

**ALBILAD SAUDI SOVEREIGN SUKUK ETF
(AN OPEN ENDED EXCHANGE TRADED INVESTMENT FUND MANAGED BY ALBILAD
INVESTMENT COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS
AND THE FUND MANAGER**

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

**ALBILAD SAUDI SOVEREIGN SUKUK ETF
INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

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Report on review of interim condensed financial statements

To the Unitholders and the Fund Manager of
Albilad Saudi Sovereign Sukuk ETF

Introduction

We have reviewed the accompanying interim statement of financial position of Albilad Saudi Sovereign Sukuk ETF (the "Fund") as of 30 June 2021, and the related interim statements of comprehensive income, changes in equity attributable to the unitholders and cash flows for the six-month period then ended and other explanatory notes. The Fund Manager is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as 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" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as 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, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

16 August 2021



ALBILAD SAUDI SOVEREIGN SUKUK ETF
INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless otherwise stated)

		As at
	As at 30 June	31 December
	2021	2020
	(Un-audited)	(Audited)
Note		
Assets		
Cash and cash equivalents	456,448	262,913
Investments held at fair value through statement of income (FVSI)	206,746,430	166,499,533
Prepayments	25,193	10,705
Total assets	207,228,071	166,773,151
Liabilities		
Accrued management fee	214,442	50,222
Accrual and other liabilities	45,098	17,624
Total liabilities	259,540	67,846
Equity attributable to the unitholders	206,968,531	166,705,305
Units in issue	21,100,000	16,600,000
Equity per unit in Saudi Riyals	9.8089	10.0425

The accompanying notes from 1 to 10 form an integral part of these interim condensed financial statements.

ALBILAD SAUDI SOVEREIGN SUKUK ETF
INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
(All amounts in Saudi Riyals unless otherwise stated)

	For the six- month period ended 30 June 2021	For the period from 17 February 2020 (date of commencement of operations) to 30 June 2020
Note	_____	_____
Income		
Special commission income on investments held at FVSI	3,249,162	1,117,598
Unrealised gain on investments held at FVSI	3,051,278	129,863
Realised (loss) / gain on sale of investments in mutual funds	(5,813,365)	76,650
Total income	487,075	1,324,111
Expenses		
Management fee	4 (140,617)	(17,065)
Custody fee	4 (47,745)	(13,347)
Other expenses	(146,437)	(57,956)
Total expenses	(334,799)	(88,368)
Net income for the period	152,276	1,235,743
Other comprehensive income for the period	-	-
Total comprehensive income for the period	152,276	1,235,743

The accompanying notes from 1 to 10 form an integral part of these interim condensed financial statements.

ALBILAD SAUDI SOVEREIGN SUKUK ETF
INTERIM STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (UN-AUDITED)
(All amounts in Saudi Riyals unless otherwise stated)

	For the six- month period ended 30 June 2021	For the period from 17 February 2020 (date of commencement of operations) to 30 June 2020
Equity attributable to the unitholders at the beginning of the period	166,705,305	-
Changes from operations		
Total comprehensive income for the period	152,276	1,235,743
Changes from unit transactions		
Proceeds from issuances of units	42,980,107	65,280,684
Payment against redemption of units	-	-
Net change from unit transactions	42,980,107	65,280,684
Dividend paid	7 (2,869,157)	(408,821)
Equity attributable to the unitholders at the end of the period	206,968,531	66,107,606

Transactions in units are summarized as follows:

	For the six- month period ended 30 June 2021	For the period from 17 February 2020 (date of commencement of operations) to 30 June 2020
Units at the beginning of the period	16,600,000	-
Units issued	4,500,000	6,500,000
Units redeemed	-	-
Net change in units	4,500,000	6,500,000
Units at the end of the period	21,100,000	6,500,000

The accompanying notes from 1 to 10 form an integral part of these interim condensed financial statements.

ALBILAD SAUDI SOVEREIGN SUKUK ETF
INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
(All amounts in Saudi Riyals unless otherwise stated)

	For the six- month period ended 30 June 2021	For the period from 17 February 2020 (date of commencement of operations) to 30 June 2020
<i>Cash flows from operating activities</i>		
Net income for the period	152,276	1,235,743
Adjustment for:		
- Unrealised gain on investments held at FVSI	(3,051,278)	(129,863)
- Special commission income on investments held at FVSI (sukuk)	(3,249,162)	(1,117,598)
	<u>(6,148,164)</u>	<u>(11,718)</u>
Net changes in operating assets and liabilities		
Investments held at FVIS	(37,467,455)	(65,910,716)
Prepayments	(14,488)	-
Accrued management fee	164,220	17,065
Accruals and other liabilities	27,474	17,840
Cash used in operations	<u>(37,290,249)</u>	<u>(65,875,811)</u>
Profit received on investment in sukuk	3,538,352	1,117,598
Net cash used in operating activities	<u>(39,900,061)</u>	<u>(64,769,931)</u>
<i>Cash flows from financing activities</i>		
Proceeds from issuances of units	42,980,107	65,280,684
Dividend paid	(2,869,157)	(408,821)
Net cash generated from financing activities	<u>40,110,950</u>	<u>64,871,863</u>
Net change in cash and cash equivalents	193,535	101,932
Cash and cash equivalents at the beginning of the period	<u>262,913</u>	-
Cash and cash equivalents at the end of the period	<u>456,448</u>	<u>101,932</u>

The accompanying notes from 1 to 10 form an integral part of these interim condensed financial statements.

ALBILAD SAUDI SOVEREIGN SUKUK ETF
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021
(All amounts in Saudi Riyals unless otherwise stated)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Albilad Saudi Sovereign Sukuk ETF (the "Fund") is an open-ended exchange traded investment fund, managed by Albilad Investment Company (the "Fund Manager"), a subsidiary of Bank Albilad (the "Bank") for the benefit of the Fund's unitholders (the "unitholders"). The objective of the Fund is to seek to simulate the performance of Albilad Ideal Ratings sovereign Sukuk index, which includes Saudi Riyals denominated Sukuk, listed in the Saudi Stock Main Market (Tadawul), with a maturity of 3 months or more. The Fund seeks to distribute monthly dividends to unitholders.

In dealing with the unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund. Furthermore, the unitholders are considered to be the beneficial owners of the assets of the Fund.

Riyad Capital is the custodian ("the Custodian") of the Fund.

In August 2019, the Capital Market Authority ("CMA") approved Albilad Investment Co.'s request to offer and register "Albilad Saudi Sovereign Sukuk ETF" units on Tadawul as Exchange Traded Fund (ETF). The Fund started trading on Tadawul as an ETF on Jumada Al-Thani 22, 1441H (corresponding to February 17, 2020, with the symbol 9403).

According to the Terms and Conditions of the Fund, its first annual financial period starts from the commencement date of its operations i.e. Jumada Al-Thani 22, 1441H (corresponding to February 17, 2020) to 31 December 2020. According to the Terms and Conditions of the Fund, the financial statements for the subsequent period will be prepared from 1 January to 31 December.

The Fund is governed by the Investment Fund Regulations ("the Regulations") published by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) as amended by the resolution of the CMA Board on 12 Rajab 1442H (corresponding to 24 February 2021).

1.1 PRIMARY MARKET OPERATION (ISSUANCE AND REDEMPTION OF UNITS)

The primary market operations are only carried out by the Fund Manager and the authorized Market Maker. The Issuance and Redemption activities are done on the basis of blocks of exchange traded fund (ETF) units (for the Fund, one block equals 100,000 ETF Units), referred to Issuance and Redemption of Units respectively. The process of issuance and redemption of ETF units is on an in-kind basis whereby the Fund Manager and the Market Maker interexchange ETF Units of the Fund and the basket of assets (sukuk), through the custodian, for the purpose of issuance and redemption of ETF units. The issued units are then freely floated on Tadawul for public trading.

2 BASIS OF PREPARATION

These interim condensed financial statements of the Fund have been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. These interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the period from 17 February 2020 to 31 December 2020.

The interim condensed financial statements have been prepared on a historical cost convention, except for the revaluation of investments held at fair value through statement of income (FVSI).

The principal accounting policies, estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those of the previous financial year.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the interim statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

The Fund can recover or settle all its assets and liabilities within 12 months from the reporting date.

The preparation of these interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of 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 recognised in the year in which the estimates are revised and in any future years affected. There are no areas of significant judgment or critical assumption used in the preparation of these financial statements.

ALBILAD SAUDI SOVEREIGN SUKUK ETF
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3 NEW AND AMENDED STANDARDS ADOPTED BY THE FUND

There are amendments to standards that are effective in current and future periods but have not been detailed in these interim condensed financial statements and are not expected to have any impact on the Fund's interim condensed financial statements.

4 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the unitholders, Fund Manager, beneficial owners of the unitholders, Fund Board Directors, key management personnel and any businesses which are controlled, either directly or indirectly, by the unitholders or over which they exercise significant influence ("affiliate"). The Fund enters into transactions in the normal course of business with these parties at prices and terms agreed between the parties and in accordance with the Terms and Conditions of the Fund. All the related party transactions are approved by the Fund Board.

Management fee and other expenses

For management services, the Fund pays 0.3% as total expense out of which management fee is paid as remaining item after deducting all other expenses of Fund of the equity value at each Valuation Day of the Fund's equity value.

The Fund Manager also recovers certain expenses incurred on behalf of the Fund within limits mentioned in the Terms and Conditions of the Fund.

Transactions with related parties

Following table summarises the details of transactions with related parties:

Related party	Nature of relationship	Nature of transaction	For the six-month period ended 30 June 2021	For the period from 17 February 2020 (date of commencement of operations) to 30 June 2020
AlBilad Investment Company	Fund Manager	Management fee	140,617	17,065
Riyad Capital	Custodian of the Fund	Custody fee	47,745	13,347
Fund Board	Members of the Fund Board	Fund Board fee	1,995	1,538

Following table summarises the details of balances with related parties:

Nature of balance	Related Party	As at 30 June 2021	As at 31 December 2020
Cash and cash equivalents	Albilad Investment Company	37,428	31,344
Cash and cash equivalents	Riyad Capital - Custodian of the Fund	419,020	231,569
Custody fee payable	Riyad Capital - Custodian of the Fund	23,400	37,334
Accrued management fee	Albilad Investment Company – Fund Manager	214,442	50,222
Fund Board fee payable	Members of the Fund Board	1,995	4,000

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5 FAIR VALUES OF FINANCIAL INSTRUMENTS

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability

Determination of fair value and fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

Cash and cash equivalents and financial liabilities of the Fund are measured at amortised cost. Fund measures its Investment in Saudi sovereign sukuk at FVSI. The fair values of financial instruments which are not measured at fair value in these interim condensed financial statements are not significantly different from the carrying values included in the interim condensed financial statements.

At 30 June 2021	Fair value			Total
	Level 1	Level 2	Level 3	
Financial assets not measured at fair value				
Cash and cash equivalents	-	-	456,448	456,448
Financial assets measured at fair value				
Investments held at FVSI	206,746,430	-	-	206,746,430
	206,746,430	-	456,448	207,202,878
Financial liabilities not measured at fair value				
Accrued management fee	-	-	214,442	214,442
Accrual and other liabilities	-	-	45,098	45,098
	-	-	259,540	259,540
At 31 December 2020				
	Fair value			Total
	Level 1	Level 2	Level 3	
Financial assets not measured at fair value				
Cash and cash equivalents	-	-	262,913	262,913
	-	-	262,913	262,913
Financial assets measured at fair value				
Investments held at FVSI	166,499,533	-	-	166,499,533
	166,499,533	-	-	166,499,533
Financial liabilities not measured at fair value				
Accrued management fee	-	-	50,222	50,222
Accrual and other liabilities	-	-	17,624	17,624
	-	-	67,846	67,846

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6 FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

The objective of the Funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unitholders and to ensure reasonable safety to the unitholders.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and 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 set 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.

(a) Market risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency.

All the Fund's transactions and balances are in Saudi Riyals and therefore the Fund is not exposed to foreign exchange risk.

(ii) Commission rate risk

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates. Fund has all its investment in fixed rate Saudi Government Sukuks, therefore, Fund is not exposed to commission rate risk.

(iii) 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.

The Fund is exposed to price risk on its investments in sukuk. If the sukuk price on Tadawul is changed with ± 50 basis points, with all other variables held constant, the income for the period would have been higher/lower by SR ± 761 .

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Currently, the Fund is not exposed to any significant credit risk and concentration of credit risk other than Government sukuk. The Bank balance is held with bank which has a sound credit rating.

Financial Assets measured at amortised cost were considered for ECL as on 30 June 2021. However, the impact of ECL on these assets was immaterial as the cash and cash equivalents are held with the Bank and Custodian with sound credit ratings. There is no history of default for recovery of these balances.

Fund has investment in Saudi listed sovereign sukuk. As the issuer of these sukuk is Saudi government, therefore, Fund is not exposed to significant credit risk and accordingly no ECL is recorded in these interim condensed financial statements.

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6 FINANCIAL RISK MANAGEMENT (continued)

6.1 Financial risk factors (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's terms and conditions provide for subscription and redemption of units on every Valuation Day and it is, therefore, exposed to the liquidity risk of meeting redemptions at any time. The Fund's securities are considered to be readily realizable and they can be liquidated at any time. However, the Fund Manager has established certain liquidity guidelines for the Fund and monitors liquidity requirements on a regular basis to ensure sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by obtaining financing from the related parties of the Fund.

Fund settles its financial liabilities relating to accrued management fee and other expenses on quarterly basis.

The Fund manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through obtaining loan from related party, or liquidation of its investments.

Following table shows the Fund manager's expectation of timing for settlement of financial liabilities:

As at 30 June 2021

	Less than 7 days	7 days to 1 month	1-12 months	More than 12 months	Total
Financial Assets					
Cash and cash equivalents	456,448	-	-	-	456,448
Investments held at FVSI	-	1,989,636	204,756,794	-	206,746,430
	456,448	1,989,636	204,756,794	-	207,202,878
Financial Liabilities					
Accrued management fee	-	-	214,442	-	214,442
Accruals and other liabilities	-	-	45,098	-	45,098
	-	-	259,540	-	259,540
Liquidity gap	456,448	1,989,636	204,497,254	-	206,943,338

As at 31 December 2020

	Less than 7 days	7 days to 1 month	1-12 months	More than 12 months	Total
Financial Assets					
Cash and cash equivalents	262,913	-	-	-	262,913
Investments held at FVSI	-	1,609,631	164,889,902	-	166,499,533
	262,913	1,609,631	164,889,902	-	166,762,446
Financial Liabilities					
Accrued management fee	-	-	50,222	-	50,222
Accruals and other liabilities	-	-	17,624	-	17,624
	-	-	67,846	-	67,846
Liquidity gap	262,913	1,609,631	164,822,056	-	166,694,600

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(All amounts in Saudi Riyals unless otherwise stated)

7 DIVIDEND DISTRIBUTION

During the period, the Fund has distributed the following dividends to the unitholders:

Date of distribution	Outstanding units	Dividend per unit	Dividend distributed
14 February 2021	17,500,321	0.0499	873,266
14 March 2021	19,210,670	0.0194	372,687
14 April 2021	19,782,038	0.0314	621,156
19 May 2021	19,803,320	0.0506	1,002,048
			2,869,157

8 LAST VALUATION DAY

In accordance with the terms and conditions of the Fund, the last valuation day for the period was 30 June 2021.

9 IMPACT OF COVID-19

The COVID-19 pandemic developed rapidly in 2020, with a significant number of cases. Measures taken by the Government to contain the virus have affected economic activities. The Fund Manager has taken several measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for employees (such as social distancing and working from home).

As the Fund operates in the business of fixed rate sukuk investments, therefore, the Fund's performance is not materially effected from the decline in index rates. The Fund Manager will continue to follow the Government's policies and advice and, in parallel, the Fund will do the utmost to continue operations in the best and safest way possible without jeopardising the health and safety of the Fund Manager's employees.

10 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund Board on 15 August 2021.