

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Al-Mubarak USD Trade 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 condensed 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 Muharram1444H
(15 August 2022)



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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	30 June 2022 USD (Unaudited)	<i>31 December 2021 USD (Audited)</i>
ASSETS			
Murabaha placements at amortized cost	6	20,600,000	22,550,000
Accrued special commission income		35,764	23,127
Bank balance	5	38,475	70,870
TOTAL ASSETS		20,674,239	22,643,997
LIABILITIES			
Management fees payable		11,835	11,293
Accrued expenses		6,224	8,072
TOTAL LIABILITIES		18,059	19,365
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)		20,656,180	22,624,632
TOTAL LIABILITIES AND EQUITY		20,674,239	22,643,997
Redeemable units in issue		1,071,493	1,175,619
Net asset value attributable to each unit		19.28	19.24

The accompanying notes 1 to 11 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 2022

	<i>Note</i>	2022 USD	2021 USD
INCOME			
Special commission income	7	72,921	44,195
TOTAL INCOME		72,921	44,195
EXPENSES			
Management fees	7	(21,258)	(22,340)
Other expenses	7	(15,787)	(15,850)
TOTAL EXPENSES		(37,045)	(38,190)
NET INCOME FOR THE PERIOD		35,876	6,005
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		35,876	6,005

The accompanying notes 1 to 11 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 2022

	2022 <i>USD</i>	2021 <i>USD</i>
Equity attributable to the unitholders at beginning of the period	22,624,632	21,197,560
Total comprehensive income for the period	35,876	6,005
<i>Issuance and redemptions of units</i>		
Issuance of units during the period	73,000	2,353,990
Redemptions of units during the period	(2,077,328)	(381,924)
Net changes in units	(2,004,328)	1,972,066
Equity attributable to the unitholders at end of the period	20,656,180	23,175,631

REDEEMABLE UNIT TRANSACTIONS

Transactions in units during the period are summarized, as follows:

	2022 <i>Units</i>	2021 <i>Units</i>
Units at beginning of the period	1,175,619	1,102,115
Issuance of units during the period	3,793	122,378
Redemptions of units during the period	(107,919)	(19,853)
Net changes in units	(104,126)	102,525
Units at end of the period	1,071,493	1,204,640

The accompanying notes 1 to 11 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 2022

	<i>Note</i>	2022 USD	2021 USD
OPERATING ACTIVITIES			
Net income for the period		35,876	6,005
Adjustment:			
Special commission income		(72,921)	(44,195)
		(37,045)	(38,190)
Changes in operating assets and liabilities:			
Murabaha placements at amortised cost		4,700,000	(2,100,000)
Management fees payable and accrued expenses		(1,306)	1,000
		4,661,649	(2,137,190)
Special commission received		60,284	43,741
Net cash flows from (used in) operating activities		4,721,933	(2,093,449)
FINANCING ACTIVITIES			
Proceed from issuance of units		73,000	2,353,990
Payment on redemption of units		(2,077,328)	(381,924)
Net cash flows (used in) from financing activities		(2,004,328)	1,972,066
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,717,605	(121,383)
Cash and cash equivalents at beginning of the period		2,270,870	3,644,602
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5	4,988,475	3,523,219

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

Al-Mubarak USD Trade Fund

(Managed by Arab National Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2022

1. GENERAL

Al-Mubarak USD 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 investment in Shariah-compliant conservative transactions. The Fund was established on 19 Rajab 1414H (corresponding to 1 January 1994) 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 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 to 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 from 19 Ramadan 1442H (corresponding to 1 May 2021).

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

3.1 Basis of preparation

These interim condensed financial statements for the six months ended 30 June 2022 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 2021. In addition, results 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.

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 US Dollars (“USD”), which is the functional currency of the Fund.

3.2 New standards, interpretations and amendments

The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Various amendments apply for the first time in 2022, but do not have an impact on the interim condensed financial statements of the Fund..

- 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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2022

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES (continued)

3.2 New standards, interpretations and amendments (continued)

- 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'.

3.3 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 JUDGEMENTS, ESTIMATES, 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.

5. CASH AND CASH EQUIVALENTS

	30 June 2022 USD (Unaudited)	31 December 2021 USD (Audited)
Bank balance	38,475	70,870
Murabaha placements with original maturities of three months or less (note 6)	4,950,000	2,200,000
Total cash and cash equivalents	4,988,475	2,270,870

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

6. MURABAHA PLACEMENTS AT AMORTIZED COST

	<i>30 June 2022 USD (Unaudited)</i>	<i>31 December 2021 USD (Audited)</i>
Murabaha placements with original maturities more than three months	15,650,000	20,350,000
Murabaha placements with original maturities of three months or less (note 5)	4,950,000	2,200,000
	<u>20,600,000</u>	<u>22,550,000</u>

Murabaha placements are Islamic mode of money market placements with financial institutions in the Kingdom Saudi Arabia and the rest of the Middle East. Murabaha placements earn commission at an average rate of 1.39% [31 December 2021 (Audited): 0.46%] per annum and have average original maturity period 106 days [31 December 2021 (Audited): 173 days as of 30 June 2022.

Murabaha placements carried at amortised cost are subject to allowance for expected credit losses (ECL) as per IFRS 9. The management has assessed that allowance for ECL is not significant as of 30 June 2022 and 31 December 2021.

7. TRANSACTIONS WITH RELATED PARTIES

The Fund pays a management fee at the maximum rate of 0.20% per annum calculated based on the total net asset value at each valuation date. In addition, the Fund Manager is also entitled to charge 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 expenses of the Fund.

The management fees amounting to USD 21,258 (30 June 2021: USD 22,340) and other fees amounting to USD 15,787 (30 June 2021: USD 15,850) reflected in the interim condensed statement of comprehensive income, represent the fees charged by the Fund Manager during the period as described above.

The 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 USD 6,753 (30 June 2021: USD 2,753) on the Murabaha placements made with the Bank.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fund's financial assets consist of bank balances, financial assets measured at amortised cost. The Fund's financial liabilities consist of management fee. Management believes that the fair value of all financial assets and liabilities at the reporting date approximate their carrying values owing to 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 year or prior year.

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.

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 the Murabaha placements. The expected credit losses of the Murabaha placements as at 30 June 2022 and 31 December 2021 was assessed by Fund's management to be insignificant.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2022

9. 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 2022 (Unaudited)</i>	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
ASSETS			
Murabaha placements at amortized cost	20,600,000	-	20,600,000
Accrued special commission income	35,764	-	35,764
Cash and cash equivalents	38,475	-	38,475
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	20,674,239	-	20,674,239
LIABILITIES			
Management fees payable	11,835	-	11,835
Accrued expenses	6,224	-	6,224
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	18,059	-	18,059
<i>As at 31 December 2021 (Audited)</i>	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
ASSETS			
Murabaha placements at amortized cost	22,550,000		22,550,000
Accrued special commission income	23,127	-	23,127
Cash and cash equivalents	70,870	-	70,870
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	22,643,997		22,643,997
LIABILITIES			
Management fees payable	11,293	-	11,293
Accrued expenses	8,072	-	8,072
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	19,365	-	19,365

10. LAST VALUATION DAY

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

11. 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).