

Al Arabi Saudi Equity Fund
(Managed by Arab National Investment Company)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022



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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Al Arabi Saudi Equity Fund (the "Fund") managed by Arab National Investment Company (the "Fund Manager") as at 30 June 2022, and the related interim condensed statement of comprehensive income, interim condensed statement changes in equity attributable to the unitholders and interim condensed statement 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 Professional Services

Rashid S. Roshod
Certified Public Accountant
License No. 366

Riyadh: 17 Muharram 1444H
(15 August 2022)



Al Arabi Saudi Equity Fund
(Managed by Arab National Investment Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2022

	<i>Note</i>	30 June 2022 (Unaudited) SR	<i>31 December 2021 (Audited) SR</i>
ASSETS			
Financial assets at fair value through profit or loss (FVTPL)	5	151,823,758	137,732,034
Dividend receivables		51,500	-
Cash and cash equivalents		4,530,557	3,005,428
TOTAL ASSETS		156,405,815	140,737,462
LIABILITIES			
Management fees payable	6	872,292	621,440
Accrued expenses		30,673	127,267
TOTAL LIABILITIES		902,965	748,707
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)			
		155,502,850	139,988,755
TOTAL LIABILITIES AND EQUITY			
		156,405,815	140,737,462
Redeemable units in issue		885,519	881,404
Net asset value attributable to each unit		175.61	158.82

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

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

For the six-month period ended 30 June 2022

	<i>Note</i>	2022 SR	2021 SR
INCOME			
Net realized gain on financial assets at FVTPL	5	30,006,629	6,280,151
Net unrealized (loss) gain on financial assets at FVTPL	5	(15,644,046)	18,569,083
Dividend income		1,734,550	2,054,001
TOTAL INCOME		16,097,133	26,903,235
EXPENSES			
Management fees	6	(1,448,234)	(1,060,862)
Other expenses	6	(315,445)	(234,878)
TOTAL EXPENSES		(1,763,679)	(1,295,740)
NET INCOME FOR THE PERIOD		14,333,454	25,607,495
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		14,333,454	25,607,495

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

Al Arabi Saudi Equity 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 2022

	2022 SR	2021 SR
Equity attributable to the unitholders at beginning of the period	139,988,755	113,056,304
Total comprehensive income for the period	14,333,454	25,607,495
<i>Issuance and redemption of units</i>		
Issuance of units during the year	11,055,461	5,901
Redemptions of units during the period	(9,874,820)	(5,159,809)
Net changes in units	1,180,641	(5,153,908)
Equity attributable to the unitholders at end of the period	155,502,850	133,509,891

REDEEMABLE UNIT TRANSACTIONS

Transactions in redeemable units during the period are summarised , as follows:

	2022 Units	2021 Units
Units at beginning of the period	881,404	928,783
Issuance of units during the year	59,963	44
Redemptions of units during the period	(55,848)	(40,035)
Net changes in units	4,115	(39,991)
Units at end of the period	885,519	888,792

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Al Arabi Saudi Equity Fund
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INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2021

	2022 SR	2021 SR
OPERATING ACTIVITIES		
Net income for the period	14,333,454	25,607,495
<i>Adjustments:</i>		
Movement in unrealized loss (gain) on financial assets at FVTPL	15,644,046	(18,569,083)
Dividends income	(1,734,550)	(2,054,001)
	28,242,950	4,984,411
Working capital adjustments:		
Financial assets at FVTPL	(29,735,770)	(155,875)
Management fee payable and accrued expenses	154,258	94,177
Net cash generated from operations	(1,338,562)	4,922,713
Dividends received	1,683,050	1,827,276
Net cash flows from operating activities	344,488	6,749,989
FINANCING ACTIVITIES		
Payment on redemption of units	(9,874,820)	(5,159,809)
Proceeds from units sold	11,055,461	5,901
Net cash flows from (used in) financing activities	1,180,641	(5,153,908)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,525,129	1,596,081
Cash and cash equivalents at beginning of the period	3,005,428	5,881,648
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4,530,557	7,477,729

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

Al Arabi Saudi Equity Fund (Managed by Arab National Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2021

1. GENERAL

Al-Arabi Saudi Equity Fund (the “Fund”) is open-ended fund. The investment object of the Fund is to invest in a broadly diversified portfolio of Saudi Arabian equity including money market and murabaha funds. The Fund was established on 13 Shawwal 1401H (corresponding to 8 May 1990) by the 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 fees of the custodian and registrar’s services are paid by the Fund.

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”) 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. The regulations were further amended by Resolution of the Board of CMA number 2-22-2021 dated 1 Rajab 1442H (corresponding to 24 February 2021). The amended regulations were effective form 19 Ramadan 1442H (corresponding to 1 May 2021).

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTNG POLICIES

3.1 Basis of preparation

These interim condensed financial statements for the six-month period ended 30 June 2022 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 2021. In addition, result for the six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The interim condensed financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for financial assets held at fair value through profit or loss that are measured at fair value. These interim condensed financial statements are presented in Saudi Riyals (“SR”), which is the Fund’s functional currency.

3.2 Significant accounting policies

The significant accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2021, except for the new standards and amendments effective from 1 January 2022.

Al Arabi Saudi Equity Fund
(Managed by Arab National Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2021

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

New standards, interpretations and amendments

- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions extension of the practical expedient (effective for annual periods beginning on or after 1 April 2021).
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning on or after 1 January 2022):
- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial
- Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, 'Property, plant and equipment' prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in statement of income.
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs an entity includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial Instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's interim condensed financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities (deferred until accounting periods starting not earlier than 1 January 2024).
- Narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8 (annual periods beginning on or after 1 January 2023).
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction (annual periods beginning on or after 1 January 2023).
- IFRS 17, 'Insurance Contracts', as amended in June 2020 (annual periods beginning on or after 1 January 2023).
- A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts (annual periods beginning on or after 1 January 2023).

4. SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATE AND ASSUMPTIONS

The significant accounting judgements, estimates and assumptions used in preparation of interim condensed financial statements are consistent with those used in preparation of the fund's annual financial statements for the year ended 31 December 2021.

Al Arabi Saudi Equity Fund
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2021

5. 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:

<i>Equity shares - Sectors</i>	<i>30 June 2022 (Unaudited)</i>			
	<i>% of market Value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealized gain/(loss) SR</i>
Banks	45.32%	47,366,658	68,810,720	21,444,062
Materials	14.27%	22,539,823	21,669,254	(870,569)
Energy	8.34%	11,774,728	12,656,599	881,871
Food & Staples Retailing	6.27%	9,117,328	9,523,107	405,779
Insurance	4.94%	6,269,056	7,494,510	1,225,454
Information Technology	4.90%	3,988,150	7,437,840	3,449,690
Media & Entertainment	4.10%	7,251,887	6,229,350	(1,022,537)
Telecommunication Services	2.93%	4,089,266	4,454,463	365,197
Health Care Equipment & Services	2.09%	3,200,194	3,176,469	(23,725)
Real Estate Management and Development	1.74%	3,137,448	2,645,471	(491,977)
Capital Goods	1.73%	3,199,529	2,626,615	(572,914)
Diversified financials	1.57%	2,553,350	2,381,400	(171,950)
Utilities	1.32%	1,595,554	2,001,960	406,406
Consumer Services	0.47%	826,386	716,000	(110,386)
	100%	126,909,357	151,823,758	24,914,401

<i>Equity shares - Sectors</i>	<i>31 December 2021 (Audited)</i>			
	<i>% of market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealized gain/(loss) SR</i>
Banks	45.31%	37,132,776	62,407,799	25,275,023
Materials	21.74%	23,721,905	29,943,608	6,221,703
Energy	5.59%	7,107,114	7,694,295	587,181
Insurance	5.27%	7,213,539	7,264,027	50,488
Retailing	4.85%	5,186,562	6,686,445	1,499,883
Telecommunication services	4.20%	3,758,756	5,782,200	2,023,444
Health care equipment and services	4.10%	2,270,202	5,650,160	3,379,958
Information technology	3.96%	4,426,867	5,452,962	1,026,095
Diversified financials	2.57%	3,025,365	3,543,999	518,634
Media and entertainment	1.92%	2,645,900	2,645,900	-
Food and staples retailing	0.49%	684,600	660,639	(23,961)
	100.00%	97,173,586	137,732,034	40,558,448

The movements in the fair value of financial assets at FVTPL during the period are, as follows:

	<i>30 June 2022 SR</i>	<i>30 June 2021 SR</i>
Fair value as at beginning of the period	137,732,034	107,706,799
Net sales of financial assets at FVTPL	(270,859)	(6,124,276)
Net realized gain on disposal of financial assets at FVTPL	30,006,629	6,280,151
Net unrealized (loss) gain on financial assets at FVTPL	(15,644,046)	18,569,083
Fair value as at end of period	151,823,758	126,431,757

Al Arabi Saudi Equity Fund
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2021

6. TRANSACTIONS WITH RELATED PARTIES

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 other fees 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. A subscription fee of up to 2% may be charged to the subscribers by the Fund Manager upon subscription.

The management fees amounting to SR 1,448,234 (30 June 2022: SR 1,060,862) and other fees amounting to SR 315,445 (30 June 2022:SR 234,878) reflected in the statement of comprehensive income, represent the fees charged by Fund Manager during the period.

The management fees and other fees payable to the Fund Manager at the period-end is disclosed in the statement of financial position. The unitholders' account included 29,712 as of 30 June 2022 (2021: nil) units held by the Fund Manager.

7. 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 condensed statement of financial position date.

The Fund has only investments at fair value through profit or loss which is measured at fair values. 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. There were no transfers between various levels of fair value hierarchy during the current year or prior year.

FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Fund's financial assets as at 30 June 2022 and 31 December 2021. There are no financial liabilities measured at fair value.

		<i>Fair value measurement using</i>		
		<i>Quoted prices in</i>	<i>Significant</i>	<i>Significant</i>
		<i>active markets</i>	<i>observable</i>	<i>unobservable</i>
		<i>(Level 1)</i>	<i>inputs</i>	<i>inputs</i>
			<i>(Level 2)</i>	<i>(Level 3)</i>
	<i>Total</i>		<i>SR</i>	<i>SR</i>
	<i>SR</i>	<i>SR</i>		
<i>As at 30 June 2021 (Unaudited)</i>				
<i>Financial assets measured at fair value</i>				
Investments at FVTPL (listed on Tadawul)	151,823,758	151,823,758	-	-
<i>As at 31 December 2021 (Audited)</i>				
<i>Financial assets measured at fair value</i>				
Investments at FVTPL (listed on Tadawul)	137,732,034	137,732,034	-	-

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2021

8. 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 2022 (Unaudited)</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Financial assets at (FVTPL)	151,823,758	-	151,823,758
Cash and cash equivalents	4,530,557	-	4,530,557
Dividend receivable	51,500		51,500
TOTAL ASSETS	156,405,815	--	156,405,815
LIABILITIES			
Management fees payable	872,292	-	872,292
Accrued expenses	30,673	-	30,673
TOTAL LIABILITIES	902,965	-	902,965
<i>As at 31 December 2021 (Audited)</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Financial assets at (FVTPL)	137,732,034	-	137,732,034
Cash and cash equivalents	3,005,428	-	3,005,428
TOTAL ASSETS	140,737,462	-	113,642,822
LIABILITIES			
Management fees payable	621,440	-	621,440
Accrued expenses	127,267	-	127,267
TOTAL LIABILITIES	748,707	-	748,707

9. LAST VALUATION DAY

The last valuation day of the period was 30 June 2022 [31 December 2021 (Audited): 30 December 2020].

10. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the management on 17 Muharram 1444H (corresponding to 15 August 2022).