

Al-Mubarak SAR Trade 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-MUBARAK SAR TRADE FUND (MANAGED BY ARAB NATIONAL INVESTMENT COMPANY)

Introduction

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	30 June 2021 SR (Unaudited)	31 December 2020 SR (Audited)
ASSETS			
Investments in sukuks at amortized cost	6	21,000,000	5,000,000
Murabaha placements at amortized cost	5,7	2,209,000,000	2,276,000,000
Financial assets at fair value through profit or loss (FVTPL)	8	201,331,675	200,215,195
Accrued special commission income		4,745,346	6,003,318
Cash and cash equivalents	5	5,826,529	52,132,922
TOTAL ASSETS		2,441,903,550	2,539,351,435
LIABILITIES			
Management fees payable		1,238,128	1,368,069
Accrued expenses		245,396	238,085
TOTAL LIABILITIES		1,483,524	1,606,154
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)		2,440,420,026	2,537,745,281
TOTAL LIABILITIES AND EQUITY		2,441,903,550	2,539,351,435
Redeemable units in issue		112,000,233	116,822,923
Net asset value attributable to each per unit		21.79	21.72

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2021

	Note	2021 SR	2020 SR
INCOME			
Net unrealized gain on financial assets at FVTPL	8	1,116,480	-
Special commission income		9,449,676	30,289,764
TOTAL INCOME		10,566,156	30,289,764
EXPENSE			
Management fees	8	(2,466,306)	(3,025,267)
Other fees	8	(509,977)	(280,436)
TOTAL EXPENSE		(2,976,283)	(3,305,703)
NET INCOME FOR THE PERIOD		7,589,873	26,984,061
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		7,589,873	26,984,061

The accompanying notes 1 to 15 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 2021

	2021 SR	2020 SR
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD	2,537,745,281	2,254,772,517
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,589,873	26,984,061
ISSUANCE AND REDEMPTIONS OF UNITS		
Issuance of units during the period	761,986,674	2,004,742,157
Redemptions of units during the period	(866,901,802)	(1,087,652,403)
Net changes in units	(104,915,128)	917,089,754
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD	2,440,420,026	3,198,846,332

REDEEMABLE UNIT TRANSACTIONS

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

	2021 Units	2020 Units
UNITS AT THE BEGINNING OF THE PERIOD	116,822,923	105,169,155
Issuance of units during the period	35,028,144	93,222,293
Redemptions of units during the period	(39,850,834)	(50,521,666)
Net changes in units	(4,822,690)	42,700,627
UNITS AT THE END OF THE PERIOD	112,000,233	147,869,782

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

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INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2021

	2021 SR	2020 SR
OPERATING ACTIVITIES		
Net income for the period	7,589,873	26,984,061
Net unrealized gain on financial assets at FVTPL	(1,116,480)	-
	6,473,393	
Changes in operating assets and liabilities:		
(Increase) decrease in Investments in sukuk at amortized cost	(16,000,000)	120,000,000
Decrease (increase) in murabaha placements at amortized cost	67,000,000	(868,000,000)
Decrease in accrued special commission income	1,257,972	1,549,339
(Decrease) increase in accrued management and other fees	(122,630)	412,273
Net cash flows from (used in) operating activities	58,608,735	(719,054,327)
FINANCING ACTIVITIES		
Proceed from issuance of units	761,986,674	2,004,742,157
Payment on redemption of units	(866,901,802)	(1,087,652,403)
Net cash flows (used in) from financing activities	(104,915,128)	917,089,754
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(46,306,393)	198,035,427
Cash and cash equivalents at the beginning of the period	52,132,922	220,272,389
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5,826,529	418,307,816

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

Al-Mubarak SAR Trade Fund
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2021

1. GENERAL

Al-Mubarak SAR Trade Fund (the "Fund") is an open-ended fund. The investment objective of the Fund is to provide capital preservation and short term capital growth, through investing in Shariah-compliant conservative transactions. The Fund was established on 4 Jumada Thani 1413H (corresponding to 4 May 1999) 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 the 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 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 using the accrual basis of accounting and 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 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.

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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) 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
- b) Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- c) 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. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of interim condensed financial statements in conformity with IFRS as endorsed in the KSA requires the use of certain critical accounting judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Such judgments, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Significant areas where management has used estimates, assumptions or exercised judgment are as follows:

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

Going concern

The Board of Directors in conjunction with the Fund Manager made an assessment of the Fund's ability to continue as a going concern and are satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, they are not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the interim condensed financial statements continue to be prepared on the going concern basis.

5. CASH AND CASH EQUIVALENTS

	30 June 2021 SR (Unaudited)	31 December 2020 SR (Audited)
Bank balance	5,826,529	52,132,922
Murabaha placements with an original maturity of three months or less	-	40,000,000
	5,826,529	92,132,922

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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6. INVESTMENTS IN SUKUKS AT AMORTIZED COST

	Maturity date	30 June 2021 SR	31 December 2020 SR
AlBilad Sukuk	15 April 2031	6,000,000	-
Riyadh Bank- Sukuk	09 February 2031	10,000,000	-
Saudi British Bank Sukuk-	22 July 2030	5,000,000	5,000,000
		21,000,000	5,000,000

Investments in Sukuks at amortized cost are subject to an impairment assessment based on the expected credit loss (ECL) model as per IFRS 9. The management has assessed that the provision under the ECL model is not significant.

7. MURABAHA PLACEMENTS AT AMORTIZED COST

Murabaha placements are an Islamic mode of money market placements with counterparties in Saudi Arabia and the rest of the Middle East.

Investments in Murabaha placements at amortized cost are subject to an impairment assessment based on the expected credit loss (ECL) model as per IFRS 9. The management has assessed that the provision under the ECL model is not significant.

	30 June 2021 SR	31 December 2020 SR
Murabaha placements with an original maturity more than three months	2,209,000,000	2,236,000,000
Murabaha placements with an original maturity of three months or less (note 5)	-	40,000,000
	2,209,000,000	2,276,000,000

8. 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 SR	Market value SR	Unrealised gain SR
100.00	200,000,000	201,331,675	1,331,675
Alinma Saudi Riyal Liquidity Fund			
31 December 2020 (Audited)			
% of market value	Cost SR	Market value SR	Unrealised gain SR
100.00	200,000,000	200,215,195	215,195
Alinma Saudi Riyal Liquidity Fund			

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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9. TRANSACTIONS WITH RELATED PARTIES

As per the agreement, the Fund is required to pay a management fee at the maximum rate of 0.2% per annum calculated based on the total net asset value at each valuation date. In addition, the Fund manager also charges other fees at a maximum rate of 0.50% 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 2,466,306 (30 June 2020: SR 3,025,267) and other fees amounting to SR 509,977 (30 June 2020: SR 280,436), reflected in the interim condensed statement of comprehensive income, represent the fees charged by the Fund Manager during the period 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. During the period, the Fund has earned special commission amounting to SR 7,230,031 (30 June 2020: SR 4,179,903) on the Murabaha placements made with the Bank.

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

	2021 Units	2020 Units
Held by the Fund Manager	4,333,371	5,173,905
Held by other funds under the same management	6,170,996	95,210
Held by employees of the Bank	70,677	73,596
	10,575,044	5,342,711

10. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Fund's management assessed that the fair value of bank balances, short-term Murabaha placements and accrued special commission income approximate their carrying amounts largely due to the short-term maturities of these instruments. Long-term Sukuk and Murabaha placements are evaluated by the Fund based on parameters such as commission rates, specific country risk factors, and individual creditworthiness of the counterparties. Based on this evaluation, allowances are taken into account for the expected losses of these Long-term Sukuk and Murabaha placements. The expected credit losses of these Long-term Sukuk and Murabaha placements as at 30 June 2021 and 31 December 2020 was assessed by Fund's management to be insignificant. In addition, the Fund holds investment in Mutual Funds measured at fair values and are allocated within level 2 of the fair value hierarchy. Management believes that the fair value of all other financial assets and liabilities are classified as amortized cost and 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 period.

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

11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets, other than bank balances, held by the Fund as at 30 June 2021 and 31 December 2020.

	30 June 2021 SR	31 December 2020 SR
<i>Financial assets at amortised cost</i>		
Investments in sukuk at amortized cost	21,000,000	5,000,000
Murabaha placements at amortized cost	2,209,000,000	2,276,000,000
Accrued special commission income	4,745,346	6,003,318
<i>Financial assets at fair value through profit or loss (FVTPL)</i>		
Financial assets at fair value through profit or loss (FVTPL)	201,331,675	200,215,195
<i>Total financial assets</i>	2,436,077,021	2,487,218,513

Set out below is an overview of financial liabilities held by the Fund as at 30 June 2021 and 31 December 2020.

	30 June 2021 SR	31 December 2020 SR
<i>Financial liabilities at amortised cost</i>		
Management fees payable	1,238,128	1,368,069
Accrued expenses	245,396	238,085
<i>Total financial liabilities</i>	1,483,524	1,606,154

12. 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 2021 (Unaudited)</i>	<i>Within 3 months SR</i>	<i>3 months to 1 year SR</i>	<i>More than one year</i>	<i>Total SR</i>
ASSETS				
Investments in Sukuk at amortized cost	-	-	21,000,000	21,000,000
Murabaha placements at amortized cost	2,209,000,000	-	-	2,209,000,000
Financial assets at FVTPL	201,331,675	-	-	201,331,675
Accrued special commission income	4,745,346	-	-	4,745,346
Cash and cash equivalents	5,826,529	-	-	5,826,529
TOTAL ASSETS	2,420,903,550	-	21,000,000	2,441,903,550
LIABILITIES				
Management fees payable	1,238,128	-	-	1,238,128
Accrued expenses	245,396	-	-	245,396
TOTAL LIABILITIES	1,483,524	-	-	1,483,524

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12. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

<i>As at 31 December 2020 (Audited)</i>	<i>Within 3 months SR</i>	<i>3 months to 1 year SR</i>	<i>More than one year</i>	<i>Total SR</i>
ASSETS				
Investments in Sukuk at amortized cost	-	-	5,000,000	5,000,000
Murabaha placements at amortized cost	40,000,000	2,236,000,000	-	2,276,000,000
Financial assets at FVTPL	200,215,195	-	-	200,215,195
Accrued special commission income	6,003,318	-	-	6,003,318
Cash and cash equivalents	52,132,922	-	-	52,132,922
TOTAL ASSETS	303,351,435	2,236,000,000	5,000,000	2,539,351,435
LIABILITIES				
Management fees payable	1,368,069	-	-	1,368,069
Accrued expenses	238,085	-	-	238,085
TOTAL LIABILITIES	1,606,154	-	-	1,606,154

13. LAST VALUATION DAY

The last valuation day of the period / year was 30 June 2020 (2020: 31 December 2020).

14. 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

15. 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)