	Members of the Fund Board	Accrued management fee Accrued Fund Board Fee	(195,085) (22,915)

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10. CONTINGENCIES AND COMMITMENTS

There are no commitments and contingencies as at 30 June 2021 and 31 December 2020

11. UNIT VALUE RECONCILIATION

In accordance with CMA circular no. 1/6/7218/17 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.

The following table analyses, within the fair value hierarchy, the Fund's assets and liabilities (by class) measured at fair value at 30 June 2021.

Financial assets at fair value through profit or loss	Level 1	Level 2	Level 3
30 June 2021 (Unaudited)	13,379,904	11,395,745	2,024,790

Sukuk classified at amortized cost with a carrying value of SR 5,395,000 traded in an active market and with fair value of SR 5,524,166 at 30 June 2021.

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

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Classification of financial instruments

	30 June 2021 (Unaudited)
Financial assets at amortized cost	
Cash and cash equivalents	5,998,348
Investment at amortized cost	20,329,557
Financial assets at fair value through profit or loss	
Investment in public funds	11,395,745
Investment in discretionary equity portfolio	13,379,904
Investments in private funds	2,024,790
Financial liability at amortized cost	
Accrued and other liabilities	337,053

13. 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.

	30 June 2021 (Unaudited)
Cash and cash equivalents	5,998,348
Investments at amortized cost	20,329,557
	26,327,905

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Credit risk (continued)

The Fund's bank balance is held with a local bank which is the Parent Company of the Fund Manager and have a sound credit rating.

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 30 June 2021. 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.

	More than one year and up to More than five years			Total
	Up to one year	five year	year	
<i>Financial liabilities</i>				
Accruals and other liabilities	337,053	-	-	337,053
	337,053	-	-	337,053

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 one year	Total
<i>Financial assets</i>			
Cash and cash equivalents	5,998,348	-	5,998,348
Investments at fair value through profit or loss	26,800,440	-	26,800,440
Investments at amortized cost	12,500,000	7,829,557	20,329,557
	45,298,788	7,829,557	53,128,345
<i>Financial liabilities</i>			
Accruals and other liabilities	337,053	-	337,053
	337,053	-	337,053

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.

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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 at Saudi Stock Exchange "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 2021.

15. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund Manager on 10 Muharram 1443H (corresponding to 18 August 2021G).
