

ALINMA MULTI ASSETS BALANCED FUND
Managed by
(ALINMA INVESTMENT COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 AND
INDEPENDENT AUDITOR'S REPORT

ALINMA MULTI ASSETS BALANCED FUND
(Managed by Alinma Investment Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

INDEX	Page
Independent auditor's report	2 - 5
Statement of financial position	6
Statement of profit or loss and other comprehensive income	7
Statement of changes in net assets attributable to the unitholders	8
Statement of cash flows	9
Notes to the financial statements	10 - 23

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of
Alinma Multi Assets Balanced Fund
Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of **Alinma Multi Assets Balanced Fund** (the "Fund") managed by Alinma Investment Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2020 and the statement of profit or loss and other comprehensive income, statement of changes in net assets 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 ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 and Fund Manager in accordance with the professional code of conduct and ethics that are 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 its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

Valuation of investments at fair value through profit or loss

Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2020, the Fund has investments in listed equity securities and a public funds amounting to SR 3.31 million (2019: SR 2.12 million). These investments are measured at fair value with the corresponding fair value changes recognized in the statement of profit or loss.</p> <p>The fair value of listed equity securities is based on the closing price per share on the last business day of the financial year</p> <p>The fair value of public funds is valued based at the latest available net assets value.</p> <p>We considered this as a key audit matter given the significance of the valuation on the financial position of the Fund.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> Evaluating the appropriateness of the Fund's policies related to investments and comparing with applicable accounting standards; Assessment of the methodology, appropriateness of the valuation technique and inputs used to value the investments; Ensuring the Fund's holding in the respective shares and units for listed equities and public funds, through custodian statements; Testing the valuation of investments at the reporting date from quoted prices on Tadawul for listed securities and the latest available net assets value of public funds; and Assessing the adequacy of the related disclosures.

Refer note 5 for accounting policy and note 7 for related disclosures

Other information

Management is responsible for the other information. The other information comprises the Fund's performance report included in the annual report, but does not include the financial statements and our audit report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA, the requirements of the Investment Funds Regulations as published by the Capital Market Authority ("CMA") in the Kingdom of Saudi Arabia and the Fund's Terms and Conditions, information memorandum and key information summary with respect to the preparation and presentation of financial statements, 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 have no realistic alternative but to do so.

Those Charged with Governance, in particular the Fund Board, are responsible for overseeing the Fund's financial reporting process.

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 ISAs 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 ISAs 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.
- 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 the management and those charge 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.

We also provide those charge with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
License No. 362



Riyadh, on: 19 Sha'ban 1442 (H)
Corresponding to: 01 April 2021 (G)

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 December 2020	31 December 2019
<u>ASSETS</u>			
Cash and cash equivalents	6	516,257	216,608
Investments at fair value through profit or loss - FVTPL	7	3,310,764	2,119,244
Investments at amortized cost	8	1,034,072	865,006
TOTAL ASSETS		4,861,093	3,200,858
<u>LIABILITIES</u>			
Redemptions payable		7,636	4,781
Accrued and other liabilities	9	216,894	206,222
TOTAL LIABILITIES		224,530	211,003
Net assets value attributable to unitholders		4,636,563	2,989,855
Units in issue (Numbers)		340,912	234,883
Net assets value – per unit (SR)		13.60	12.73
Contingencies and commitments	11	-	-

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

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 December 2020	31 December 2019
<u>INCOME</u>			
Dividend income		33,367	115,273
Net fair value gain from investments at FVTPL	7.2	243,408	184,263
Finance income from investments at amortized cost		23,310	65,428
		300,085	364,964
<u>EXPENSES</u>			
Management fee		(48,149)	(95,452)
Brokerage expense		(4,315)	(8,298)
Other operating expenses		(67,969)	(67,107)
Total expenses		(120,433)	(170,857)
Profit for the year		179,652	194,107
Other comprehensive income for the year		-	-
Total comprehensive income for the year		179,652	194,107

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

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

	31 December 2020	31 December 2019
Net assets at 1 January	2,989,855	8,504,880
CHANGES FROM OPERATIONS		
Profit and total comprehensive income for the year	179,652	194,107
CHANGES FROM UNIT TRANSACTIONS		
Proceeds from units issued	2,508,295	1,208,851
Payments for units redeemed	(1,041,239)	(6,917,983)
Net change from unit transactions	1,467,056	(5,709,132)
Net assets at 31 December	4,636,563	2,989,855

UNITS TRANSACTIONS

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

	31 December 2020	31 December 2019
	Units	
Units at 1 January	234,883	682,042
Units subscribed	190,181	93,418
Units redeemed	(84,152)	(540,577)
Net change in units	106,029	(447,159)
Units at 31 December	340,912	234,883

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

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 December 2020	31 December 2019
<u>Cash flows from operating activities</u>			
Profit for the year		179,652	194,107
Adjustment for:			
Unrealized fair value gain on investments at FVTPL	7.2	(165,050)	(407,000)
Dividend income		(33,367)	(115,273)
		(18,765)	(328,166)
Net changes in operating assets and liabilities			
Net investments at FVTPL		(1,026,470)	4,134,674
Investments at amortized cost		(169,066)	100,312
Redemption payable		2,855	-
Accrued and other liabilities		10,672	(43,497)
Cash (used in)/ generated from operations		(1,200,774)	3,863,323
Dividends received		33,367	115,273
Net cash (used in)/ generated from operating activities		(1,167,407)	3,978,596
<u>Cash flows from financing activities</u>			
Proceeds from units issued		2,508,295	1,208,851
Payments for units redeemed		(1,041,239)	(6,917,709)
Net cash generated from/ (used in) financing activities		1,467,056	(5,708,858)
Net change in cash and cash equivalents		299,649	(1,730,262)
Cash and cash equivalents at 1 January		216,608	1,946,870
Cash and cash equivalents at 31 December	6	516,257	216,608

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

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

1.1 GENERAL

Alinma Multi Assets Balanced Fund, (the “Fund”), is an open-ended fund created under an agreement between Alinma Investment Company (the “Fund Manager”), a subsidiary of Alinma Bank (the “Bank”) and investors (the “Unit holders”) in the Fund, in accordance with Shariah rules issued by the Shariah board of the Fund Manager.

The Fund seeks to achieve capital growth in the long term with emphasis on capital preservation, and exposure to equity markets. The Fund may invest in a range of Shariah compliant investments such as local equities, Murabaha placements, Sukuk, structured products and investment funds in order to achieve its objectives. All income is reinvested in the Fund and is reflected in the unit price.

Capital Market Authority (“CMA”) granted approval for the establishment of the Fund in its letter number (2012-6241-5) dated 21 Muharram 1434 H (corresponding to 5 December 2012 G). The Fund commenced its operations on 25 Jumada al-Awwal 1434 H (corresponding to 6 April 2013 G).

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

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On 20 March 2020, the government in the Kingdom of Saudi Arabia announced a temporary lockdown as a measure to reduce the spread of the COVID-19. The lockdown was subsequently relaxed from the end of May 2020.

Fund’s performance is indirectly affected due to the effect of Covid-19 on economic activities and sectors performances. The Fund does not foresee a going concern issue due to the above for at least 12 months after the reporting period.

2.1 REGULATORY FRAMEWORK

The Fund is governed by the Investment Fund Regulations (the “Regulations”) published by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006G) as amended by resolution of the CMA board on 16 Sha’aban 1437H (corresponding to 23 May 2016G).

3.1 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The Fund has also complied with Investment Funds Regulations published by CMA and Fund’s terms and conditions, information memorandum and key information summary (collectively hereinafter referred to as “Terms and Conditions”) with respect to preparation and presentation of these financial statements.

3.2 Basis of measurement

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

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

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

3.3 Functional and presentation currency

These financial statements are presented in Saudi Riyal (SR), which is also the functional currency of the Fund.

3.4 Financial year

The financial year of the Fund commences on 1 January and ends on 31 December of each calendar year.

3.5 Use of estimates and judgments

In the ordinary course of business, the preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in future years affected. Major areas where estimates or judgments made are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are as follows:

Classification of investments

The Fund at initial recognition determines the relevant classification of financial assets and financial liabilities based on the business model for managing the financial asset and the terms of its contractual cash flows.

The Fund has classified its investments in equity securities at fair value through profit or loss. Gains or losses arising from subsequent changes in fair value and on sale of financial assets at fair value through profit or loss are recognized in profit or loss.

The Fund has classified its investments in Murabaha and Sukuk placements at amortized cost based on the business model of managing these investments.

Impairment of financial assets

The Fund applies and determines expected credit loss (ECL) model for the measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost e.g., Sukuk, Murabaha placements and bank balances. An expected credit loss is the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. For the determination of the expected credit loss, the fund evaluates among other factors, the credit risk, default and timing of collection since initial recognition. This requires recognizing allowance for expected credit losses in the statements of profit or loss and other comprehensive income even for receivables that are newly originated or acquired.

Assessment of key sources of estimation uncertainty due to Covid-19

The Fund has reviewed the key sources of estimation uncertainties related to impairment of financial assets and investments classification against the backdrop of Covid-19 pandemic. Management believes that all sources of estimation uncertainty remain the same as in prior years and therefore, did not result in any change in these financial statements. The Fund will continue to monitor the situation, and any changes required will be reflected in future reporting periods.

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS**4.1 New standards, interpretations and amendments effective in current year**

The following are the new standards, interpretations and amendments to standards that are effective in the current year.

<u>Standards</u>	<u>Title</u>	<u>Effective date</u>
IAS 1	Presentation of Financial Statements- Amendments regarding the definition of materiality	1 January 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reforms	1 January 2020
	Revised Conceptual Framework for Financial Reporting	1 January 2020

IAS 1 - Presentation of Financial Statements

Amendments to its definition of material to make it easier for companies to make materiality judgements. The materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

The amendments are intended to make the definition of material easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.

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 uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Revised 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.

The Fund does not have a material impact on its financial statements from the above.

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

4.2 New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Fund has decided not to adopt early. The most significant of these are as follows:

<u>Standards</u>	<u>Title</u>	<u>Effective date</u>
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reforms – Phase 2	1 January 2021
IAS 37	Provisions, Contingent Liabilities and Contingent Assets- Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022
	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IAS1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	1 January 2023
IFRS 9	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2023

4.3 Others

The Fund does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Fund.

The Fund is yet to assess the impact of the above amendments in its financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise of current account with the bank and cash in investment account and Murabaha placements, if any, with an original maturity of three months or less.

Financial instruments

Initial recognition and measurement

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

All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on trade date at which the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. For all other financial assets and financial liabilities transaction costs are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

De-recognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards are transferred.

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

Classification and subsequent measurement of financial assets

Financial assets are classified into the following specified categories:

- Financial assets at fair value through profit or loss (“FVTPL”);
- Financial assets at fair value through other comprehensive income (“FVOCI”); or
- Financial assets at amortized cost.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer’s perspective, such as loans, government and corporate Sukuk, Murabaha placement.

Classification and subsequent measurement of debt instruments depend on:

(i) the Fund’s business model for managing the asset; and

(ii) the cash flow characteristics of the asset.

• **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized in profit or loss statement. Profit income from these financial assets is included in ‘Special Finance income’ using the effective interest rate method.

• **Fair value through other comprehensive income:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets’ cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, special Finance income and foreign exchange gains and losses on the instrument’s amortized cost are recognized in statement of profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss statement. Profit income from these financial assets is included in ‘Special Finance income’ using the effective interest rate method.

• **Fair value through profit or loss:** Financial assets that do not meet the criteria for amortized cost or FVOCI are classified as financial assets at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value is presented in the statement of profit or loss in the year in which it arises.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer’s perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer’s net assets. Examples of equity instruments include basic ordinary shares.

The Fund subsequently measures all equity investments at FVTPL, except where the Fund’s management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Fund’s policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to the statement of profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income as ‘Dividend income’ when the Fund’s right to receive payments is established.

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

Impairment of financial assets

The Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Fund's financial assets fall into this category.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second and third category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

Liabilities are recognized on an accrual basis for amounts to be paid in the future in return for services received, whether or not billed by the provider.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Fund has designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method.

Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at the market price, because this price provides a reasonable approximation of the exit price.

Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of assets and liabilities when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

Equity attributable to unitholders

The net assets attributable to the unitholders comprise redeemable units issued and accumulated profit generated by the Fund. The redeemable units are classified as equity as explained below.

(i) Redeemable Units

Units subscribed and redeemed are recorded at the net assets value per unit on the Valuation Day for which the subscription request and redemption applications are received. The Fund classifies its redeemable units as an equity instrument if the redeemable units have all of the following features:

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

The Fund's redeemable participating units meet the definition of puttable instruments classified as equity instruments under IAS 32.16 (A-B) and accordingly, are classified as equity instruments.

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have any of the features or meet all the conditions set out in paragraphs 16A and 16B of International Accounting Standard (IAS 32), the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized in net assets attributable to unit holders. The subscription and redemption of redeemable units are accounted for as equity transactions as long as units are classified as equity.

(ii) Trading in the units

Units of the Fund are made available for purchase only in the Kingdom of Saudi Arabia at Alinma Bank branches by natural and corporate persons. The net asset value of the Fund is determined on the Valuation Day by dividing the net value of assets (fair value of total assets minus liabilities) by the total number of outstanding units on the relevant Valuation Day.

Net assets value per unit

Net assets value per unit disclosed in the statement of financial position is calculated by dividing the net assets of the Funds by the number of units in issue at the reporting date.

Zakat and income tax

Zakat and income tax are the obligations of the Unit holders and are not provided for in the accompanying financial statements.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the amount can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts and taxes.

Income from investments in Murabaha placements and Sukuk is recognized on effective yield basis.

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

Revenue recognition (continued)

Realized gains and losses on financial assets at FVTPL sold are determined on a weighted average cost basis.

Dividend income is recognized in the statement of profit or loss when declared (i.e. when the Fund's right to receive the dividend is established).

Management fee, custody fee and other expenses

The Fund's expenses include management fee, custody fee and other expenses. These expenses are recognised on accrual basis and are based on predetermined rates specified in the Terms and Conditions of the Fund. Detailed policies are as follows:

Management fee

The Fund Manager charges the Fund, on every valuation day, a management fee at an annual rate of 1.5% (2019: 1.5%) of the Fund's net assets value. These charges are calculated and accrued on each valuation day.

Custody fee

The Fund accrues the custody fee expense at an annual rate of 0.025% (2019: 0.03%) of the net assets value at the end of each valuation day. The fund also accrues additional custody fee of SR 25 per transaction.

Other expenses

The Fund Manager recovers from the Fund any other expense incurred on behalf of the Fund as per Terms and Conditions of the Fund.

6. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash at bank (note 10)	84,863	8,037
Cash in investment account (note 10)	431,394	208,571
	516,257	216,608

The balances are maintained with a local bank and investment account with a broker. The cash and cash equivalents are held in the name of fund manager on behalf of the fund without any restriction.

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS 'FVTPL'

	31 December 2020	31 December 2019
Listed equity securities	2,281,719	1,520,942
Public fund (note 7.1)	1,029,045	598,302
	3,310,764	2,119,244

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

7.1 Public Funds

	31 December 2020	31 December 2019
Alinma Saudi Riyal Liquidity Fund	692,565	598,302
Itqan Murabahat and Sukuk Fund	336,480	-
	1,029,045	598,302

Investment in these funds are valued at latest available net assets value (NAV). The geographical dispersion of these investments is within the Kingdom of Saudi Arabia.

7.2. Net fair value gain from investments at FVTPL

	31 December 2020	31 December 2019
Realized gain / (loss)	78,358	(222,737)
Unrealized gain	165,050	407,000
	243,408	184,263

8. INVESTMENTS AT AMORTISED COST

	31 December 2020	31 December 2019
Murabaha deposit (maturity 7 Jan 2021)	1,032,008	-
Sukuk (maturity May 2020)	-	863,700
Accrued income on Murabaha deposits and Sukuk	2,064	1,306
	1,034,072	865,006

9. ACCRUED AND OTHER LIABILITIES

	31 December 2020	31 December 2019
Accrued custody fee	97	91
Management fee payable (note 10)	-	4,541
Other accruals and Other liabilities	216,797	201,590
	216,894	206,222

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

In the ordinary course of its activities, the Fund transacts business with related parties. Related party transactions are in accordance with the Terms and Conditions of the Fund. All related party transactions are approved by the Fund Board. Related parties comprise the Fund Board, Fund Manager, Alinma Bank i.e. parent company of the Fund Manager (the parent Company of the Fund Manager) and entities related to the Bank and the Fund Manager.

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

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

Related party	Relationship	Transactions	31 December 2020	31 December 2019
Alinma Investment Company	Fund Manager	Management fee	(48,149)	(95,452)
		Brokerage expense	(4,315)	(8,298)
Fund Board	Members of Fund Board	Fund board fee	(12,000)	(12,000)

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

Related party	Relationship	Balance	31 December 2020	31 December 2019
Alinma Bank	Parent Company of Fund Manager	Cash at bank	84,863	8,037
Alinma Investment Company	Fund Manager	Cash in investment account	431,394	208,571
		Management fee payable	-	(4,541)

11. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 31 December 2020 and 31 December 2019.

12. SEGMENT REPORTING

The Fund carries a portfolio of equity instruments of entities listed on Saudi Stock Exchange. The Fund Manager periodically assesses the performance and allocates resources to the business as one unit and, as such, no separate operating segments were identified for financial reporting purposes. Consequently, segment reporting as required by IFRS 8 'Operating Segments' has not been disclosed.

13. UNIT VALUE RECONCILIATION

In accordance with CMA circular no. 1/6/1872/17 dated 13 Rabi Al-Thani 1439H (corresponding to 31 December, 2017), the CMA Board decided on 10 Rabi Al-Thani 1439H (corresponding to 28 December 2017) to restrict the recording of expected credit losses calculated in accordance with IFRS 9 only for the purpose of the investment fund's financial statements.

All financial assets held at amortized cost were considered for ECL as on 31 December 2020. However, the impact of ECL on these assets was immaterial. Accordingly, these financial statements do not contain any ECL adjustment and therefore reconciliation of the unit price calculated according to the applicable financial reporting framework to the unit price calculated for the purpose of unit transactions is not required.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial instruments comprise financial assets and financial liabilities. The Fund's financial assets and liabilities consists of bank balances, financial assets at fair value through profit or loss, investment at amortized cost, accrued expenses and redemptions payable.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Assets and liabilities measured at fair value in the interim statement of financial position are grouped into three levels of fair value hierarchies. This grouping is determined based on the lowest level of significant inputs used in the fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equity instruments. The Fund does not adjust the quoted price for these instruments.

There were no transfers between the levels during the year.

The following table analyses, within the fair value hierarchy, the Fund's assets and liabilities (by class) measured at fair value at 31 December 2020 and 31 December 2019.

Financial assets at FVTPL

	Level 1	Level 2	Level 3
31 December 2020	2,281,719	1,029,045	-
31 December 2019	1,520,942	598,302	-

Classification of financial instrument

	31 December 2020	31 December 2019
Financial assets at amortized cost		
Cash and cash equivalents	516,257	216,608
Investments at amortized cost	1,034,072	865,006
Financial assets at fair value through profit or loss		
Listed equity securities	2,281,719	1,520,942
Public fund	1,029,045	598,302
Financial liabilities at amortized cost		
Redemption payable	7,636	4,781
Accruals and other liabilities	216,894	206,222

15. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The principal investment objectives of the Fund are to provide investors with income and capital growth over the medium and long term by acquiring investments in equity and other instruments.

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

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager, which is ultimately responsible for the overall management of the Fund.

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

15. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The Fund is exposed to credit risk on its bank balances and investments at amortized cost. The Fund Manager seeks to limit its credit risk by monitoring credit exposures. The Fund does not have a formal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

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

	31 December 2020	31 December 2019
Cash and cash equivalents	516,257	216,608
Investments at amortized cost	1,034,072	865,006
	1,550,329	1,081,614

The Fund's bank balance is held with a local bank which is the Parent Company of the Fund Manager and the investment account is held with Alinma Bank which is a subsidiary of a local bank both having sound credit rating.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss.

All financial assets were considered for ECL as on 31 December 2020 and 31 December 2019. However, the impact of ECL on these assets was immaterial as the Fund is not exposed to significant credit risk and there is no history of default on recovery of these balances.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet its commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

The Fund's Terms and Conditions provide for the subscription and redemptions of units on dealing days during the week and it is, therefore, exposed to the liquidity risk of meeting Unit holder's redemptions. The Fund's investments are readily realizable, and the units can easily be redeemed at any time. The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

Liquidity risk (continued)

The table below shows an analysis of financial liabilities according to when they are expected to be settled respectively. The amount disclosed are the contractual undiscounted cash flows which equal their carrying balances as the impact of discounting is not significant.

	Up to one year	More than one year and up to five year	More than five year	Total
31 December 2020				
Financial liabilities:				
Redemption payables	7,636	-	-	7,636
Accrued and other liabilities	216,894	-	-	216,894
	224,530	-	-	224,530
31 December 2019				
Financial liabilities:				
Redemption payables	4,781	-	-	4,781
Other liabilities	206,590	-	-	206,590
	211,371	-	-	211,371

Market risk*Commission rate risk*

Commission rate risk arises from the possibility that changes in market special commission rates will affect future profitability or the fair value of the financial instruments.

As of the date of the statement of financial position, the Fund is not exposed to significant commission rate risk as all financial assets and liabilities are non-commission bearing.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates.

The functional currency of the Fund is Saudi Riyals. As the Fund's financial assets and financial liabilities are denominated in its functional currency, the Fund is not subject to currency risk.

Price risk

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements. The price risk arises primarily from uncertainty about the future prices of the financial instruments that the Fund holds.

The Fund Manager closely monitors the price movement of its financial instruments listed at Saudi Stock Exchange "Tadawul". The Fund manages the risk through diversification of its investment portfolio by investing in various industry sectors.

ALINMA MULTI ASSETS BALANCED FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

Price risk (continued)

Industry concentration of the equity investments of the Fund is as follows:

Industry group	31 December 2020		31 December 2019	
	%	SR	%	SR
Materials	30	695,190	21	316,450
Bank	20	455,014	30	465,300
Retailing	13	286,149	10	161,690
Energy	10	224,350	10	147,169
Telecommunication Service	9	205,958	12	175,242
Capital goods	6	143,791	2	25,294
Food & Staples Retailing	6	134,343	3	44,662
Insurance	6	136,925	3	50,699
Food & Beverages	-	-	6	89,526
Real estate management and development	-	-	3	44,910
	100	2,281,720	100	1,520,942

The effect of a 10% increase in the value of the equity investments held at the reporting date would, all other variables held constant, have resulted in an increase in the net gain on financial assets at fair value through profit or loss and net assets of SR. 228,172 (2019: SR. 152,094). A 10% decrease in their value would, on the same basis, have decreased the net gain on financial assets at fair value through profit or loss and net assets by the same amount.

16. CAPITAL MANAGEMENT

The capital of the Fund is represented by net assets attributable to holders of redeemable units. The net assets attributable to holders of redeemable units can change significantly on each valuation day, as the Fund is subject to subscriptions and redemptions at the discretion of unit holders on every valuation day, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

The Fund Board and the Manager monitor capital on the basis of the value of net assets attributable to Unit holders.

17. LAST VALUATION DAY

The last valuation day for the purpose of the preparation of these financial statements is 31 December 2020 (2019: 31 December 2019).

18. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board on 19 Sha'ban 1442H (corresponding to 01 April 2021G).