

Al-Mubarak IPO 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



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

Introduction

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

	Note	30 June 2020 SR	31 December 2019 SR
ASSETS			
Financial assets at fair value through profit or loss (FVTPL)	4	37,021,186	36,655,394
Dividend receivables		-	107,369
Bank balance		2,699,931	5,102,127
TOTAL ASSETS		39,721,117	41,864,890
LIABILITIES			
Management fees		169,789	173,043
Accrued expenses		31,999	38,561
TOTAL LIABILITIES		201,788	211,604
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)		39,519,329	41,653,286
TOTAL LIABILITIES AND EQUITY		39,721,117	41,864,890
Redeemable units in issue		5,075,330	5,238,797
Net asset value attributable to each unit		7.79	7.95

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

Al-Mubarak IPO Fund

(Managed by Arab National Investment Company)

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 loss on financial assets at FVPTL		(1,373,490)	(1,453,348)
Net unrealized gain on financial assets at FVPTL		295,635	1,988,984
Dividend income		642,115	784,787
TOTAL (LOSS) INCOME		(435,740)	1,320,423
EXPENSE			
Management fees	5	(334,679)	(347,259)
Other expenses	5	(82,742)	(80,647)
TOTAL EXPENSE		(417,421)	(427,906)
NET (LOSS) INCOME FOR THE PERIOD		(853,161)	892,517
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(853,161)	892,517

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

Al-Mubarak IPO 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 SR	2019 SR
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD	41,653,286	39,977,196
TOTAL COMPREHENSIVE (LOSS) INCOME	(853,161)	892,517
REDEMPTIONS BY THE UNITHOLDERS:		
Redemptions of units during the period	(1,280,796)	(1,695,873)
Net changes in units	(1,280,796)	(1,695,873)
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD	39,519,329	39,173,840

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	5,238,797	5,523,544
Redemptions of units during the period	(163,467)	(230,934)
Net changes in units	(163,467)	(230,934)
UNITS AS AT END OF THE PERIOD	5,075,330	5,292,610

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

Al-Mubarak IPO Fund
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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	(853,161)	892,517
Adjustment to reconcile net (loss) income to net cash flows:		
Movement in unrealized gain on financial assets at FVTPL	(295,635)	(1,988,984)
	<u>(1,148,796)</u>	<u>(1,096,467)</u>
Working capital adjustments:		
(Increase) decrease in financial assets at FVTPL	(70,157)	3,177,502
Decrease (increase) in dividend receivables	107,369	(46,450)
Decrease in accrued management and other fees	(9,816)	(224,413)
	<u>(1,121,400)</u>	<u>1,810,172</u>
Net cash flows (used in) from operating activities		
FINANCING ACTIVITIES		
Payment on redemption of units	(1,280,796)	(1,695,873)
	<u>(1,280,796)</u>	<u>(1,695,873)</u>
Net cash flows used in financing activities		
NET (DECREASE) INCREASE IN BANK BALANCE	(2,402,196)	114,299
Bank balance at the beginning of the period	5,102,127	1,007,909
BANK BALANCE AT THE END OF THE PERIOD	2,699,931	1,122,208

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

Al-Mubarak IPO Fund

(Managed by Arab National Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2020

1. GENERAL

Al-Mubarak IPO Fund (the “Fund”) is an open-ended investment fund created by an agreement between the Arab National Investment Company (the “Fund Manager”) and investors (“unitholders”). The investment objective of the fund is long-term growth of capital through participation and investment primarily in initial public offerings in the Saudi stock market as well as initial rights and the remaining subscriptions of newly listed companies up to a maximum of five years from the listing date provided they comply with the fund’s Sharia’a standards. The terms and conditions were issued on 21 February 2016. The fund commencement date as per terms and conditions was 8 May 2016. The Fund’s first financial period was from the period 8 May 2016 to 31 December 2017.

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”) detailing requirements for all investments funds operating within the Kingdom of Saudi Arabia and published by the Capital Market Authority (the “CMA”) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006). The Regulations were further amended on 16 Sha’aban 1437H (corresponding to 23 May 2016) (the “Amended Regulations”). The Fund Manager believes that the Amended Regulations were effective from 6 Safar 1438H (corresponding to 6 November 2016).

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 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 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 IPO Fund
(Managed by Arab National Investment Company)

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 investments at fair value through profit and loss is summarised below:

30 June 2020				
Description	% of market Value	Cost SR	Market value SR	Unrealized gain/(loss) SR
<u>Sectors</u>				
REITs	16.86%	5,987,801	6,241,830	254,029
Energy	16.39%	6,587,818	6,066,273	(521,545)
Health Care Equipment and Services	15.79%	5,967,861	5,844,158	(123,703)
Consumer Services	12.55%	3,632,811	4,645,878	1,013,067
Real Estate Management and Development	9.55%	4,473,337	3,535,853	(937,484)
Commercial and professional services	8.00%	3,648,565	2,960,307	(688,258)
Transportation	5.32%	3,330,472	1,970,250	(1,360,222)
Consumer Durables & Apparel	4.71%	1,426,219	1,742,400	316,181
Software and Services	4.48%	1,305,000	1,658,438	353,438
Retailing	3.92%	1,802,767	1,449,500	(353,267)
Materials	2.43%	835,091	906,299	71,208
	100.00%	38,997,742	37,021,186	(1,976,556)

31 December 2019				
Description	% of market Value	Cost SR	Market value SR	Unrealised gain/(loss) SR
<u>Sectors</u>				
REITs	22.82%	8,027,997	8,366,220	338,223
Energy	14.88%	5,577,763	5,454,503	(123,260)
Health Care Equipment and Services	3.26%	2,747,001	1,195,150	(1,551,851)
Consumer Services	12.71%	3,324,859	4,658,493	1,333,634
Real Estate Management and Development	8.15%	3,154,681	2,985,786	(168,895)
Commercial and professional services	5.70%	2,193,308	2,089,122	(104,186)
Transportation	9.55%	4,737,714	3,499,650	(1,238,064)
Consumer Durables & Apparel	2.23%	825,371	817,000	(8,371)
Software and Services	3.56%	1,305,000	1,305,000	-
Retailing	5.82%	2,246,525	2,134,350	(112,175)
Materials	9.30%	3,683,278	3,410,340	(272,938)
Capital Goods	2.02%	1,104,088	739,780	(364,308)
	100.00%	38,927,585	36,655,394	(2,272,191)

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

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

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 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 net asset value at each valuation date to meet other expenses of the Fund.

The management fees amounting to SR 334,679 (30 June 2019: SR 347,259) and other fees amounting to SR 82,742 (30 June 2019: SR 80,647) reflected in the interim condensed statement of comprehensive income, 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 Bank (parent of the Fund Manager) acts as the Fund's banker.

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

	2020 Units	2019 Units
Held by the employees of the Bank	38,503	41,503
	<u>38,503</u>	<u>41,503</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 IPO Fund
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

At 30 June 2020

7. MATURITY ANALYSIS OF ASSETS AND LIABILITY

The table below shows an analysis of assets and liability 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)	37,021,186	-	37,021,186
Bank balance	2,699,931	-	2,699,931
TOTAL ASSETS	39,721,117	-	39,721,117
LIABILITIES			
Management fees	169,789	-	169,789
Accrued expenses	31,999	-	31,999
TOTAL LIABILITIES	201,788	-	201,788

<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)	36,655,394	-	36,655,394
Bank balance	5,102,127	-	5,102,127
Dividend Receivable	107,369	-	107,369
TOTAL ASSETS	41,864,890	-	41,864,890
LIABILITIES			
Management fees	173,043	-	173,043
Accrued expenses	38,561	-	38,561
TOTAL LIABILITIES	211,604	-	211,604

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).