

# **Al-Mubarak Pure Saudi Equity 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  
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**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF AL-MUBARAK PURE SAUDI EQUITY FUND  
(MANAGED BY ARAB NATIONAL INVESTMENT COMPANY)**

**Opinion**

We have audited the financial statements of Al-Mubarak Pure Saudi Equity 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 PURE SAUDI EQUITY 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 PURE SAUDI EQUITY 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: 23 Sha'ban 1442H  
(5 April 2021)

Al Mubarak Pure Saudi Equity Fund  
(Managed by Arab National Investment Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Note</i>	<b>31 December 2020 SR</b>	<b>31 December 2019 SR</b>
<b>ASSETS</b>			
Financial assets at fair value through profit or loss (FVTPL)	7	<b>177,803,057</b>	156,927,159
Cash and cash equivalents		<b>13,825,902</b>	16,315,920
<b>TOTAL ASSETS</b>		<b>191,628,959</b>	173,243,079
<b>LIABILITIES</b>			
Management fees payables		<b>807,496</b>	719,638
Accrued expenses		<b>181,950</b>	92,119
<b>TOTAL LIABILITIES</b>		<b>989,446</b>	811,757
<b>EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)</b>		<b>190,639,513</b>	172,431,322
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>191,628,959</b>	173,243,079
Redeemable units in issue		<b>18,724,982</b>	19,478,385
Net asset value attributable to each unit		<b>10.18</b>	8.85

The accompanying notes 1 to 15 form an integral part of these financial statements.

**Al Mubarak Pure Saudi Equity Fund**  
**(Managed by Arab National Investment Company)**

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2020

	<i>Notes</i>	2020 SR	2019 SR
<b>INCOME</b>			
Net realized gain on financial assets at FVTPL	7	<b>8,220,670</b>	18,701,500
Net unrealized gain on financial assets at FVTPL	7	<b>15,539,131</b>	1,817,054
Dividend income		<b>4,602,092</b>	6,165,444
Other income		<b>1,570</b>	-
<b>TOTAL INCOME</b>		<b>28,363,463</b>	26,683,998
<b>EXPENSES</b>			
Management fees	8	<b>(2,912,762)</b>	(3,048,301)
Other fees	8	<b>(563,529)</b>	(398,833)
<b>TOTAL EXPENSES</b>		<b>(3,476,291)</b>	(3,447,134)
<b>NET INCOME FOR THE YEAR</b>		<b>24,887,172</b>	23,236,864
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>24,887,172</b>	23,236,864

The accompanying notes 1 to 15 form an integral part of these financial statements.

**Al Mubarak Pure Saudi Equity 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
<b>EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE YEAR</b>	<b>172,431,322</b>	165,538,335
<b>NET INCOME FOR THE YEAR</b>	<b>24,887,172</b>	23,236,864
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>24,887,172</b>	23,236,864
<b>ISSUANCE AND REDEMPTIONS OF UNITS</b>		
Issuance of units during the year	<b>6,042,544</b>	698,212
Redemptions of units during the year	<b>(12,721,525)</b>	(17,042,089)
Net changes in units	<b>(6,678,981)</b>	(16,343,877)
<b>EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE YEAR</b>	<b>190,639,513</b>	172,431,322

**REDEEMABLE UNIT TRANSACTIONS**

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

	2020 Units	2019 Units
<b>UNITS AT THE BEGINNING OF THE YEAR</b>	<b>19,478,385</b>	21,387,682
Issuance of units during the year	<b>668,893</b>	77,601
Redemptions of units during the year	<b>(1,422,296)</b>	(1,986,898)
Net changes in units	<b>(753,403)</b>	(1,909,297)
<b>UNITS AS AT END OF THE YEAR</b>	<b>18,724,982</b>	19,478,385

**Al Mubarak Pure Saudi Equity Fund**  
**(Managed by Arab National Investment Company)**

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2020

	2020 SR	2019 SR
<b>OPERATING ACTIVITIES</b>	<b>24,887,172</b>	<b>23,236,864</b>
Net income for the year		
Adjustment to reconcile net income to net cash flows:		
Movement in unrealized gain on investments at fair value through profit or loss	<b>(15,539,131)</b>	<b>(1,817,054)</b>
	<b>9,348,041</b>	<b>21,419,810</b>
Working capital adjustments:		
(Increase) decrease in investments at fair value through profit or loss	<b>(5,336,767)</b>	<b>11,814,647</b>
Decrease in dividend receivables	<b>-</b>	<b>45,000</b>
Increase (decrease) in accrued management and other fees	<b>177,689</b>	<b>(858,986)</b>
Net cash flows from operating activities	<b>4,188,963</b>	<b>32,420,471</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	<b>6,042,544</b>	<b>698,212</b>
Payment on redemption of units	<b>(12,721,525)</b>	<b>(17,042,089)</b>
Net cash flows used in financing activities	<b>(6,678,981)</b>	<b>(16,343,877)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,490,018)</b>	<b>16,076,594</b>
Cash and cash equivalents at the beginning of the year	<b>16,315,920</b>	<b>239,326</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>13,825,902</b>	<b>16,315,920</b>

The accompanying notes 1 to 15 form an integral part of these financial statements.

# Al Mubarak Pure Saudi Equity Fund

## (Managed by Arab National Investment Company)

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

#### 1. GENERAL

Al-Mubarak Pure Saudi Equity Fund (the “Fund”) is open-ended fund. The investment object of the Fund is to achieve long-term growth of capital through investments in a broadly diversified portfolio of pure Shariah compliant Saudi Arabian equity securities including Murabaha transactions. The Fund was established on 21 Sha’aban 1426H (corresponding to 25 October 2005) 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 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 investments at fair value through profit or loss 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

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:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or
- 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
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4.1 Financial instruments (Continued)**

*(i) Classification (Continued)*

**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.

**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.

Al Mubarak Pure Saudi Equity Fund  
(Managed by Arab National Investment Company)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.1 Financial instruments (continued)**

**(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.

**(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.

**(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 market place.

**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.

# Al Mubarak Pure Saudi Equity Fund

## (Managed by Arab National Investment Company)

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.1 Financial instruments (continued)

##### 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 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 187,249,830 (31 December 2019: SR 194,783,850) divided into 18,724,982 (31 December 2019: 19,478,385) 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.

##### 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 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.

**4.11 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).

**4.12 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. 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 10.

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.13 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 recognised 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 Funds' 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:

*Fair value Measurement*

The Fund measures its investments in financial instruments, such as equity instruments, at fair value at each reporting date. 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 principal or the most advantageous market must be accessible to the Fund. 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. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

The Fund measures financial instruments at fair value at each reporting date. Fair values of those financial instruments are disclosed in note 10.

*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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

**6A. NEW STANDARDS ADOPTED DURING THE YEAR**

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. There are 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.

***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.

**6B. 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 percent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurement.

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.

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At 31 December 2020

**7. 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:

31 December 2020				
Description	% of market Value	Cost SR	Market value SR	Unrealised gain/(loss) SR
<b><u>Sectors</u></b>				
Banks	35.66%	44,081,186	63,401,821	19,320,635
Materials	24.42%	33,968,284	43,422,935	9,454,651
Telecommunication Services	10.71%	13,239,064	19,042,440	5,803,376
Health Care Equipment & Services	9.61%	9,498,885	17,083,402	7,584,517
Food & Staples Retailing	4.69%	4,811,628	8,347,159	3,535,531
Insurance	4.39%	4,130,729	7,804,500	3,673,771
Commercial & Professional Services	3.32%	5,215,215	5,898,200	682,985
Retailing	2.72%	2,444,645	4,830,000	2,385,355
Food & Beverages	2.56%	4,514,983	4,551,000	36,017
Transportation	1.92%	2,840,015	3,421,600	581,585
	100%	124,744,634	177,803,057	53,058,423
31 December 2019				
Description	% of market Value	Cost SR	Market value SR	Unrealised gain/(loss) SR
<b><u>Sectors</u></b>				
Banks	36.25%	36,940,286	56,883,951	19,943,665
Materials	17.13%	21,273,862	26,885,096	5,611,234
Telecommunication Services	12.50%	13,943,402	19,614,600	5,671,198
Real Estate Management and Development	5.86%	12,194,629	9,196,200	(2,998,429)
Health Care Equipment & Services	5.59%	7,205,161	8,774,795	1,569,634
Commercial & Professional Services	5.45%	7,341,980	8,551,000	1,209,020
Food & Staples Retailing	4.28%	3,645,946	6,724,000	3,078,054
Energy	4.23%	5,601,201	6,636,000	1,034,799
Food & Beverages	4.08%	5,957,394	6,396,617	439,223
Retailing	2.81%	3,233,078	4,416,400	1,183,322
Insurance	1.82%	2,070,928	2,848,500	777,572
	100%	119,407,867	156,927,159	37,519,292

The movement of financial assets at fair value through profit and loss is as follow:

	31 December 2020 SR	31 December 2019 SR
Fair value as at the beginning of the year	156,927,159	166,924,752
Net purchase / (sales) of financial assets at FVPTL	(2,883,903)	(30,516,147)
Net realized gain on financial assets at FVTPL	8,220,670	18,701,500
Net unrealized gain on financial assets at FVTPL	15,539,131	1,817,054
Fair value as at the end of year	177,803,057	156,927,159

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2020

**8. TRANSACTIONS WITH RELATED PARTIES**

A subscription fee of 2% may be charged to the subscribers by the Fund Manager upon subscription.

The Fund pays a management fee at the rate of 1.75% per annum calculated based on the total net asset value at each valuation date. In addition, the Fund Manager also charges a fee at a maximum rate of 1.00% 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 2,912,762 (2019: SR 3,048,301) and other fees amounting to SR 563,529 (2019: SR 398,833) which have been reflected in the statement of comprehensive income and represent the fees charged by the Fund Manager 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 Unit holders' account at 31 December included units held as follows:

	2020 Units	2019 Units
Held by funds under the same management	<b>114,095</b>	111,632
Held by the employees of the Bank	<b>36,529</b>	39,800
	<b>150,624</b>	151,432

**9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Set out below is an overview of financial assets, other than cash and cash equivalents, 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 fair value through profit or loss</i>		
Investments at fair value through profit or loss	<b>177,803,057</b>	156,927,159
<i>Total financial assets at fair value through profit or loss</i>	<b>177,803,057</b>	156,927,159

	31 December 2020 SR	31 December 2019 SR
<i>Financial liabilities at amortised cost</i>		
Management fees payable	<b>807,496</b>	719,638
Accrued expenses	<b>181,950</b>	92,119
<i>Total financial liabilities at amortised cost</i>	<b>989,446</b>	811,757

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2020

**10. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Fund measures its investments in financial instruments, such as equity instruments, at fair value at each reporting date.

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 principal or the most advantageous market must be accessible by the Fund. 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 fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

The Fund measures financial instruments at fair value at each statement of financial position date.

The Fund has only investments at fair value through profit or loss which is measured at fair values and are classified within level 1 of the fair value hierarchy. All other financial assets and liabilities are classified as amortized cost and management believes that the fair value of all other financial assets and liabilities 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.

**FAIR VALUE HIERARCHY**

The following table provides the fair value measurement hierarchy of the Fund's financial assets as at 31 December 2020 and 31 December 2019: There are no financial liabilities measured at fair value.

		<i>Fair value measurement using</i>		
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
	<i>Total SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<i>As at 31 December 2020</i>				
<i>Financial assets measured at fair value</i>				
Investments at FVTPL (listed on Tadawul)	<b>177,803,057</b>	<b>177,803,057</b>	-	-
<i>As at 31 December 2019</i>				
<i>Financial assets measured at fair value</i>				
Investments at FVTPL (listed on Tadawul)	156,927,159	156,927,159	-	-

There were no transfers between Level 1 and Level 2 fair value measurements during the year, and no transfers into or out of Level 3 fair value measurements during the year.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

**11. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES**

The Fund's principal financial liabilities are accrued management and other fees.

The Fund also has financial assets in the form of cash and cash equivalents, investments at FVTPL, and dividend receivables 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.

	<b>31 December 2020 SR</b>	<b>31 December 2019 SR</b>
Cash and cash equivalents	<b>13,825,902</b>	16,315,920
	<b>13,825,902</b>	16,315,920

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

***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 investments at fair value through profit and loss are considered to be readily realisable, as the equity investments are listed on the Saudi stock market and can be redeemed any time throughout the week. 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.

***Market risk***

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments equals their fair value. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

***Interest rate risk***

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market rates. The Fund does not have any floating interest rate bearing financial assets or liabilities as at 31 December 2020 and is not exposed to significant interest rate risk.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2020

**11. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Equity price risk**

Equity price risk is the risk of unfavourable changes in the fair values of equity instruments as a result of changes in the value of individual shares. The equity price risk exposure arises from the Fund's investments in equity securities. The Fund's investments are susceptible to market price risk arising from uncertainties about future prices. The Board manages this risk through diversification of its investment portfolio in terms of industry concentration.

**Sensitivity analysis**

The table below sets out the effect on profit or loss of a reasonably possible weakening /strengthening in the individual equity market prices by 5% at the reporting date. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular commission and foreign currency rates, remain constant.

<i>Effect on profit and loss</i>	<i>2020</i>		<i>2019</i>	
		<i>SR</i>		<i>SR</i>
<i>Net gain (loss) on investments held at FVTPL</i>	+ 5%	<b>8,890,153</b>	+ 5%	7,846,358
	- 5%	<b>(8,890,153)</b>	- 5%	(7,846,358)

**Concentration of equity price risk**

The following table analyses the Fund's concentration of equity price risk in the Fund's equity portfolio, measured at FVTPL by geographical distribution (based on counterparties' place of primary listing).

**% of equity securities and units in funds**

	<i>31 December 2020</i>	<i>31 December 2019</i>
Kingdom of Saudi Arabia	<b>100%</b>	100%

**Currency risk**

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

**12. 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 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	<b>177,803,057</b>	-	<b>177,803,057</b>
Cash and cash equivalents	<b>13,825,902</b>	-	<b>13,825,902</b>
<b>TOTAL ASSETS</b>	<b>191,628,959</b>	-	<b>191,628,959</b>
<b>LIABILITIES</b>			
Management fees payable	<b>807,496</b>	-	<b>807,496</b>
Accrued expenses	<b>181,950</b>	-	<b>181,950</b>
<b>TOTAL LIABILITIES</b>	<b>989,446</b>	-	<b>989,446</b>

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**12. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)**

<i>As at 31 December 2019</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	156,927,159	-	156,927,159
Cash and cash equivalents	16,315,920	-	16,315,920
<b>TOTAL ASSETS</b>	<b>173,243,079</b>	<b>-</b>	<b>173,243,079</b>
<b>LIABILITIES</b>			
Management fees payable	719,638	-	719,638
Accrued expenses	92,119	-	92,119
<b>TOTAL LIABILITIES</b>	<b>811,757</b>	<b>-</b>	<b>811,757</b>

**13. LAST VALUATION DAY**

The last valuation day of the year was 30 December 2020 (2019: 29 December 2019).

**14. 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 period 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.

**15. 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).