

Al-Mubarak USD 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 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 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 Muharram1443H
(12 August 2021)



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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 USD (Unaudited)	31 December 2020 USD (Audited)
ASSETS			
Murabaha placements at amortized cost	5,6	20,650,000	18,450,000
Accrued special commission income		22,137	21,683
Bank balance	5	2,523,219	2,744,602
TOTAL ASSETS		23,195,356	21,216,285
LIABILITIES			
Management fees payable		11,559	12,418
Accrued expenses		8,166	6,307
TOTAL LIABILITIES		19,725	18,725
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)		23,175,631	21,197,560
TOTAL LIABILITIES AND EQUITY		23,195,356	21,216,285
Redeemable units in issue		1,204,640	1,102,115
Net asset value attributable to each unit		19.24	19.23

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

Al-Mubarak USD Trade Fund
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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2021

	Note	2021 USD	2020 USD
INCOME			
Special commission income	7	44,195	176,439
TOTAL INCOME		44,195	176,439
EXPENSES			
Management fees	7	(22,340)	(21,617)
Other expenses	7	(15,850)	(12,631)
TOTAL EXPENSES		(38,190)	(34,248)
NET INCOME FOR THE PERIOD		6,005	142,191
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,005	142,191

The accompanying notes 1 to 12 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 USD	2020 USD
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD	21,197,560	21,935,068
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,005	142,191
ISSUANCE AND REDEMPTIONS OF UNITS		
Issuance of units during the period	2,353,990	125,334
Redemptions of units during the period	(381,924)	(494,897)
Net changes in units	1,972,066	(369,563)
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD	23,175,631	21,707,696

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	1,102,115	1,149,536
Issuance of units during the period	122,378	6,540
Redemptions of units during the period	(19,853)	(25,895)
Net changes in units	102,525	(19,355)
UNITS AT THE END OF THE PERIOD	1,204,640	1,130,181

The accompanying notes 1 to 12 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

	Note	2021 USD	2020 USD
OPERATING ACTIVITIES			
Net income for the period		6,005	142,191
<i>Changes in operating assets and liabilities:</i>			
(Increase) decrease in murabaha placements at amortized cost		(2,100,000)	1,165,000
(Increase) decrease in accrued special commission income		(454)	35,834
Increase (decrease) in accrued management fees and other expenses		1,000	(5)
Net cash flows (used in) from operating activities		(2,093,449)	1,343,020
FINANCING ACTIVITIES			
Proceed from issuance of units		2,353,990	125,334
Payment on redemption of units		(381,924)	(494,897)
Net cash flows from (used in) financing activities		1,972,066	(369,563)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(121,383)	973,457
Cash and cash equivalents at the beginning of the period		3,644,602	3,207,000
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	3,523,219	4,180,457

The accompanying notes 1 to 12 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 2021

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”).

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.

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”) 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 US Dollars (“USD”), which is the functional currency of the Fund, and all values are rounded to the nearest one US Dollar, 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.

Al-Mubarak USD Trade 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 Funds' 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 USD (Unaudited)	31 December 2020 USD (Audited)
Bank balance	2,523,219	2,744,602
Murabaha placements with an original maturity of three months or less	1,000,000	900,000
Total cash and cash equivalents	3,523,219	3,644,602

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

At 30 June 2021

6. 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.

The investment in Murabaha placements at amortized cost is 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 USD (Unaudited)	31 December 2020 USD (Audited)
Murabaha placements with an original maturity of three months or less	1,000,000	900,000
Murabaha placements with an original maturity more than three months	19,650,000	17,550,000
	20,650,000	18,450,000

7. TRANSACTIONS WITH RELATED PARTIES

Management fees and other transactions

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 22,340 (30 June 2020: USD 21,617) and other fees amounting to USD 15,850 (30 June 2020: USD 12,631) 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 USD 44,195 (30 June 2020: USD 176,439) 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 2021 and 31 December 2020 was assessed by Fund's management to be insignificant.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

At 30 June 2021

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:

As at 30 June 2021 (Unaudited)	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
ASSETS			
Murabaha placements at amortized cost	1,000,000	19,650,000	20,650,000
Accrued special commission income	22,137	-	22,137
Cash and cash equivalents	2,523,219	-	2,523,219
TOTAL ASSETS	3,545,356	19,650,000	23,195,356
LIABILITIES			
Management fees	11,559	-	11,559
Accrued expenses	8,166	-	8,166
TOTAL LIABILITIES	19,725	-	19,725
 As at 31 December 2020 (Audited)	 <i>Within 12 months USD</i>	 <i>After 12 months USD</i>	 <i>Total USD</i>
ASSETS			
Murabaha placements at amortized cost	900,000	17,550,000	18,450,000
Accrued special commission income	21,683	-	21,683
Cash and cash equivalents	2,744,602	-	2,744,602
TOTAL ASSETS	20,316,285	900,000	21,216,285
LIABILITIES			
Management fees payable	12,418	-	12,418
Accrued expenses	6,307	-	6,307
TOTAL LIABILITIES	18,724	-	18,724

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

At 30 June 2021

10. LAST VALUATION DAY

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

11. 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.

12. 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)