

**ALINMA SAUDI GOVERNMENT SUKUK ETF  
FUND – SHORT MATURITY**  
(An exchange-traded fund)  
**Managed by Alinma Investment Company**  
**Condensed interim financial statements (Unaudited)**  
**For the six-month period ended 30 June 2022**  
together with the  
**INDEPENDENT AUDITOR’S REVIEW REPORT**

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**  
(An exchange-traded fund)  
**Managed by Alinma Investment Company**  
**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
For the six-month period ended 30 June 2022

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## KPMG Professional Services

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## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤  
المركز الرئيسي في الرياض

# Independent auditor's report on review of condensed interim financial statements

To the Unitholders of Alinma Saudi Government Sukuk ETF Fund – Short Maturity

## Introduction

We have reviewed the accompanying 30 June 2022 condensed interim financial statements of **Alinma Saudi Government Sukuk ETF Fund – Short Maturity** (the "Fund"), managed by Alinma Investment Company (the "Fund Manager") which comprises:

- the condensed statement of financial position as at 30 June 2022;
- the condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2022;
- the condensed statement of changes in net assets (equity) attributable to the Unitholders for the six-month period ended 30 June 2022;
- the condensed statement of cash flows for the six-month period ended 30 June 2022; and
- the notes to the condensed interim financial statements.

The Fund Manager is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Funds Regulations issued by Capital Market Authority and the Fund's Terms and Conditions. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

## Scope of Review

We conducted our review in accordance with the 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 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 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 30 June 2022 condensed interim financial statements of **Alinma Saudi Government Sukuk ETF Fund – Short Maturity** are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

## KPMG Professional Services

  
Fahad Mubark Aldossari  
License No: 469

Riyadh: 8 August 2022  
Corresponding to 10 Muharram 1444H



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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥,٠٠٠,٠٠٠) ريال سعودي، مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة الإنجليزية محدودة بضمان. جميع الحقوق محفوظة.

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**

(An exchange-traded fund)

Managed by Alinma Investment Company

**CONDENSED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2022

(All amounts in Saudi Arabian Riyals unless otherwise stated)

	<i>Note</i>	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
<b>Assets</b>			
Investments at amortised cost	7	1,231,766,998	1,236,991,331
Investment at fair value through profit or loss	8	24,134,204	--
Cash and cash equivalents	9	7,305,525	24,635,106
<b>Total assets</b>		<u>1,263,206,727</u>	<u>1,261,626,437</u>
<b>Liabilities</b>			
Payable to Unitholders	10	10,000,000	10,000,000
Accrued management fee	11	293,586	310,369
		<u>10,293,586</u>	<u>10,310,369</u>
<b>Net assets (equity) attributable to the Unitholders</b>		<u>1,252,913,141</u>	<u>1,251,316,068</u>
<b>Units in issue (Numbers)</b>		<u>12,500,000</u>	<u>12,500,000</u>
<b>Net assets (equity) value per unit – IFRS</b>	14	<u>100.23</u>	<u>100.11</u>
<b>Net assets (equity) value per unit – Dealing</b>	14	<u>99.80</u>	<u>101.80</u>

  
Zaki Abdullah Al Awami  
Fund Manager

  
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The accompanying notes 1 to 19 form an integral part of these condensed interim financial statements.

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**  
 (An exchange-traded fund)  
**Managed by Alinma Investment Company**  
**CONDENSED STATEMENT OF PROFIT OR LOSS AND**  
**OTHER COMPREHENSIVE INCOME**  
 For the six-month period ended 30 June 2022  
 (All amounts in Saudi Arabian Riyals unless otherwise stated)

	<i>Note</i>	<b>For the six-month period ended 30 June</b>	
		<u>2022</u> (Unaudited)	<u>2021</u> (Unaudited)
<b>Income</b>			
Income from investments at amortised cost	7.3	13,550,817	13,561,238
Unrealized gain on investment at fair value through profit or loss	8	134,204	--
<b>Total income</b>		<u>13,685,021</u>	<u>13,561,238</u>
<b>Expenses</b>			
Management fee	11	(1,779,290)	(1,828,022)
Other expenses		(437,445)	(80)
Reversal for expected credit losses	15 (a)	128,787	12,706
<b>Total expenses</b>		<u>(2,087,948)</u>	<u>(1,815,396)</u>
<b>Profit for the period</b>		<b>11,597,073</b>	<b>11,745,842</b>
Other comprehensive income for the period		--	--
<b>Total comprehensive income for the period</b>		<u><b>11,597,073</b></u>	<u><b>11,745,842</b></u>

  
 Zaki Abdulhal Al Awami  
 Fund Manager



The accompanying notes from 1 to 19 form an integral part of these condensed interim financial statements.

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**

(An exchange-traded fund)

Managed by Alinma Investment Company

**CONDENSED STATEMENT OF CHANGES IN**

**NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS**

For the six-month period ended 30 June 2022

(All amounts in Saudi Arabian Riyals unless otherwise stated)

	<b>For the six-month period ended 30 June</b>	
<i>Note</i>	<u>2022</u>	<u>2021</u>
	(Unaudited)	(Unaudited)
Net assets (equity) attributable to the Unitholders at the beginning of the period	1,251,316,068	1,255,751,924
Total comprehensive income for the period:		
Profit for the period	11,597,073	11,745,842
Other comprehensive income for the period	--	--
Total comprehensive income for the period	11,597,073	11,745,842
Contributions and redemptions by the Unitholders	--	--
Distributions	10 (10,000,000)	(18,000,000)
Net assets (equity) attributable to Unitholders at end of the period	1,252,913,141	1,249,497,766

**UNIT TRANSACTIONS:**

Transactions in units for the period are summarized as follows:

	<b>For the six-month period ended 30 June</b>	
	(in Units)	
	<u>2022</u>	<u>2021</u>
	(Unaudited)	(Unaudited)
Units at the beginning of the period	12,500,000	12,500,000
Net change in units during the period	--	--
Units at end of the period	12,500,000	12,500,000

  
Zaki Abouhish Al Awami  
Fund Manager



The accompanying notes from 1 to 19 form an integral part of these condensed interim financial statements.

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**

(An exchange-traded fund)

Managed by Alinma Investment Company

**CONDENSED STATEMENT OF CASH FLOWS**

For the six-month period ended 30 June 2022

(All amounts in Saudi Arabian Riyals unless otherwise stated)

	<b>For the six-month period ended 30 June</b>	
<i>Note</i>	<u>2022</u>	<u>2021</u>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>		
Profit for the period	11,597,073	11,745,842
<i>Adjustments for:</i>		
Income from investments at amortised cost	7.3 (13,550,817)	(13,561,238)
Unrealized gain on investment at fair value through profit or loss	8 (134,204)	--
Reversal for expected credit losses allowance on investments at amortised cost	7.5 (128,848)	(801)
Charge / (reversal) for expected credit losses allowance on cash and cash equivalents	9.1 61	(11,905)
	<u>(2,216,735)</u>	<u>(1,828,102)</u>
Changes in operating assets and liabilities:		
Accrued management fee	<u>(16,783)</u>	<u>(12,218)</u>
	<u>(2,233,518)</u>	<u>(1,840,320)</u>
Acquisition of investments at fair value through profit or loss	8 (24,000,000)	--
Special commission income received	7.4 18,903,998	18,903,998
<b>Net cash (used in) / from operating activities</b>	<u>(7,329,520)</u>	<u>17,063,678</u>
<b>Cash flows from investing activities</b>	--	--
<b>Cash flows from financing activities</b>		
Distributions to Unitholders	10 (10,000,000)	(18,000,000)
<b>Net cash used in financing activities</b>	<u>(10,000,000)</u>	<u>(18,000,000)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(17,329,520)</u>	<u>(936,322)</u>
Cash and cash equivalents at the beginning of the period	<u>24,635,155</u>	<u>8,506,531</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>9 7,305,635</u>	<u>7,570,209</u>

  
Zaki Abdulrahman Al Awami  
Fund Manager



The accompanying notes from 1 to 19 form an integral part of these condensed interim financial statements.

# ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY

(An exchange-traded fund)

Managed by Alinma Investment Company

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2022

(All amounts in Saudi Arabian Riyals unless otherwise stated)

### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Alinma Saudi Government Sukuk ETF Fund – Short Maturity (the "Fund") is an exchange-traded fund, managed by Alinma Investment Company (the "Fund Manager"), that invests through the passive management of a basket of Shariah-approved local government sukuk issued by the government authorities in the Kingdom of Saudi Arabia ("KSA") and listed in the main market to generate a performance that mirrors the performance of the index (before fees and expenses), distribute periodic returns, reduce cost, increase efficiency, as well as enhancing liquidity by concentrating on such income-generative investment instruments which enable individuals to invest in debt capital market instruments with more flexibility resulting in the promotion of the saving culture among investors which is one of the Saudi Vision 2030 key objectives.

The Fund was established by virtue of the approval of the Capital Market Authority on 6 Jumada'1 1441H corresponding to 1 January 2020 and commenced its operations on 24 February 2020.

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. The Fund Manager is also the administrator of the Fund. The Fund Manager has appointed Apex Fund Services Bahrain WLL ("Apex") to act as the administrator of the Fund. Credit Suisse Saudi Arabia is the custodian of the Fund as per the terms and conditions of the Fund.

The Fund Manager's address is as follows:

Al-Anoud Tower, Building No.2

King Fahad Road

P.O. Box 66333

Riyadh 11576

Kingdom of Saudi Arabia

### 2 REGULATORY FRAMEWORK

The Fund is governed by the Investment Funds Regulations (the "Regulations") published by Capital Market Authority ("CMA") on 3 Dhul Hijja 1427 H (corresponding to 24 December 2006) thereafter amended on 16 Sha'ban 1437 H (corresponding to 23 May 2016).

The Regulation was further amended (the "Amended Regulations") on 17 Rajab 1442 H ((corresponding to 1 March 2021), detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations came into effect from 19 Ramadan 1442 H (corresponding to 1 May 2021). Accordingly, the Fund has amended their terms and conditions in accordance with the Amended Regulations.

### 3 PRIMARY MARKET OPERATION (CREATION AND REDEMPTION OF UNITS)

The primary market operations are only carried out by the Fund Manager who is the authorized Market Maker. The creation and redemption activities are done on the basis of blocks of exchange traded fund (ETF) units (*for the Fund, one block equals 10,000 ETF units*), referred to as "creation unit and redemption unit" respectively. The process of creation and redemption of ETF units is on an in-kind basis whereby the Fund Manager and the Market Maker interexchange ETF units with the Fund and the basket of assets, through the custodian, for the purpose of creation and redemption of ETF units. The created units are then freely floated on Tadawul for public trading.



**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**  
(An exchange-traded fund)

**Managed by Alinma Investment Company**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2022

(All amounts in Saudi Arabian Riyals unless otherwise stated)

**4 BASIS OF PREPARATION**

**a) Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” that is endorsed in the Kingdom of Saudi Arabia and in compliance with the applicable provisions of the Investment Funds Regulations issued by Capital Market Authority and the Fund’s Terms and Conditions.

The preparation of condensed interim financial statements requires the use of certain critical accounting estimates. It also requires Fund Manager to exercise judgement in the process of applying Fund’s accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5(d) of these condensed interim financial statements.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Fund’s annual financial statements as at and for the year ended 31 December 2021.

**b) Basis of measurement**

These condensed interim financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of financial assets carried at fair value through profit or loss (“FVTPL”) classified as investment at fair value through profit or loss in the condensed statement of financial position.

The Fund Manager has made an assessment of the Fund’s ability to continue as a going concern and is satisfied that the Fund has the resources to continue its business for the foreseeable future. Furthermore, the Fund Manager is not aware of any material uncertainty that may cast doubt upon the Fund’s ability to continue as going concern. Therefore, these condensed interim financial statements have been prepared on going concern basis.

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

**c) Functional and presentation currency**

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

**d) Use of estimates and judgments**

In the ordinary course of business, the preparation of condensed interim financial statements requires Fund Manager to make judgments, estimates and assumptions that may 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. There were no major areas where estimates or judgments made are significant to the Fund’s interim condensed financial statements consistent with the annual financial statements as at and for the year ended 31 December 2021.

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**  
(An exchange-traded fund)

**Managed by Alinma Investment Company**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2022

(All amounts in Saudi Arabian Riyals unless otherwise stated)

**5 SIGNIFICANT ACCOUNTING POLICIES**

The accounting and risk management policies, estimates and assumptions used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements as at and for the year ended 31 December 2021. During the interim period, the Fund has invested in certain investments carried at fair value through profit or loss (FVTPL). Accordingly, the accounting policy for financial instruments has been amended to include as follows:

**a) Financial instruments**

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss comprise debt and equity investments that do not qualify for measurement at either amortised cost or at fair value through other comprehensive income. Financial instruments held at fair value through profit or loss are initially recognised at fair value, with transaction cost recognised in the condensed statement of profit or loss as incurred. Subsequently, they are measured at fair value and any gains and losses are recognized in the condensed statement of profit or loss as they arise.

**6 NEW STANDARDS**

**6.1 *New standards and interpretations amendments applicable from 1 January 2022:***

Following new standards, amendments and revisions to existing standards and interpretations which were issued by the International Accounting Standards Board (IASB) have been effective for reporting periods commencing on or after 1 January 2022 and accordingly adopted by the Fund, as applicable:

- Amendments to IFRS 16: COVID 19 – Related rent concessions;
- Amendments to IAS 37: Onerous contracts - cost of fulfilling a contract;
- Amendments to IAS 16 “Property, plant and equipment”: Proceeds before intended use;
- Annual improvements to IFRS 2018-2020;
- Amendments to IFRS 3: Reference to conceptual framework.

The Fund Manager has assessed that the adoption of these new or amended standards and interpretations applicable to the Fund did not have any significant impact on these condensed interim financial statements.

**6.2 *New standards and interpretations issued but not yet effective:***

New standards, amendments and revisions to existing standards issued but not yet effective up to the date of issuance of the Fund’s condensed interim financial statements are listed below. The Fund intends to adopt these standards when they become effective:

<b>Effective date</b>	<b>New standards, amendments or interpretations</b>
1 January 2023	<ul style="list-style-type: none"><li>• IFRS 17 “Insurance contracts”;</li><li>• Amendments to IAS 1: Classification of liabilities as current or non-current;</li><li>• Amendments to IAS 1: Disclosure of accounting policies;</li><li>• Amendments to IAS 8: Definition of accounting estimate;</li><li>• Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction.</li></ul>

The Fund Manager anticipates that the application of these new standards and amendments in the future will not have significant impact on the Fund.

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**

(An exchange-traded fund)

Managed by Alinma Investment Company

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2022

(All amounts in Saudi Arabian Riyals unless otherwise stated)

**7 INVESTMENTS AT AMORTISED COST**

	<b>30 June 2022</b>	31 December 2021
	<b>(Unaudited)</b>	(Audited)
Nominal value of Sukuks	1,205,218,000	1,205,218,000
Premium	38,013,927	38,013,927
Amortisation of premium	<u>(23,750,113)</u>	<u>(18,396,932)</u>
	1,219,481,814	1,224,834,995
Accrued special commission income (Note 7.4)	<u>12,340,061</u>	12,340,061
	1,231,821,875	1,237,175,056
Expected credit losses allowance (Note 7.5)	<u>(54,877)</u>	<u>(183,725)</u>
	<u>1,231,766,998</u>	<u>1,236,991,331</u>

7.1 Below is the movement for gross investments at amortised cost before accrued special commission income and expected credit losses allowance during the period:

	<b>For the six-month period ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
Balance at the beginning of the period	1,224,834,995	1,235,416,547
Amortisation during the period	<u>(5,353,181)</u>	<u>(5,342,761)</u>
	<u>1,219,481,814</u>	<u>1,230,073,786</u>

7.2 The Fund has invested in Saudi Government Sukuks for a cost of SR 1,243.2 million (31 December 2021: SR 1,243.2 million) with a nominal value of SR 1,205.2 million (31 December 2021: SR 1,205.2 million), which have a fixed annual rate for special commission income of 2.2% to 3.7% (31 December 2021: 2.2% to 3.7%) and maturity in 1 year to 4 years (31 December 2021: 1 year to 4 years). The premium paid to Alinma Bank on transfer of Sukuks to the Fund is being amortised over their remaining term. These Sukuks are held with the custodian.

7.3 Below is the breakup of income from investments at amortised cost:

	<b>For the six-month period ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
Special commission income	18,903,998	18,903,999
Amortisation of premium paid	<u>(5,353,181)</u>	<u>(5,342,761)</u>
	<u>13,550,817</u>	<u>13,561,238</u>

7.4 Below is the movement for accrued special commission income:

	<b>For the six-month period ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
Accrued special commission income at the beginning of the period	12,340,061	12,340,060
Special commission income earned during the period	18,903,998	18,903,999
Special commission income received during the period	<u>(18,903,998)</u>	<u>(18,903,998)</u>
Accrued special commission income as at period end	<u>12,340,061</u>	<u>12,340,061</u>

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**  
(An exchange-traded fund)

Managed by Alinma Investment Company

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2022

(All amounts in Saudi Arabian Riyals unless otherwise stated)

**7 INVESTMENTS AT AMORTISED COST (CONTINUED)**

7.5 Below is the movement for expected credit loss allowance on investments at amortised cost during the period:

	For the six-month period ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Opening provision	183,725	185,312
Reversal during the period	(128,848)	(801)
Closing provision	54,877	184,511

**8 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS**

During the period, the Fund has made an investment in Alinma Saudi Riyal Liquidity Fund, an open-ended mutual fund managed by the Fund Manager which is carried at fair value through profit or loss. Below is the further information of the investment:

	30 June 2022 (Unaudited)	
	Cost	Fair value
Alinma Saudi Riyal Liquidity Fund	24,000,000	24,134,204

Below is the movement during the period

	30 June 2022 (Unaudited)
Acquisition during the period	24,000,000
Change in fair value during the period	134,204
	24,134,204

**9 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise balance held with Alinma Bank by the Fund Manager on behalf of the Fund. Below is the breakup for cash and cash equivalents:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Balance held with bank	7,305,635	24,635,155
Expected credit loss allowance (Note 9.1)	(110)	(49)
	7,305,525	24,635,106

9.1 Below is the movement for expected credit loss allowance on cash and cash equivalents during the period:

	For the six-month period ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Opening expected credit loss allowance	49	11,909
Charge / (reversal) during the period	61	(11,905)
Closing expected credit loss allowance	110	4

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**  
(An exchange-traded fund)

Managed by Alinma Investment Company

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2022

(All amounts in Saudi Arabian Riyals unless otherwise stated)

**10 DISTRIBUTION TO UNITHOLDERS**

During prior period, the Fund Manager had announced cash distribution of SR 0.8 per unit amounting to SR 10.0 million which has been paid during the current period to the Unitholders for the existing units of 12,500,000 units. During the current period, on 26<sup>th</sup> June 2022, the Fund Manager announced cash distribution of SR 0.8 per unit amounting to SR 10.0 million for the existing units of 12,500,000 units which was not paid till reporting date.

**11 TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

In the ordinary course of its activities, the Fund transacts business with its related parties at mutually agreed terms in accordance with the terms and conditions of the Fund which are approved by the Fund Manager. Related parties comprise the Fund Board, Fund Manager, Funds managed by the Fund Manager and Alinma Bank (the Parent Company of the Fund Manager and a Unitholder of the Fund).

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

<u>Related party</u>	<u>Relationship</u>	<u>Transaction</u>	<u>For the six-month period ended 30 June</u>	
			<u>2022</u> <u>(Unaudited)</u>	<u>2021</u> <u>(Unaudited)</u>
Alinma Investment Company	Fund Manager	Management fee expense	<u>1,779,290</u>	<u>1,828,022</u>
		Management fees paid	<u>1,796,073</u>	<u>1,840,240</u>
		Expenses charged	<u>--</u>	<u>80</u>
		Expenses paid	<u>--</u>	<u>80</u>
Alinma Saudi Riyal Liquidity Fund	Fund managed by the Fund Manager	Acquisition of units in affiliate fund	<u>24,000,000</u>	<u>--</u>

The following table summarises the details of balances with related parties

<u>Related Party</u>	<u>Relationship</u>	<u>Balance</u>	<u>30 June</u>	<u>31 December</u>
			<u>2022</u> <u>(Unaudited)</u>	<u>2021</u> <u>(Audited)</u>
Alinma Investment Company	Fund Manager	Accrued management fee	<u>293,586</u>	<u>310,369</u>
		Balance held with bank	<u>7,305,635</u>	<u>24,635,155</u>
Alinma Saudi Riyal Liquidity Fund	Fund managed by the Fund Manager	Investment carried at FVTPL	<u>24,134,204</u>	<u>--</u>
Alinma Bank	Unitholder	Net assets (equity) attributable to Unitholders (7,972,703 units (31 December 2021: 7,946,313 units)	<u>799,104,022</u>	<u>795,505,394</u>

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND – SHORT MATURITY**  
(An exchange-traded fund)

Managed by Alinma Investment Company

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

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(All amounts in Saudi Arabian Riyals unless otherwise stated)

**12 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Fund's accounting policy in measuring and disclosing the fair value of financial instruments, as disclosed in its annual financial statements as at and for the year ended 31 December 2021, is consistently applied during the period.

*Fair value hierarchy – Financial instruments measured at amortised cost and measured at fair value through profit or loss*

The table below analyses financial instruments measured at amortised cost and measured at fair value through profit or loss at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The fair values of financial instruments measured at amortised cost are based on respective fair value in quotations at the reporting date. The fair values of financial instruments at fair value through profit or loss are obtained directly from the Stock Exchange on which the price is published (i.e. published net assets value).

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>30 June 2022</b>					
<b>(Unaudited)</b>					
Investments at amortised cost	1,231,766,999	1,202,701,048	--	--	1,202,701,048
Investment at fair value through profit or loss	24,134,204	--	24,134,204	--	24,134,204
<b>Total</b>	<b>1,255,901,203</b>	<b>1,202,701,048</b>	<b>24,134,204</b>	<b>--</b>	<b>1,226,835,252</b>
<b>31 December</b>					
<b>(Audited)</b>					
Investments at amortised cost	1,236,991,331	1,234,557,356	--	--	1,234,557,356
Investment at fair value through profit or loss	--	--	--	--	--
<b>Total</b>	<b>1,236,991,331</b>	<b>1,234,557,356</b>	<b>--</b>	<b>--</b>	<b>1,234,557,356</b>

Other financial instruments include cash and cash equivalents, payable to unitholders and accrued management fees. The gross carrying amounts of these financial instruments approximate fair value, because of their short tenure.

**13 CAPITAL MANAGEMENT**

The capital of the Fund is represented by net assets (equity) attributable to holders of redeemable units. The amount of equity attributable to holders of redeemable units can change significantly on each valuation day, as the Fund is subject to subscriptions and redemptions at the discretion of Unitholders on every valuation day, 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 in order to provide returns for Unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund. The Fund Board and the Fund Manager monitor capital on the basis of the value of net assets (equity) attributable to Unitholders.

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**14 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 financial statements.

In these condensed interim financial statements, Sukuks are carried at amortised cost less expected credit losses allowance in accordance with the applicable financial reporting framework. However, fair value of Sukuks have been declined as compared to the carrying value (refer Note 12) mainly due to increase in the special commission rates prevailing in the market for similar Sukuks. Hence, net assets value per unit based on market value of Sukuks is SAR 99.80 (31 December 2021: SAR 101.80) as mentioned below:

	<b>30 June</b>	<b>31 December</b>
	<b><u>2022</u></b>	<b><u>2021</u></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Unit price calculated in accordance with the financial statements	<b><u>100.23</u></b>	<u>100.11</u>
Unit price calculated for trading	<b><u>99.80</u></b>	<u>101.80</u>

**15 FINANCIAL RISK MANAGEMENT**

The Fund's activities expose it to a variety of financial risk including credit risk, liquidity risk and market risk. The risk management framework and policies of the Fund are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2021.

**a) Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. The Fund is exposed to credit risk on its balance of cash equivalents held with the Fund Manager and investments at amortised cost. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. Credit risk is generally managed on the basis of external credit grading of the counterparty.

(Reversal) / expected credit losses allowance on financial assets recognized in the condensed statement of profit or loss are as follows:

	<b>For the six-month period</b>	
	<b>ended 30 June</b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Investments at amortised cost	<b>(128,848)</b>	(801)
Cash and cash equivalents	<b>61</b>	(11,905)
	<b><u>(128,787)</u></b>	<u>(12,706)</u>

**b) 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. The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

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**15 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**c) *Market risk***

Market risk is 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.

***Currency risk***

Currency risk is the risk that the value of a financial instrument may fluctuate due to a change in foreign exchange rates. The functional currency of the Fund is Saudi Arabian Riyals. As the Fund's financial assets and financial liabilities are denominated in Saudi Arabian Riyals, the Fund is not subject to currency risk.

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market special commission rates. The Fund's investment in Sukuks is at fixed rate and are carried at amortised cost, therefore as of reporting date, a change in special commission rates would not affect the condensed statement of profit or loss and other comprehensive income. However, a change in special commission rate will impact the fair value of Sukuks which will have an impact on the net assets value – dealing of the Fund (Refer Note 14).

***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. As of reporting date, the Fund has exposure to price risk as the Fund holds investment in Alinma Saudi Riyal Liquidity Fund. Increase / decrease by 10% in the price of such investment will result in an increase / decrease in the profit for the period by SR 2.4 million.

**16 LAST VALUATION DAY**

In accordance with the terms and conditions of the Fund, the valuation day is an official working / business day in the Kingdom of Saudi Arabia. The last valuation day of the Fund for the period was 30 June 2022.

**17 CONTINGENCIES AND COMMITMENTS**

The Fund has no contingencies and commitments requiring disclosures as at 30 June 2022.

**18 SUBSEQUENT EVENT**

There are no events subsequent to the condensed statement of financial position date which require adjustments of or disclosure in the condensed interim financial statements or notes thereto.

**19 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Fund Manager on 10 Muharram 1444H corresponding to 8 August 2022.