

**Al-Mubarak Balanced Fund – In  
Voluntary Liquidation**  
(Managed by Arab National Investment Company)

**FINANCIAL STATEMENTS**

**31 DECEMBER 2017**

## **INDEPENDENT AUDITOR'S REPORT**

To the Unitholders of Al-Mubarak Balanced Fund- In Voluntary Liquidation

### **Opinion**

We have audited the financial statements of Al-Mubarak Balanced Fund- In Voluntary Liquidation (the "Fund") managed by Arab National Investment Company (the "Fund Manager"), which comprise the balance sheet as at 31 December 2017, and the statement of operations, statement of cash flows and statement of changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of a matter**

Without qualifying our opinion, we draw attention to note 3 to the financial statements. As stated therein, the Fund Manager has commenced voluntary liquidation of the Fund on 31 December 2017. Accordingly, the financial statements have been prepared on a break up basis.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and the applicable provisions of the Investment Funds Regulations issued by the Board of the Capital Market Authority, and the Fund's terms and conditions and the information memorandum, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **INDEPENDENT AUDITOR'S REPORT**

To the Unitholders of Al-Mubarak Balanced Fund - In Voluntary Liquidation (continued)

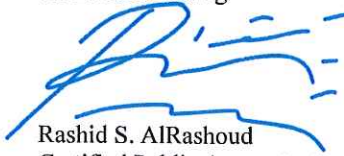
### **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting. When such use is inappropriate and management uses an alternative basis of accounting, we conclude on the appropriateness of management's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young



Rashid S. AlRashoud  
Certified Public Accountant  
License No. 366



Riyadh: 16 Rajab 1439H  
(2 April 2018)

# Al-Mubarak Balanced Fund – In Voluntary Liquidation

## BALANCE SHEET

As at 31 December 2017

	<i>Note</i>	<b>2017 USD</b>	<b>2016 USD</b>
<b>ASSETS</b>			
Bank balance		<b>185,367</b>	60,363
Trading investments	5	-	1,907,222
		<b>185,367</b>	1,967,585
<b>LIABILITY</b>			
Accrued expenses		<b>1,863</b>	4,494
<b>UNITHOLDERS' FUNDS</b>			
Net assets		<b>183,504</b>	1,963,091
Units in issue		<b>13,539</b>	150,375
Per unit value		<b>13.55</b>	13.05

The accompanying notes 1 to 10 form part of these financial statements.

# Al-Mubarak Balanced Fund – In Voluntary Liquidation

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## STATEMENT OF OPERATIONS

For the year ended 31 December 2017

	<i>Notes</i>	<b>2017 USD</b>	<b>2016 USD</b>
<b>INCOME</b>			
Trading income, net	6	<b>85,702</b>	35,484
		<hr/>	<hr/>
<b>EXPENSE</b>			
Other fees	7	<b>16,389</b>	17,860
		<hr/>	<hr/>
<b>NET INCOME FROM OPERATIONS</b>		<b>69,313</b>	17,624
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The accompanying notes 1 to 10 form part of these financial statements.

# Al-Mubarak Balanced Fund – In Voluntary Liquidation

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 USD	2016 USD
<b>OPERATING ACTIVITIES</b>		
Net income from operations	69,313	17,624
Adjustment for:		
Movement in unrealised losses (gains) on trading investments	78,286	(215,654)
	147,599	(198,030)
Changes in operating assets and liabilities:		
Trading investments, net	1,828,936	352,724
Accrued expenses	(2,631)	17
Net cash from operating activities	1,973,904	154,711
<b>FINANCING ACTIVITIES</b>		
Proceeds from units sold	26,667	-
Value of units redeemed	(1,875,567)	(113,340)
Net cash used in financing activities	(1,848,900)	(113,340)
<b>INCREASE IN BANK BALANCE</b>	125,004	41,371
Bank balance at the beginning of the year	60,363	18,992
<b>BANK BALANCE AT THE END OF THE YEAR</b>	185,367	60,363

The accompanying notes 1 to 10 form part of these financial statements.

# Al-Mubarak Balanced Fund – In Voluntary Liquidation

## STATEMENT OF CHANGES IN NET ASSETS

Year ended 31 December 2017

	2017 USD	2016 USD
<b>NET ASSET VALUE AT THE BEGINNING OF THE YEAR</b>	<b>1,963,091</b>	2,058,807
<b>NET INCOME FROM OPERATIONS</b>	<b>69,313</b>	17,624
<b>CHANGES FROM UNIT TRANSACTIONS</b>		
Proceeds from units sold	26,667	-
Value of units redeemed	(1,875,567)	(113,340)
Net change from unit transactions	(1,848,900)	(113,340)
<b>NET ASSET VALUE AT THE END OF THE YEAR</b>	<b>183,504</b>	1,963,091

### UNIT TRANSACTIONS

Transactions in units for the year ended 31 December are summarised as follows:

	2017 Units	2016 Units
<b>UNITS AT THE BEGINNING OF THE YEAR</b>	<b>150,375</b>	159,766
Units sold	2,004	-
Units redeemed	(138,840)	(9,391)
Net decrease in units	(136,836)	(9,391)
<b>UNITS AT THE END OF THE YEAR</b>	<b>13,539</b>	150,375

The accompanying notes 1 to 10 form part of these financial statements.

# Al-Mubarak Balanced Fund – In Voluntary Liquidation

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## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

### 1 GENERAL

Al-Mubarak Balanced Fund (the “Fund”) is an open-ended fund. The objective of the fund is to provide in the mid-term, the opportunity of capital growth while lowering the risk of significant capital loss by investing in various medium risk asset classes on a global basis in compliance with Shariah principles and guidelines. The Fund was established on 3 Rabi Awal 1422H (corresponding to 26 May 2001) 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 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.

The books and records of the Fund are maintained in US Dollars.

### 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 LIQUIDATION OF THE FUND

As per the terms and conditions of the Fund, the Fund Manager has decided to voluntarily liquidate the Fund and has obtained the approval from the CMA through letter dated 15 Rabi Awal 1439H (corresponding to 3 December 2017). The Fund Manager has also notified all the unitholders of the Fund for the voluntarily liquidation. The Fund Manager has commenced the liquidation of the Fund effective from 31 December 2017. Accordingly, these financial statements have been prepared on a break up basis. All assets have been stated at their net realizable value and liabilities have been stated at their settlement amounts.

### 4 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

#### *Accounting convention*

The financial statements are prepared on a break up basis.

#### *Revenue recognition*

Trading income includes unrealised gains and losses from changes in fair value, unrealised exchange gains and losses and realised gains and losses from sale of trading investments. Realised gains and losses are determined on a weighted average cost basis.

#### *Investment valuation*

Investments in mutual funds are valued on the basis of net asset values published by the Fund Manager.

#### *Investment transactions*

Investments transactions are accounted for as of the trade date.

#### *Zakat and income tax*

Zakat and income tax are the obligations of the Unitholders and are not provided for in the accompanying financial statements.

#### *Foreign currencies*

Transactions in foreign currencies are translated into US Dollars at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange prevailing at that date. Resulting exchange gains and losses are taken to the statement of operations.



# Al-Mubarak Balanced Fund – In Voluntary Liquidation

## NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

### 5 TRADING INVESTMENTS

Investments held for trading comprise the following as at 31 December

	<i>% of market value</i>	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised gains(losses) USD</i>
<u>2016</u>				
Al-Mubarak SAR Trade Fund	30.03	537,402	572,794	35,392
Riyadh Capital Global Equity Fund	26.50	460,000	505,446	45,446
Al-Mubarak Pure Saudi Equity Fund	11.70	233,478	223,171	(10,307)
Al-Mubarak USD Trade Fund	11.46	212,548	218,476	5,928
Al Mubarak Saudi Equity Fund	11.13	233,508	212,337	(21,171)
Al-Mubarak IPO Fund	9.18	152,000	174,998	22,998
Total investments	100.00	1,828,936	1,907,222	78,286

Trade funds can be redeemed any time throughout the week whereas the equity funds can be redeemed only twice a week. The Fund Manager seeks to limit its risk by monitoring exposures in each mutual funds and setting limits for individual mutual funds and asset classes which they represent. All investments have been liquidated during the year.

### 6 TRADING INCOME, NET

	<i>2017 USD</i>	<i>2016 USD</i>
Realised gains (losses) on sale of trading investments, net	<b>163,988</b>	(180,170)
Movement in unrealised (losses) gains on trading investments	<b>(78,286)</b>	215,654
	<b>85,702</b>	35,484

### 7 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 the management fees to the Fund. Accordingly no management fees has been charged in the statement of operations for the year ended 31 December 2017 (2016: Nil).

The Fund Manager also charges other fees at a maximum rate of 1% per annum calculated on the total net assets at each valuation date to meet other expenses of the Fund.

Other fees amounting to USD 16,389 (2016: USD 17,860) reflected in the statement of operations, represent the other fees charged by the Fund Manager as described above.

## Al-Mubarak Balanced Fund – In Voluntary Liquidation

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

#### 7 TRANSACTIONS WITH RELATED PARTIES (Continued)

The Bank (parent of the Fund Manager) acts as the Fund's banker.

	<i>2017 Units</i>	<i>2016 Units</i>
Held by the Bank	-	133,333

#### 8 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. The Fund's financial assets consist of bank balances. The Fund's financial liabilities consist of accrued expenses. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Investments in mutual funds are valued on the basis of net asset values published by the Fund Manager.

Trading investments are carried at their fair value. The fair values of other financial instruments are not expected to be materially different from their carrying value.

#### 9 LAST VALUATION DAY

The last valuation day of the year was 31 December 2017 (2016: 28 December 2016).

#### 10 FUND BOARD APPROVAL

The financial statement of the fund for the year 2017 was approved by the Board of Directors of the fund on 29 March 2018.