

**HSBC US Dollar Murabaha Fund
(Managed by HSBC Saudi Arabia)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

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 HSBC US DOLLAR MURABAHA FUND (MANAGED BY HSBC SAUDI ARABIA)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of HSBC US Dollar Murabaha Fund (the "Fund") managed by HSBC Saudi Arabia (the "Fund Manager") as at 30 June 2022 and the related interim condensed statements of comprehensive income, changes in equity attributable to the unitholders and cash flows for the six-month period ended 30 June 2021, 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.

Basis for Qualified conclusion

The financial information presented in the interim condensed financial statements are as at 29 June 2022. Management is unable to quantify the impact of not reporting the financial information as at 30 June 2022 and consequently the effects on the interim financial statements of the failure to report the financial information as at 30 June 2022 have not been determined.

Qualified Conclusion

Based on our review, because of the possible significance of the matter discussed in the Basis of Qualified Conclusion section of our review report, we are unable to conclude that the accompanying interim condensed financial statements are prepared, in all material respects, in accordance with IAS 34 that are endorsed in the Kingdom of Saudi Arabia.

For Ernst & Young professional services

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

Riyadh: 19 Muharram 1444H
(17 August 2022)



HSBC US Dollar Murabaha Fund

Interim condensed statement of financial position

As at 30 June 2022

	<i>Notes</i>	30 June 2021 (Unaudited) USD	31 December 2021 (Audited) USD
ASSETS			
Cash at bank	4	940,005	553,533
Financial assets measured at amortised cost	5	19,910,797	21,520,486
Financial assets at fair value through Profit or loss (FVTPL)	6	910,711	905,547
TOTAL ASSETS		21,761,513	22,979,566
LIABILITIES			
Management fee payable		343	723
Accrued expenses		14,159	10,383
TOTAL LIABILITIES		14,502	11,106
EQUITY			
Equity attributable to unitholders		21,747,011	22,968,460
TOTAL LIABILITIES AND EQUITY		21,761,513	22,979,566
Units in issue (numbers)		1,431,221	1,515,168
Equity value per unit		15.20	15.16

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

HSBC US Dollar Murabaha Fund

Interim condensed statement of comprehensive income (unaudited)

For the six-month period ended 30 June 2022

	<i>Notes</i>	30 June 2022 USD	30 June 2021 USD
INCOME			
Net unrealized gain on financial assets measured at FVTPL	6	5,164	1,964
Special commission income from financial assets at amortised cost		93,396	58,298
TOTAL INCOME		98,560	60,262
EXPENSES			
Management fees		31,637	45,770
Impairment (reversal of) / charge for expected credit losses	5	(1,684)	10,064
Other expenses		16,302	1,974
TOTAL EXPENSES		46,255	57,808
NET INCOME FOR THE PERIOD		52,305	2,454
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		52,305	2,454

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

HSBC US Dollar Murabaha Fund

Interim condensed statement of changes in equity (unaudited)

For the six-month period ended 30 June 2022

	<i>30 June 2022 (Unaudited) USD</i>	<i>30 June 2021 (Audited) USD</i>
Equity attributable to the unitholders as at the beginning of the period	22,968,460	25,701,409
Net income for the period	52,305	2,454
Contributions and redemptions by the unitholders:		
Proceeds from issuance of units	37,657	1,060,700
Payments for redemption of units	(1,311,411)	(6,165,781)
Net change from unit transactions	(1,273,754)	(5,105,081)
Equity attributable to the unitholders as at the end of the period	21,747,011	20,598,782
	<u><i>Units</i></u>	<u><i>Units</i></u>
UNIT TRANSACTIONS		
Transactions in units for the period ended 30 June are summarised as follows:		
UNITS AT THE BEGINNING OF THE PERIOD	1,515,168	1,696,998
Issue of units during the period	2,483	70,015
Redemption of units during the period	(86,430)	(406,964)
Net decrease in units	(83,947)	(336,949)
UNITS AT THE END OF THE PERIOD	1,431,221	1,360,049

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

HSBC US Dollar Murabaha Fund

Interim condensed statement of cash flows (unaudited)

For the six-month period ended 30 June 2022

	<i>30 June</i> 2022 <i>(Unaudited)</i> USD	<i>30 June</i> 2021 <i>(Audited)</i> USD
Operating activities		
Net income for the period	52,305	2,454
<i>Adjustments for:</i>		
<i>Unrealized gain on financial assets at FVTPL</i>	(5,164)	(1,964)
Impairment (reversal) / charge for expected credit losses	(1,684)	10,064
	45,457	10,554
<i>Net changes in operating assets and liability</i>		
Financial assets measured at amortised cost	1,611,373	4,554,390
Management fee payable	(380)	(363)
Accrued expenses	3,776	1,845
Net cash flows from operating activities	1,660,226	4,566,426
Cash flow from financing activities		
Proceeds from issuance of units	37,657	1,060,700
Payment on redemption of units	(1,311,411)	(6,165,781)
Net cash flows used in financing activities	(1,273,754)	(5,105,081)
Increase / (decrease) in cash and cash equivalents	386,472	(538,655)
Cash and cash equivalents at the beginning of the period- Note (4)	553,533	15,667,731
Cash and cash equivalents at the end of the period	940,005	15,129,076
<u>Operational cash flows from special commission income:</u>		
Special commission income received	59,769	112,688

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

HSBC US Dollar Murabaha Fund

Notes to unaudited interim condensed financial statements

At 30 June 2022

1. INCORPORATION AND ACTIVITIES

HSBC US Dollar Murabaha Fund (the “Fund”) is an investment fund established through the agreement between HSBC Saudi Arabia (the “Fund Manager”) and the investors (the “Unitholders”). The address of the Fund Manager is as follows:

HSBC Saudi Arabia, Head Office
HSBC Building 7267
Olaya Street (Al-Murooj District)
Riyadh 12283-2255
Kingdom of Saudi Arabia

The objective of the Fund is to seek capital appreciation and potential for capital preservation through participation in a professionally managed portfolio of short-term US Dollar deposits, placements and monetary instruments. The funds are invested in accordance with Shariah Investment Guidelines as determined by Shariah Supervisory Committee.

The Fund is managed by the Fund Manager who also acts the administrator of the Fund. Al Bilad Capital is the custodian of the Fund. All income is reinvested in the Fund and is reflected in the unit price.

The Fund Manager has made certain revisions to the Terms and Conditions of the Fund. The main changes were relating to applying the new IFR requirements related to the fund documentation. The Fund updated its terms and conditions which were approved by the CMA on 30 Rajab 1443H (corresponding to 3 March 2022).

The Fund Manager has announced that it agreed to transfer its asset management, retail brokerage and retail margin lending businesses to Alawwal Invest, a wholly owned subsidiary of the Saudi British Bank. Accordingly, the Fund Manager is in the process to obtain necessary approvals from CMA for transferring the management of the Fund to the new Fund Manager.

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 CMA 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 the Capital Market Authority Number 2-22-2021 Dated 12/7/1442H. Corresponding to 24/2/2021G.

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING 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 the annual financial statements and should be read in conjunction with the Fund’s annual financial statements as at 31 December 2021.

The interim condensed financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for investments at fair value through FVOCI that are measured at fair value. These interim condensed financial statements are presented in US Dollars (“USD”), which is the Fund’s functional currency. All financial information presented has been rounded to the nearest USD.

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.

HSBC US Dollar Murabaha Fund

Notes to unaudited 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)

- 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 a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company 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 a fund 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).

3 (a) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

4. CASH AND CASH EQUIVALENTS

	<i>30 June 2022 (Unaudited) USD</i>	<i>31 December 2021 (Audited) USD</i>
Cash at banks	940,005	553,533
Placement with banks (with original maturity of less than 90 days)	-	12,100,000
Total cash and cash equivalents	940,005	12,653,533

HSBC US Dollar Murabaha Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

5. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	<i>30 June 2022 (Unaudited) USD</i>	<i>31 December 2021 (Audited) USD</i>
Murabaha placements with original maturity of less than 90 days	-	12,100,000
Murabaha placements – maturing between 90 and 360 days	19,855,000	9,400,000
	19,855,000	21,500,000
Accrued special commission income	60,161	26,534
Allowance for expected credit losses	(4,364)	(6,048)
	19,910,797	21,520,486

The movement in the allowance for expected credit losses for Murabaha placements is summarized as follows:

	<i>30 June 2022 (Unaudited) USD</i>	<i>30 June 2021 (Unaudited) USD</i>
Balance at beginning of the period	6,048	1,649
(Reversal of) / charge for the period	(1,684)	10,064
Balance at the end of the period	4,364	11,713

The methodology and assumptions applied by the Fund in estimating the ECL on the Murabaha placements are based on using the Moody's rating scales which are then adjusted for country specific data based on where the Murabaha placements are, forward looking estimates and macroeconomic variables such as expected GDP growth, to determine the ECL as at the end of the reporting period.

Financial assets measured at amortised cost are composed of the following:

<u><i>30 June 2022 (Unaudited)</i></u>	<i>% of Value</i>	<i>Cost USD</i>
Remaining maturity		
Up to 1 month	15%	2,900,000
1-3 months	40%	7,905,000
3-6 months	45%	9,050,000
	100%	19,855,000
<u><i>31 December 2021 (Audited)</i></u>	<i>% of Value</i>	<i>Cost USD</i>
Up to 1 month	17%	3,700,000
1-3 months	39%	8,400,000
3-6 months	44%	9,400,000
	100%	21,500,000

HSBC US Dollar Murabaha Fund

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2022

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

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	<i>Cost</i> USD	<i>Market Value</i> USD	<i>Unrealized gain</i> USD	<i>Cost</i> USD	<i>Market Value</i> USD	<i>Unrealized gain</i> USD
HSBC Saudi Riyal Murabaha Fund	849,819	910,711	60,892	849,819	905,547	55,728
	<u>849,819</u>	<u>910,711</u>	<u>60,892</u>	<u>849,819</u>	<u>905,547</u>	<u>55,728</u>

7. TRANSACTIONS WITH RELATED PARTIES

The Fund Manager charges to the Fund on each Valuation Day, management fees at an actual rate of 0.25% of Net assets value (31 December 2021: 0.25% of Net assets value), these management fees represent maximum rates as per approved terms and conditions.

Subscription fee up to 2% is not considered in the financial statement of the Fund, as investment to the Fund are always net of subscription fees. The Fund does not charge any redemption fees on redemption of units.

During the period, the Fund entered into the following transactions with related parties in the ordinary course of business:

<i>Related Party</i>	<i>Nature of transactions</i>	<i>Amount of transactions during the period</i>		<i>Closing Balance</i>	
		<i>June 2022</i> USD	<i>June 2021</i> USD	<i>June 2022</i> USD	<i>December 2021</i> USD
HSBC Saudi Arabia (Fund Manager)	Management fee	31,637	45,770	343	723
	Administration fee	6,327	680	993	1,106
	Board Member fee	2,077	242	2,067	2,365

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund has 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 3 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current period or prior year.

HSBC US Dollar Murabaha Fund

Notes to unaudited 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>Less than 1 month USD</i>	<i>1 to 3 Months USD</i>	<i>3 months to 1 year USD</i>	<i>Total USD</i>
ASSETS				
Financial assets measured at amortised cost	2,900,000	7,905,000	9,050,000	19,855,000
Total commission -bearing assets	<u>2,900,000</u>	<u>7,905,000</u>	<u>9,050,000</u>	<u>19,855,000</u>
LIABILITIES				
Total commission – bearing liabilities	-	-	-	-
Total commission rate gap	<u>2,900,000</u>	<u>7,905,000</u>	<u>9,050,000</u>	<u>19,855,000</u>

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 31 December 2021 (Audited)</i>	<i>Less than 1 month USD</i>	<i>1 to 3 months USD</i>	<i>3 months to 1 year USD</i>	<i>Total USD</i>
ASSETS				
Financial assets measured at amortised cost	3,700,000	8,400,000	9,400,000	21,500,000
Total commission -bearing assets	<u>3,700,000</u>	<u>8,400,000</u>	<u>9,400,000</u>	<u>21,500,000</u>
LIABILITIES				
Total commission – bearing liabilities	-	-	-	-
Total commission rate gap	<u>3,700,000</u>	<u>8,400,000</u>	<u>9,400,000</u>	<u>21,500,000</u>

10. LAST VALUATION DAY

The last valuation day of the period was 29 June 2022 (year ended 31 December 2021: 30 December 2021).

11. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund's management on 19 Muharram 1444 H (corresponding to 17 August 2022).