

Al-Mubarak SAR Trade Fund
(Managed by Arab National Investment Company)

**AUDITED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2020



Ernst & Young & Co. (Certified Public Accountants) Registration No. 45/11/323
General Partnership C.R. No. 1010383821
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia
Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730
ey.ksa@sa.ey.com
ey.com/mena

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AL-MUBARAK SAR TRADE FUND
(MANAGED BY ARAB NATIONAL INVESTMENT COMPANY)**

Opinion

We have audited the financial statements of Al-Mubarak SAR Trade Fund (the "Fund") managed by Arab National Investment Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity attributable to the unitholders and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the applicable provisions of the Investment Funds Regulations issued by the Board of the Capital Market Authority, and the Fund's terms and conditions and the Information Memorandum, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AL-MUBARAK SAR TRADE FUND
(MANAGED BY ARAB NATIONAL INVESTMENT COMPANY) (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AL-MUBARAK SAR TRADE FUND
(MANAGED BY ARAB NATIONAL INVESTMENT COMPANY) (CONTINUED)**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

for Ernst & Young



Rashid S. AlRashoud
Certified Public Accountant
License No. 366



Riyadh: 25 Sha'ban 1442H
(7 April 2021)

Al-Mubarak SAR Trade Fund
(Managed by Arab National Investment Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	31 December 2020 SR	31 December 2019 SR
ASSETS			
Investments in sukuk at amortized cost	8	5,000,000	120,000,000
Murabaha placements at amortized cost	9	2,276,000,000	2,122,000,000
Financial assets at fair value through profit or loss (FVTPL)	10	200,215,195	-
Accrued special commission income		6,003,318	13,787,659
Bank balance	7	52,132,922	272,389
TOTAL ASSETS		2,539,351,435	2,256,060,048
LIABILITIES			
Management fees payable		1,368,069	1,197,833
Accrued expenses		238,085	89,698
TOTAL LIABILITIES		1,606,154	1,287,531
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)			
		2,537,745,281	2,254,772,517
TOTAL LIABILITIES AND EQUITY		2,539,351,435	2,256,060,048
Redeemable units in issue		116,822,923	105,169,155
Net asset value attributable to each per unit		21.72	21.44

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

Al-Mubarak SAR Trade Fund
(Managed by Arab National Investment Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 SR	2019 SR
INCOME			
Special commission income		46,223,196	68,114,271
Unrealised gain on financial assets at FVTPL	10	215,195	-
TOTAL INCOME		46,438,391	68,114,271
EXPENSES			
Management fees	11	(6,029,504)	(4,607,787)
Other fees	11	(861,312)	(470,760)
TOTAL EXPENSES		(6,890,816)	(5,078,547)
NET INCOME FOR THE YEAR		39,547,575	63,035,724
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		39,547,575	63,035,724

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

Al-Mubarak SAR Trade Fund
(Managed by Arab National Investment Company)

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS

For the year ended 31 December 2020

	2020 SR	2019 SR
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE YEAR	2,254,772,517	1,685,830,739
NET INCOME FOR THE YEAR	39,547,575	63,035,724
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	39,547,575	63,035,724
ISSUANCE AND REDEMPTIONS OF UNITS		
Issuance of units during the year	2,836,410,705	2,466,233,005
Redemptions of units during the year	(2,592,985,516)	(1,960,326,951)
Net changes in value of units	243,425,189	505,906,054
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE YEAR	2,537,745,281	2,254,772,517

REDEEMABLE UNIT TRANSACTIONS

Transactions in redeemable units made for the year ended 31 December are summarized as follows:

	2020 Units	2019 Units
UNITS AT THE BEGINNING OF THE YEAR	105,169,155	80,822,915
Issuance of units during the year	131,594,923	116,482,350
Redemptions of units during the year	(119,941,155)	(92,136,110)
Net changes in number of units	11,653,768	24,346,240
UNITS AT THE END OF THE YEAR	116,822,923	105,169,155

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

Al-Mubarak SAR Trade Fund
(Managed by Arab National Investment Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 SR	2019 SR
OPERATING ACTIVITIES			
Net income for the year		39,547,575	63,035,724
Adjustment to reconcile net income to net cash flows:			
Net unrealised gain on financial assets at FVTPL		(215,195)	-
		39,332,380	63,035,724
Changes in operating assets and liabilities:			
Decrease in Investments in sukuk at amortized cost		115,000,000	50,000,000
Increase in Murabaha placements at amortized cost		(334,000,000)	(666,000,000)
Decrease (increase) in accrued special commission income		7,784,341	(3,866,676)
Increase in financial assets at (FVTPL)		(200,000,000)	-
Decrease in redemption payable		-	(15,958,799)
Increase (decrease) in accrued management and other fees		318,623	(801,246)
Net cash used in operating activities		(371,564,656)	(573,590,997)
FINANCING ACTIVITIES			
Issuance of units during the year		2,836,410,705	2,466,233,005
Redemptions of units during the year		(2,592,985,516)	(1,960,326,951)
Net cash from financing activities		243,425,189	505,906,054
NET DECREASE IN CASH AND CASH EQUIVALENTS		(128,139,467)	(67,684,943)
Cash and cash equivalents at the beginning of year		220,272,389	287,957,332
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	92,132,922	220,272,389

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

Al-Mubarak SAR Trade Fund

Managed by Arab National Investment Company

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

1. GENERAL

Al-Mubarak SAR Trade Fund (the “Fund”) is an open-ended fund. The investment objective of the Fund is to provide capital preservation and short-term capital growth, through investing in Shariah-compliant conservative transactions. The Fund was established on 8 Rajab 1413H (corresponding to 1 January 1993) by Arab National Bank (the “Bank”). The address of the Fund Manager is Arab National Investment Company, P.O. Box 220009, Riyadh 11311, Kingdom of Saudi Arabia.

In accordance with the Capital Market Authority's (CMA) decision No.1-83-2005 dated 21 Jumada Awal 1426H (corresponding to 28 June 2005) issued by the CMA Board in connection with the regulations relating to Authorised Persons, the Bank has transferred its asset management operations to the Arab National Investment Company (the “Fund Manager”), a wholly owned subsidiary of the Bank, effective 1 January 2008.

The Fund has appointed AlBilad Investment Company (the “Custodian”) to act as its custodian and registrar. The fees of the custodian and registrar's services are paid by the Fund.

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager can also enter into arrangements with other institutions for the provision of investment, custody or other administrative services on behalf of the Fund.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006), and effective from 6 Safar 1438H (corresponding 6 November 2016) by the New Investment Fund Regulations (“Amended Regulations”) published by the Capital Market Authority on 16 Sha’aban 1437H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in the KSA”).

These financial statements have been prepared on a historical cost basis, except for Financial assets at fair value through profit or loss (FVTPL) which are stated at their fair value and also using the accruals basis of accounting and the going concern concept.

These financial statements are presented in Saudi Riyals (“SR”), which is the functional currency of the Fund, and all values are rounded to the nearest one Saudi Riyal, except where otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Fund.

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

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The amendments do not have any impact on the financial statements of the Fund.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Fund.

The following are the significant accounting policies applied by the Fund in preparing its financial statements:

4.1 Financial instruments

(i) Classification

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or
- b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking or
- c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

Financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

- Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets measured at fair value through profit or loss (FVTPL)

A financial asset is measured at fair value through profit or loss if:

- i. Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding (SPPI); and
 - ii. It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
 - iii. At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.
- The Fund investments includes investment in mutual fund instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Financial instruments (Continued)

(i) Classification (continued)

Financial liabilities

- Financial liabilities measured at fair value through profit or loss (FVTPL)
A financial liability is measured at FVTPL if it meets the definition of held for trading. The Fund does not hold any financial liabilities measured at FVTPL.
- Financial liabilities measured at amortised cost
This category includes all financial liabilities, other than those measured at fair value through profit or loss.

(ii) Recognition

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

(iii) Initial measurement

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVTPL) are measured initially at their fair value including any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at FVTPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVTPL in the statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest income or expense and dividend income or expense in the statement of comprehensive income. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(v) Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(vi) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

(vii) *Impairment of financial assets*

The Fund assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its financial assets, carried at amortised cost, the ECL is based on a 12-month ECL and lifetime ECL. The 12-month ECL is the portion of lifetime the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

4.2 Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Fund commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the marketplace.

4.3 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

4.4 Accrued expenses

Liabilities are recognized for amounts to be paid in the future for services received, whether billed by the suppliers or not. These are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method.

4.5 Provisions

Provisions are recognised when the Fund has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. If the effect of time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to passage of time is recognised as finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured.

4.6 Zakat and income tax

Under the current system of taxation in the Kingdom of Saudi Arabia the Fund is not liable to pay any zakat or income tax as they are considered to be the obligation of the Unitholders and as such, these are not provided in the financial statements.

4.7 Special commission income

Special commission income including special commission income from non-derivative financial assets measured at amortised cost, are recognized in the statement of comprehensive income, using effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument on initial recognition. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Net assets value per unit

Net assets value per unit as disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the number of units outstanding at year end.

4.9 Dividend income

Dividend income is recognised in statement of comprehensive income on the date on which the right to receive the payment for dividend is established. For quoted equity securities, this is usually the ex-dividend date. Dividend income from equity securities designated as at FVTPL is recognised in statement of comprehensive income in a separate line item.

4.10 Redeemable Units

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument

In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders

The Fund continuously assesses the classification of the redeemable shares. If the redeemable shares cease to have all the features, or meet all the conditions set out, to be classified as equity, 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 recognised in equity. If the redeemable shares subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.

No gain or loss is recognised in the statement of comprehensive income on the purchase, issuance or cancellation of the Fund's own equity instruments.

The capital of the Fund is SR 1,168,229,230 (31 December 2019: SR 1,051,691,550) divided into 116,822,923 (31 December 2019: 105,169,155) participating units of SR 10 par value. All issued participating units are fully paid. The Fund's capital is represented by these participating units and are classified as equity instruments. The units are entitled to payment of a proportionate share of the Fund's net asset value upon winding up of the Fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Net gain or loss on financial assets at fair value through profit or loss ("FVTPL")

Net gains or losses on financial assets and liabilities at FVTPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVTPL and exclude special commission and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior year's unrealised gains and losses for financial instruments, which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at FVTPL are calculated using the weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

Unrealised gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior year's unrealised gains and losses for financial instruments, which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at FVTPL are calculated using the weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

4.12 Management fees

Fund management fees are recognised on accrual basis and charged to the statement of comprehensive income. Fund management fee is charged at agreed rates with the Fund Manager and as stated in the terms and conditions of the Fund

4.13 Fair value 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 market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year. The Fund determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies. For this analysis, the Fund verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Fair value of financial instruments (continued)

The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair

value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in note 12.

4.14 Foreign currency translation

Transactions in foreign currencies are translated into SR at the exchange rate at the dates of the transactions. Foreign exchange gains and losses arising from translations are included in the statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies are retranslated into SR at the exchange rate at the reporting date.

Foreign currency differences arising on retranslation are recognized in the statement of comprehensive income as net foreign exchange losses, except for those arising on financial instruments at FVTPL, which are recognised as a component of net gain from financial instruments at FVTPL.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS as endorsed in the KSA requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Significant areas where management has used estimates, assumptions or exercised judgement are as follows:

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

Fair value measurement

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (mid price), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in Note 9.

Going concern

The Board of Directors in conjunction with the Fund Manager made an assessment of the Fund's ability to continue as a going concern and are satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, they are not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Al-Mubarak SAR Trade Fund
Managed by Arab National Investment Company

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2020

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are several standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements

- IFRS 17 Insurance Contracts
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

The Fund will apply the new standards, interpretations and amendments at the respective effective dates. These amendments are not expected to have a material impact on the Fund.

7. CASH AND CASH EQUIVALENTS

	31 December 2020 SR	31 December 2019 SR
Bank balance	52,132,922	272,389
Murabaha placements with an original maturity of three months or less	40,000,000	220,000,000
	92,132,922	220,272,389

8. INVESTMENTS IN SUKUK AT AMORTIZED COST

	Maturity date	31 December 2020 SR	31 December 2019 SR
Saudi British Bank-Sukuk-II	22 July 2030	5,000,000	45,000,000
Riyadh Bank- Sukuk		-	75,000,000
		5,000,000	120,000,000

Investments in sukuk at amortized cost are subject to an impairment assessment based on the expected credit loss (ECL) model as per IFRS 9. The management has assessed that the provision under the ECL model is not significant.

9 MURABAHA PLACEMENTS AT AMORTIZED COST

Murabaha placements are an Islamic mode of money market placements with counterparties in Saudi Arabia and the rest of the Middle East. Investments in Murabaha placements at amortized cost are subject to an impairment assessment based on the expected credit loss (ECL) model as per IFRS 9. The management has assessed that the provision under the ECL model is not significant.

	31 December 2020 SR	31 December 2019 SR
Murabaha placements with an original maturity of three months or less (note 7)	40,000,000	220,000,000
Murabaha placements with an original maturity more than three months	2,236,000,000	1,902,000,000
	2,276,000,000	2,122,000,000

Al-Mubarak SAR Trade Fund
Managed by Arab National Investment Company

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The composition of the investments at fair value through profit and loss is summarised below:

Description	31 December 2020			
	% of market value	Cost SR	Market value SR	Unrealised gain SR
<u>Mutual Fund</u>				
Alinma Saudi Riyal Liquidity Fund	100%	200,000,000	200,215,195	215,195

11. TRANSACTIONS WITH RELATED PARTIES

As per the agreement, the Fund is required to pay a management fee at the maximum rate of 0.2% per annum calculated based on the total net asset value at each valuation date. In addition, the Fund manager also charges other fees at a maximum rate of 0.50% per annum calculated based on the total net asset value at each valuation date to meet other expenses of the Fund.

The management fees amounting to SR 6,029,504 (2019: SR 4,607,787) and other fees amounting to SR 861,312 (2019: SR 470,760), reflected in the statement of comprehensive income, represent the fees charged by the Fund Manager during the year as described above.

The accrued management and other fees payable to the Fund Manager at the year-end are disclosed in the statement of financial position.

The Bank (parent of the Fund Manager) acts as the Fund's banker. As at 31 December, Murabaha placements aggregating to SR 382,000,000 (2019: SR 407,000,000) were placed with the Bank. During the year, the Fund has earned special commission amounting to SR 11,531,700 (2019: SR 7,435,310) on the Murabaha placements made with the Bank.

The Unitholders' account at 31 December included units held as follows:

	31 December 2020 Units	30 December 2019 Units
Held by the Fund Manager	8,008,765	2,380,494
Held by other funds under the same management	7,986,683	110,960
Held by employees of the Bank	64,667	328,325
	16,060,115	2,819,779

The transactions during the year are as follow:

Related party	Nature of transactions	Amount of transactions	
		2020 SR	2019 SR
Fund Manager	Subscription	121,470,000	30,000,000
Other funds under the same management	Subscription	264,086,250	14,796,250
	Redemption	101,057,750	11,937,263
Employees of the Bank	Subscription	1,352,900	11,239,586
	Redemption	619,623	7,772,537

Al-Mubarak SAR Trade Fund
Managed by Arab National Investment Company

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's management assessed that the fair value of bank balances, short-term Murabaha placements and accrued special commission income approximate their carrying amounts largely due to the short-term maturities of these instruments. Long-term Sukuk and Murabaha placements are evaluated by the Fund based on parameters such as commission rates, specific country risk factors, and individual creditworthiness of the counterparties. Based on this evaluation, allowances are taken into account for the expected losses of these Long-term Sukuk and Murabaha placements. The expected credit losses of these Long-term Sukuk and Murabaha placements as at 31 December 2020 and 31 December 2019 was assessed by Fund's management to be insignificant. In addition, the Fund holds investment in Mutual Funds measured at fair values and are allocated within level 2 of the fair value hierarchy. Management believes that the fair value of all other financial assets and liabilities are classified as amortized cost and at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. These are all classified within level 2 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current year or prior year

13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets, other than bank balances, held by the Fund as at 31 December 2020 and 31 December 2019.

	31 December 2020 SR	31 December 2019 SR
<i>Financial assets at amortised cost</i>		
Investments in sukuk at amortized cost	5,000,000	120,000,000
Murabaha placements at amortized cost	2,276,000,000	2,122,000,000
Accrued special commission income	6,003,318	13,787,659
<i>Financial assets at fair value through profit or loss (FVTPL)</i>		
Financial assets at fair value through profit or loss (FVTPL)	200,215,195	-
<i>Total financial assets</i>	2,487,218,513	2,255,787,659

Set out below is an overview of financial liabilities held by the Fund as at 31 December 2020 and 31 December 2019.

	31 December 2020 SR	31 December 2019 SR
<i>Financial liabilities at amortised cost</i>		
Management fees payable	1,368,069	1,197,833
Accrued expenses	238,085	89,698
<i>Total financial liabilities</i>	1,606,154	1,287,531

Al-Mubarak SAR Trade Fund
Managed by Arab National Investment Company

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

14. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

The Fund's principal financial liabilities are accrued expenses and a redemption payable amount.

The Fund also has financial assets in the form of cash and cash equivalents and investments at amortized cost which are integral and directly derived out of its regular business.

The Fund's financial operations are exposed to following risks.

Credit risk

Credit risk refers to the risk that a party to a financial instrument will default on its contractual obligations resulting in financial loss to the Fund. The Fund has adopted a policy of only dealing with creditworthy counterparties, for whom the credit risk is assessed to be low.

The Fund attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. The Fund maintains bank accounts with high credit rated financial institutions.

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

	31 December 2020 SR	31 December 2019 SR
Investments in sukuk at amortized cost	5,000,000	120,000,000
Murabaha placements at amortized cost	2,276,000,000	2,122,000,000
Accrued special commission income	6,003,318	13,787,659
Bank balance (Note 7)	52,132,922	272,389
	2,339,136,240	2,256,060,048

The management has conducted an ECL assessment as required under IFRS 9 and based on that assessment, the management believes that there is no need for any significant impairment loss to be recognised against the carrying value of the financial assets.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet 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.

The Fund's terms and conditions provide for redemptions of units twice a week and it is, therefore, exposed to the liquidity risk of meeting Unit holders' redemptions. The Fund's bank balances and Murabaha placements are considered to be readily realisable. The Fund Manager monitors liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available including bank facilities to meet commitments as they arise.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Fund does not have any significant exposure to currency risk as all its significant monetary assets and monetary liabilities and significant transactions are denominated in Saudi Riyals.

Special commission rate risk

Special commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Presently, the Fund does not hold any variable rate instruments and is not exposed to cash flow interest rate risk.

Al-Mubarak SAR Trade Fund
Managed by Arab National Investment Company

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

15. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

<i>As at 31 December 2020</i>	<i>Within 3 months SR</i>	<i>3 months to 1 year SR</i>	<i>More than one year SR</i>	<i>Total SR</i>
ASSETS				
Investments in Sukuk at amortized cost	-	-	5,000,000	5,000,000
Murabaha placements at amortized cost	40,000,000	2,236,000,000	-	2,276,000,000
Financial assets at fair value through profit or loss (FVTPL)	200,215,195	-	-	200,215,195
Accrued special commission income	6,003,318	-	-	6,003,318
Bank balance	52,132,922	-	-	52,132,922
TOTAL ASSETS	303,351,435	2,236,000,000	5,000,000	2,539,351,435
LIABILITIES				
Management fees payable	1,368,069	-	-	1,368,069
Accrued expenses	238,085	-	-	238,085
TOTAL LIABILITIES	1,606,154	-	-	1,606,154
<i>As at 31 December 2019</i>	<i>Within 3 months SR</i>	<i>3 months to 1 year SR</i>	<i>More than one year SR</i>	<i>Total SR</i>
ASSETS				
Investments in Sukuk at amortized cost	-	-	120,000,000	120,000,000
Murabaha placements at amortized cost	220,000,000	1,902,000,000	-	2,122,000,000
Accrued special commission income	13,787,659	-	-	13,787,659
Bank balance	272,389	-	-	272,389
TOTAL ASSETS	234,060,048	1,902,000,000	120,000,000-	2,256,060,048
LIABILITIES				
Management fees payable	1,197,833	-	-	1,197,833
Accrued expenses	89,698	-	-	89,698
TOTAL LIABILITIES	1,287,531	-	-	1,287,531

16. LAST VALUATION DAY

The last valuation day of the year was 31 December 2020 (2019: 31 December 2019).

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

17. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

During March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities and business continuity, the Fund Manager has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families.

As of the date of financial statements for the year ended 31 December 2020, the Fund’s operations and financial results have witnessed impact due to the COVID-19 outbreak mainly as result of decline in the Fund’s investments’ fair values in line with unit price declining trend. The impact of the pandemic on the Fund’s operations and financial results till the date of the financial statements has been reflected in the net assets value and investments value. These developments could further impact our future financial results, cash flows and financial condition and the Fund Manager will continue to assess the nature and extent of the impact on its business and financial results.

18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund’s Board of Directors on 18 Sha’ban 1442H (corresponding to 31 March 2021).