

Al-Mubarak Pure Saudi Equity 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-MUBARAK PURE SAUDI EQUITY FUND (MANAGED BY ARAB NATIONAL INVESTMENT COMPANY)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Al-Mubarak Pure Saudi Equity 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 Mubarak Pure Saudi Equity Fund
(Managed by Arab National Investment Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

	<i>Note</i>	30 June 2020 SR	31 December 2019 SR
ASSETS			
Financial assets at fair value through profit or loss (FVTPL)	4	152,608,802	156,927,159
Dividends receivables		61,601	-
Bank balance		3,970,139	16,315,920
TOTAL ASSETS		156,640,542	173,243,079
LIABILITIES			
Management fees		678,388	719,638
Accrued expenses		62,158	92,119
TOTAL LIABILITIES		740,546	811,757
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)		155,899,996	172,431,322
TOTAL LIABILITIES AND EQUITY		156,640,542	173,243,079
Redeemable units in issue		19,140,487	19,478,385
Net asset value attributable to each unit		8.15	8.85

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

Al Mubarak Pure Saudi Equity Fund
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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2020

	<i>Note</i>	2020 SR	2019 SR
INCOME			
Net realized gain on financial assets at FVTPL		4,470,655	9,731,539
Net unrealized (loss) gain on financial assets at FVTPL		(19,661,240)	10,387,091
Dividend income		2,903,561	4,009,298
TOTAL (LOSS) INCOME		(12,287,024)	24,127,928
EXPENSE			
Management fees	5	(1,335,180)	(1,565,599)
Other fees	5	(191,624)	(204,713)
TOTAL EXPENSE		(1,526,804)	(1,770,312)
NET (LOSS) INCOME FOR THE PERIOD		(13,813,828)	22,357,616
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(13,813,828)	22,357,616

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

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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 SR	2019 SR
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD	172,431,322	165,538,335
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(13,813,828)	22,357,616
ISSUANCE AND REDEMPTIONS BY THE UNITHOLDERS:		
Issuance of units during the period	506,945	541,590
Redemptions of units during the period	(3,224,443)	(10,060,429)
Net changes in units	(2,717,498)	(9,518,839)
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD	155,899,996	178,377,112

REDEEMABLE UNIT TRANSACTIONS

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

	2020 Units	2019 Units
UNITS AT THE BEGINNING OF THE PERIOD	19,478,385	21,387,682
Issuance of units during the period	68,732	59,811
Redemptions of units during the period	(406,630)	(1,172,346)
Net changes in units	(337,898)	(1,112,535)
UNITS AS AT END OF THE PERIOD	19,140,487	20,275,147

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INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2020

	2020 SR	2019 SR
OPERATING ACTIVITIES		
Net (loss) income for the period	(13,813,828)	22,357,616
Adjustment to reconcile net (loss) income to net cash flows:		
Movement in unrealized loss (gain) on financial assets at FVTPL	19,661,240	(10,387,091)
	5,847,412	11,970,525
Working capital adjustments:		
(Increase) decrease in financial assets at FVTPL	(15,342,883)	2,471,780
Increase in dividend receivables	(61,601)	(207,757)
Decrease in accrued management and other fees	(71,211)	(778,438)
Net cash flows (used in) from operating activities	(9,628,283)	13,456,110
FINANCING ACTIVITIES		
Proceed from issuance of units	506,945	541,590
Payment on redemption of units	(3,224,443)	(10,060,429)
Net cash flows used in financing activities	(2,717,498)	(9,518,839)
NET (DECREASE) INCREASE IN BANK BALANCE	(12,345,781)	3,937,271
Bank balance at the beginning of the period	16,315,920	239,326
BANK BALANCE AT THE END OF THE PERIOD	3,970,139	4,176,597

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

Al-Mubarak Pure Saudi Equity Fund
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 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 the capital fund through investment in a diversified portfolio of Shariah compliant Saudi Arabian equity securities including Murabaha transactions. The Fund was established on 21 Sha’aban 1426H (corresponding to 25 September 2005) by Arab National Bank (“the Bank”).

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.

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

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”) 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 held at fair value through profit or loss which are stated at their fair value using the accrual basis of accounting and the going concern concept.

These interim condensed 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.

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-Mubarak Pure Saudi Equity Fund
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

At 30 June 2020

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

The composition of the financial assets at fair value through profit or loss is summarised below:

30 June 2020				
Description	% of market Value	Cost SR	Market value SR	Unrealized gain/(loss) SR
<u>Sectors</u>				
Banks	28.93%	35,218,395	44,148,234	8,929,839
Materials	25.53%	41,058,937	38,965,882	(2,093,055)
Telecommunication Services	11.65%	13,387,567	17,777,580	4,390,013
Health Care Equipment and Services	11.17%	13,087,001	17,041,166	3,954,165
Commercial and Professional Services	6.32%	10,028,623	9,646,400	(382,223)
Insurance	5.35%	6,928,592	8,168,380	1,239,788
Food & Staples Retailing	3.84%	2,950,876	5,860,700	2,909,824
Retailing	2.70%	3,241,812	4,121,160	879,348
Real Estate Management and Development	2.53%	6,288,398	3,855,300	(2,433,098)
Energy	1.98%	2,560,549	3,024,000	463,451
	100.00%	134,750,750	152,608,802	17,858,052
31 December 2019				
Description	% of market Value	Cost SR	Market value SR	Unrealised gain/(loss) SR
<u>Sectors</u>				
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
Health Care Equipment & Services	5.59%	7,205,161	8,774,795	1,569,634
Commercial and Professional Services	5.45%	7,341,980	8,551,000	1,209,020
Insurance	1.82%	2,070,928	2,848,500	777,572
Food and Staples Retailing	4.28%	3,645,946	6,724,000	3,078,054
Retailing	2.81%	3,233,078	4,416,400	1,183,322
Real Estate Management and Development	5.86%	12,194,629	9,196,200	(2,998,429)
Energy	4.23%	5,601,201	6,636,000	1,034,799
Food and Beverages	4.08%	5,957,394	6,396,617	439,223
	100.00%	119,407,867	156,927,159	37,519,292

All the investments of this Fund are made in the Kingdom of Saudi Arabia.

Al-Mubarak Pure Saudi Equity Fund
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
At 30 June 2020

5. 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 1,335,180 (30 June 2019: SR 1,565,599) and other fees amounting to SR 191,624 (30 June 2019: SR 204,713) which have been reflected in the interim condensed 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 period-end are disclosed in the interim condensed statement of financial position.

The Unitholders' account at 30 June included units held as follows:

	2020 Units	2019 Units
Held by funds under the same management	138,968	104,997
Held by the employees of the Bank	41,006	39,800
Held by the Fund Manager	-	36,233
	<u>179,974</u>	<u>181,030</u>

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 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 period or prior year.

Al-Mubarak Pure Saudi Equity Fund
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

At 30 June 2020

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</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Financial assets at (FVTPL)	152,608,802	-	152,608,802
Dividends receivables	61,601	-	61,601
Bank balance	3,970,139	-	3,970,139
TOTAL ASSETS	156,640,542	-	156,640,542
LIABILITIES			
Management fees	678,388	-	678,388
Accrued expenses	62,158	-	62,158
TOTAL LIABILITIES	740,546	-	740,546

<i>As at 31 December 2019</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Financial assets at (FVTPL)	156,927,159	-	156,927,159
Bank balance	16,315,920	-	16,315,920
TOTAL ASSETS	173,243,079	-	173,243,079
LIABILITIES			
Management fees	719,638	-	719,638
Accrued expenses	92,119	-	92,119
TOTAL LIABILITIES	811,757	-	811,757

8. LAST VALUATION DAY

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

At 30 June 2020

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).