

Al-Arabi Balanced Fund
(Managed by Arab National Investment Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL
STATEMENTS TO THE UNITHOLDERS OF AL-ARABI BALANCED FUND
(MANAGED BY ARAB NATIONAL INVESTMENT COMPANY)**

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Al-Arabi Balanced Fund (the "Fund") managed by Arab National Investment Company (the "Fund Manager") as at 30 June 2020, and the related interim condensed statements of comprehensive income, changes in equity attributable to the unitholders and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.


Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

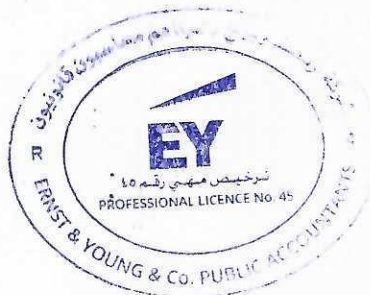
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

For Ernst & Young



Rashid S. AlRashoud
Certified Public Accountant
License No. 366

Riyadh: 28 Dhul-Hijjah 1441H
(18 August 2020)



Al-Arabi Balanced Fund
(Managed by Arab National Investment Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

	<i>Note</i>	<i>30 June 2020 USD</i>	<i>31 December 2019 USD</i>
ASSETS			
Financial assets at fair value through profit or loss (FVTPL)	4	1,596,674	1,664,575
Bank balance		1,054	2,311
TOTAL ASSETS		1,597,728	1,666,886
LIABILITY			
Accrued expenses		5,634	5,273
TOTAL LIABILITY		5,634	5,273
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)		1,592,094	1,661,613
TOTAL LIABILITY AND EQUITY		1,597,728	1,666,886
Redeemable units in issue		89,891	93,303
Net asset value attributable to each unit		17.71	17.81

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

Al-Arabi Balanced Fund
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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2020

	<i>Note</i>	<i>2020 USD</i>	<i>2019 USD</i>
INCOME			
Net realized gain on financial assets at FVTPL		23,862	21,913
Net unrealized (loss) gain on financial assets at FVTPL		(22,396)	101,201
TOTAL INCOME		1,466	123,114
EXPENSE			
Other expenses	5	(10,985)	(10,426)
TOTAL EXPENSE		(10,985)	(10,426)
NET (LOSS) INCOME FOR THE PERIOD		(9,519)	112,688
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(9,519)	112,688

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

Al-Arabi Balanced Fund
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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO
THE UNITHOLDERS (UNAUDITED)

For the six-month period ended 30 June 2020

	2020 USD	2019 USD
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD	1,661,613	1,588,897
NET (LOSS) INCOME FOR THE PERIOD	(9,519)	112,688
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(9,519)	112,688
ISSUANCE AND REDEMPTIONS OF UNITS		
Issuance of units during the period	-	150,000
Redemptions of units during the period	(60,000)	(200,000)
Net changes in units	(60,000)	(50,000)
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD	1,592,094	1,651,585

REDEEMABLE UNIT TRANSACTIONS

Transactions in redeemable units made for the period ended 30 June are summarized as follows:

	2020 Units	2019 Units
UNITS AT THE BEGINNING OF THE PERIOD	93,303	96,331
Issuance of units during the period	-	8,299
Redemptions of units during the period	(3,412)	(11,192)
Net changes in units	(3,412)	(2,893)
UNITS AT THE END OF THE PERIOD	89,891	93,438

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Al-Arabi Balanced Fund

(Managed by Arab National Investment Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2020

	2020 USD	2019 USD
OPERATING ACTIVITIES		
Net (loss) income for the period	(9,519)	112,688
Adjustments to reconcile net (loss) income to net cash flows:		
Movement in unrealized losses (gains) on financial assets at FVTPL	22,396	(101,201)
	<u>12,877</u>	<u>11,487</u>
Working capital adjustments:		
Decrease in investments at fair value through profit or loss	45,505	37,798
Increase (decrease) in accrued expenses	361	(453)
	<u>58,743</u>	<u>48,832</u>
Net cash flows from operating activities		
FINANCING ACTIVITIES		
Proceeds from issuance of units	-	150,000
Payment on redemption of units	(60,000)	(200,000)
	<u>(60,000)</u>	<u>(50,000)</u>
Net cash flows used in financing activities		
NET DECREASE IN BANK BALANCE	(1,257)	(1,168)
Bank balance at the beginning of period	2,311	2,164
BANK BALANCE AT THE END OF THE PERIOD	<u>1,054</u>	<u>996</u>

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Al-Arabi Balanced Fund

(Managed by Arab National Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2020

1. GENERAL

Al-Arabi Balanced Fund (the “Fund”) is an open-ended fund. The objective of the Fund is to achieve mid-term positive returns and to balance risk by investing in a range of mutual funds. Given the distribution of the fund’s assets, the fund is considered a moderate risk investment, designed for investors seeking to invest in mid-term investment. The Fund was established on 3 Rabi Awal 1422H (corresponding to 26 May 2001) 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 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 to 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

3.1 BASIS OF PREPARATION

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia.

The interim condensed financial statements do not include all the information and disclosures required in annual financial statements and should, therefore, be read in conjunction with the annual financial statements for the year ended 31 December 2019.

These interim condensed financial statements have been prepared on a historical cost basis. Except for financial assets at fair value through profit or loss which are stated at their fair value using the accrual basis of accounting and going concern concept.

These interim condensed financial statements are presented in US Dollars (“USD”), which is the functional currency of the Fund, and all values are rounded to the nearest one US Dollar, except where otherwise indicated.

Results for the interim reporting period are not necessarily indicative of future periods.

3.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Fund’s annual financial statements for the year ended 31 December 2019. There are new standards, amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed financial statements of the Fund.

There are other several amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund’s interim condensed financial statements. In the opinion of the Board, these will have no significant impact on the interim condensed financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

Al-Arabi Balanced Fund
(Managed by Arab National Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
At 30 June 2020

4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Description	30 June 2020			
	% of market Value	Cost USD	Market value USD	Unrealised gain/(loss) USD
<u>Equity investments</u>				
Al-Mubarak SAR Trade Fund	34.40%	524,967	549,208	24,241
Al Mubarak Saudi Equity Fund	20.27%	307,685	323,600	15,915
Al-Mubarak Pure Saudi Equity Fund	18.90%	270,937	301,843	30,906
Riyadh Capital Global Equity Fund	16.83%	236,850	268,655	31,805
Al-Mubarak USD Trade Fund	9.60%	148,569	153,368	4,799
	100.00%	1,489,008	1,596,674	107,666
Description	31 December 2019			
	% of market value	Cost USD	Market value USD	Unrealised gain/(loss) USD
<u>Equity investments</u>				
Al-Mubarak SAR Trade Fund	38.11%	606,453	634,297	27,844
Al Mubarak Saudi Equity Fund	17.83%	279,214	296,761	17,547
Riyadh Capital Global Equity Fund	16.39%	236,850	272,808	35,958
Al-Mubarak Pure Saudi Equity Fund	15.82%	220,564	263,525	42,961
Al-Mubarak USD Trade Fund	11.85%	191,432	197,184	5,752
	100.00%	1,534,513	1,664,575	130,062

5. TRANSACTIONS WITH RELATED PARTIES

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

As per the revised terms and conditions, dated 23 February 2016, the Fund Manager will not charge management fees to the Fund with effect from 1 January 2016. Accordingly, no management fee has been charged in the statement of comprehensive income for the period ended 30 June 2020 (2019: Nil).

The Fund Manager charges other fees at a maximum rate of 1.5% per annum calculated based on the total net asset value at each valuation date to meet other expenses of the Fund.

Other expenses amounting to USD 10,985 (2019: USD 10,426) reflected in the statement of comprehensive income, represent the expenses charged by the Fund Manager during the period as prescribed above.

The accrued expenses payable to the Fund Manager at the period-end is disclosed in the statement of financial position.

Al-Arabi Balanced Fund
(Managed by Arab National Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

At 30 June 2020

6. 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 interim condensed 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 2 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 period or prior year.

7. 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 30 June 2020 (Unaudited)</i>	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
ASSETS			
Financial assets at FVTPL	1,596,674	-	1,596,674
Bank balance	1,054	-	1,054
TOTAL ASSETS	1,597,728	-	1,597,728
LIABILITY			
Accrued expenses	5,634	-	5,634
TOTAL LIABILITY	5,634	-	5,634

Al-Arabi Balanced Fund
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
At 30 June 2020

7. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

<i>As at 31 December 2019 (Audited)</i>	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
ASSETS			
Financial assets at FVTPL	1,664,575	-	1,664,575
Bank balance	2,311	-	2,311
TOTAL ASSETS	1,666,886	-	1,666,886
LIABILITY			
Accrued expenses	5,273	-	5,273
TOTAL LIABILITY	5,273	-	5,273

8. LAST VALUATION DAY

The last valuation day of the period / year was 28 June 2020 (2019: 29 December 2019).

9. IMPACT OF COVID-19 ON THE INTERIM CONDENSED 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 interim condensed financial statements for the six months period ended 30 June 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 share prices declining trend. The impact of the pandemic on the Fund’s operations and financial results till the date of the interim 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.

10. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the management on 28 Dhul-Hijjah 1441H (corresponding to 18 August 2020).