

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 2021



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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 2021, 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") as 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 as endorsed in the Kingdom of Saudi Arabia.

For Ernst & Young


Saad M. Al-Khathlan
Certified Public Accountant
License No. 509



Riyadh: 4 Muharram 1443H
(12 August 2021)

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Note</i>	30 June 2021 (Unaudited) USD	31 December 2020 (Audited) USD
ASSETS			
Financial assets at fair value through profit or loss (FVTPL)	4	5,733,489	1,774,835
Cash and cash equivalents		330,644	4,421
TOTAL ASSETS		6,064,133	1,779,256
LIABILITIES			
Accrued expenses		6,231	5,984
TOTAL LIABILITIES		6,231	5,984
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)		6,057,902	1,773,272
TOTAL LIABILITIES AND EQUITY		6,064,133	1,779,256
Redeemable units in issue		281,618	90,398
Net asset value attributable to each unit		21.51	19.62

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

Al-Arabi Balanced Fund

(Managed by Arab National Investment Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2021

	<i>Note</i>	2021 USD	2020 USD
INCOME			
Net realized gain on disposal of financial assets at FVPTL	4	578	23,862
Net unrealized gain (loss) on financial assets at FVPTL	4	257,107	(22,396)
TOTAL INCOME		257,685	1,466
EXPENSES			
Other expenses	5	(17,419)	(10,985)
TOTAL EXPENSES		(17,419)	(10,985)
NET INCOME (LOSS) FOR THE PERIOD		240,266	(9,519)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		240,266	(9,519)

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

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (UNAUDITED)

For the six-month period ended 30 June 2021

	2021 USD	2020 USD
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD	1,773,272	1,661,613
TOTAL COMPREHENSIVE INCOME / (LOSS) INCOME	240,266	(9,519)
Redemptions of units during the period	(14,559)	(60,000)
Issue of units during the period	4,058,923	-
Net changes in units	4,044,364	(60,000)
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD	6,057,902	1,592,094

REDEEMABLE UNIT TRANSACTIONS

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

	2021 Units	2020 Units
UNITS AT THE BEGINNING OF THE PERIOD	90,398	93,303
Redemptions of units during the period	(713)	(3,412)
Issue of units during the period	191,933	-
Net changes in units	191,220	(3,412)
UNITS AS AT END OF THE PERIOD	281,618	89,891

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 CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2021

	2021 USD	2020 USD
OPERATING ACTIVITIES		
Net income (loss) for the period	240,266	(9,519)
<i>Adjustment to reconcile net income (loss) to net cash flows:</i>		
Movement in unrealized (gain)/loss on financial assets at FVTPL	(257,107)	22,396
	(16,841)	12,877
<i>Working capital adjustments:</i>		
(Increase) decrease in financial assets at FVTPL	(3,701,547)	45,505
Increase in accrued management and other fees	247	361
Net cash flows (used in) from operating activities	(3,718,141)	58,743
FINANCING ACTIVITIES		
Proceeds from units sold	4,058,923	-
Payment on redemption of units	(14,559)	(60,000)
Net cash flows from (used in) from financing activities	4,044,364	(60,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	326,223	(1,257)
Cash and cash equivalents at the beginning of the period	4,421	2,311
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	330,644	1,054

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

Al-Arabi Balanced Fund

(Managed by Arab National Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2021

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”) 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 by Resolution of the Board of the Capital Market Authority Number 2-22-2021 Dated 12/7/1442H. Corresponding to 24/2/2021G (the “Amended Regulations”).

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 2020.

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.

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 2020, except for the adoption of new standards effective as of 1 January 2021. The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the Fund.

Al-Arabi Balanced Fund

(Managed by Arab National Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

At 30 June 2021

3.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (Continued)

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. These amendments had no impact on the interim condensed financial statements of the Fund. The Fund intends to use the practical expedients in future periods if they become applicable.

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 2021 (Unaudited)			
	% of market Value	Cost USD	Market value USD	Unrealized gain USD
<u>Equity investments</u>				
Al-Mubarak SAR Trade Fund	42.22%	2,392,603	2,420,934	28,331
Al Mubarak Saudi Equity Fund	19.09%	931,778	1,094,673	162,895
Al-Mubarak Pure Saudi Equity Fund	18.68%	888,441	1,070,766	182,325
Riyadh Capital Global Equity Fund	10.96%	477,319	628,480	151,161
Al-Mubarak USD Trade Fund	9.05%	513,568	518,636	5,068
	100%	5,203,709	5,733,489	529,780

	31 December 2020 (Audited)			
	% of market Value	Cost USD	Market value USD	Unrealised gain USD
<u>Equity investments</u>				
Al-Mubarak SAR Trade Fund	37.40%	638,603	663,849	25,246
Al Mubarak Saudi Equity Fund	18.54%	255,700	328,792	73,092
Al-Mubarak Pure Saudi Equity Fund	17.96%	236,850	318,849	81,999
Riyadh Capital Global Equity Fund	17.45%	222,441	309,760	87,319
Al-Mubarak USD Trade Fund	8.65%	148,568	153,585	5,017
	100%	1,502,162	1,774,835	272,673

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2021

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

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

	<i>30 June</i> 2021 <i>USD</i>	<i>30 June</i> 2020 <i>USD</i>
Fair value as at the beginning of the period	1,774,835	1,661,613
Net sales (purchase) of financial assets at FVTPL	3,700,969	(70,985)
Net realized gain on disposal of financial assets at FVTPL	578	23,862
Net unrealized gain (loss) on financial assets at FVTPL	257,107	(22,396)
	<hr/> 5,733,489 <hr/>	<hr/> 1,592,094 <hr/>
Fair value as at the end of period		

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 2021 (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 17,419 (2020: USD 10,985) 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 interim condensed financial position.

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 reporting 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
At 30 June 2021

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Fund's financial assets as at 30 June 2021 and 31 December 2020. There are no financial liabilities measured at fair value.

		<i>Fair value measurement using</i>		
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
	<i>Total USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
<i>As at 30 June 2021</i>				
<i>Financial assets measured at fair value</i>				
Investments at FVTPL	5,733,489	-	5,733,489	-
<i>As at 31 December 2020</i>				
<i>Financial assets measured at fair value</i>				
Investments at FVTPL	1,774,835	-	1,774,835	-

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>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
<i>As at 30 June 2021 (Unaudited)</i>			
ASSETS			
Financial assets at FVTPL	5,733,489	-	5,733,489
Cash and cash equivalents	330,644	-	330,644
TOTAL ASSETS	6,064,133	-	6,064,133
LIABILITIES			
Accrued expenses	6,231	-	6,231
TOTAL LIABILITIES	6,231	-	6,231
<i>As at 31 December 2020 (Audited)</i>			
ASSETS			
Financial assets at FVTPL	1,774,835	-	1,774,835
Cash and cash equivalents	4,421	-	4,421
TOTAL ASSETS	1,779,256	-	1,779,256
LIABILITIES			
Accrued expenses	5,984	-	5,984
TOTAL LIABILITIES	5,984	-	5,984

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

At 30 June 2021

8. LAST VALUATION DAY

The last valuation day of the period / year was 30 June 2021 (2020: 30 December 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 unaudited interim condensed financial statements for the six months period ended 30 June 2021, 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 Fund’s Board of Directors on 4 Muharram 1443H (corresponding to 12 August 2021)