

Al Hilal GCC Equity Fund

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2020

Al Hilal GCC Equity Fund

Interim condensed financial statements

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**REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS
TO THE UNIT HOLDERS OF AL HILAL GCC EQUITY FUND**

Introduction

We have reviewed the accompanying interim condensed financial statements of Al Hilal GCC Equity Fund (the “Fund”) as at 30 June 2020, comprising of the interim condensed statement of financial position as at 30 June 2020, and the related interim condensed statements of comprehensive income, changes in net assets attributable to unitholders and cash flows for the six months period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). 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”. A review of interim financial information 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 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 condensed financial statements of the Fund are not prepared, in all material respects, in accordance with IAS 34.

Other matter

The financial statements of the Fund for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 March 2020.

The condensed financial statements of the Fund for the period ended 30 June 2019 were reviewed by another auditor who expressed an unmodified conclusion on those interim condensed financial statements on 8 August 2019.



Signed by
Raed Ahmad
Partner
Ernst & Young
Registration No. 811

17 August 2020
Abu Dhabi

Al Hilal GCC Equity Fund

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2020 (Unaudited)

		<i>Six months ended 30 June 2020 AED'000</i>	<i>Six months ended 30 June 2019 AED'000</i>
Income			
Dividend income		434	945
Net unrealized (loss) gain on financial assets at fair value through profit or loss		(1,541)	1,014
Net realized (loss) gain on financial assets at fair value through profit or loss		(57)	141
Net foreign exchange gain (loss)		<u>1</u>	<u>(2)</u>
Total (loss) income		<u>(1,163)</u>	<u>2,098</u>
Operating expenses			
Management fees	6	(160)	(338)
Other expenses		<u>(276)</u>	<u>(308)</u>
Total operating expenses		<u>(436)</u>	<u>(646)</u>
(DECREASE) / INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>(1,599)</u>	<u>1,452</u>

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

Al Hilal GCC Equity Fund

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

مصرف الهلال
al hilal bank

		<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
	<i>Note</i>		
ASSETS			
Bank balances	5	858	5,115
Financial assets at fair value through profit or loss	7	14,819	20,048
Due from broker		-	1,164
Other assets		<u>27</u>	<u>-</u>
		<u>15,704</u>	<u>26,327</u>
LIABILITIES			
Amounts due to related parties	6	65	153
Redemption payable		-	4,479
Other liabilities	8	<u>158</u>	<u>92</u>
		<u>223</u>	<u>4,724</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>15,481</u>	<u>21,603</u>
		AED	AED
Net Asset Value (NAV) per unit, based on 133,819 outstanding units (31 December 2019:169,137 units)	9	<u>115.69</u>	<u>127.72</u>



Fund Advisory Board Member



Fund Advisory Board Member

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

Al Hilal GCC Equity Fund

INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the six month period ended 30 June 2020 (unaudited)

	<i>Number of units (Unaudited)</i>	<i>Net assets attributable to unit holders AED'000 (Unaudited)</i>
Balance as at 1 January 2019 (audited)	263,732	32,380
Redemption of units during the period	(15,872)	(2,033)
Profit for the period	<u>-</u>	<u>1,452</u>
Balance as at 30 June 2019 (unaudited)	<u>247,860</u>	<u>31,799</u>
Balance as at 1 January 2020 (audited)	169,137	21,603
Redemption of units during the period	(35,318)	(4,523)
Loss for the period	<u>-</u>	<u>(1,599)</u>
Balance as at 30 June 2020 (unaudited)	<u>133,819</u>	<u>15,481</u>

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

Al Hilal GCC Equity Fund

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2020 (Unaudited)

	<i>Six months ended 30 June 2020 AED'000 (Unaudited)</i>	<i>Six months ended 30 June 2019 AED'000 (Unaudited)</i>
OPERATING ACTIVITIES		
(Loss) profit for the period	(1,599)	1,452
Adjustment for:		
Net unrealized loss (gain) on financial assets at fair value through profit or loss	1,541	(1,014)
Net realized (loss) gain on financial assets at fair value through profit or loss	<u>57</u>	<u>(141)</u>
	(1)	297
Working capital changes:		
Change in other assets	(27)	(29)
Change in due from broker	1,164	-
Change in amounts due to related parties	(88)	22
Change in other liabilities	66	87
Change in due to broker	-	1,950
Change in redemption payable	<u>(4,479)</u>	<u>-</u>
Cash (used in) generated from operations	(3,365)	2,327
Purchase of investment securities	-	(7,092)
Proceeds from sale of investment securities	<u>3,631</u>	<u>4,457</u>
Net cash generated from (used in) operating activities	<u>266</u>	<u>(308)</u>
FINANCING ACTIVITY		
Payments on redemption of redeemable units	<u>(4,523)</u>	<u>(2,033)</u>
Net cash used in financing activity	<u>(4,523)</u>	<u>(2,033)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,257)	(2,341)
Cash and cash equivalents at the beginning of the period	<u>5,115</u>	<u>5,810</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>858</u>	<u>3,469</u>

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

Al Hilal GCC Equity Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2020

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Hilal GCC Equity Fund (the “Fund”) is an open-ended investment fund established in the United Arab Emirates (“UAE”) by Al Hilal Bank – Investment Banking Group (the “Fund Manager”) pursuant to resolution no.164/8/94 of the Board of Directors of the Central Bank of the UAE and approval of the Securities and Commodities Authority (“SCA”) of the UAE dated 10 January 2011. The Fund is not a separately incorporated entity and its activities are managed by the Fund Manager and supervised by the Fund Advisory Board. The custody of the Fund was delegated to HSBC Bank Middle East Limited and the administration of the Fund is delegated to Apex Fund Services Ltd. (the “Fund Administrator”). The registered office of the Fund is PO Box 63111, Abu Dhabi, United Arab Emirates. The date of commencement of the Fund was 6 April 2011.

The Fund aims at achieving capital growth through investment, in compliance with Sharia rules and principles, in shares of companies traded in the markets of GCC countries. In an effort to meet its long-term objective, under normal operating conditions, the Fund will invest at least seventy-five (75%) of the Assets in Shariah-compliant GCC region equity securities. The remaining twenty-five percent (25%) at any time is to be held in the form of cash and/or other short-term investments deemed appropriate by the Fund Manager in its sole discretion.

The financial statements were approved and authorised for issue by the Fund Advisory Board of the Fund on _____.

2 BASIS OF PREPARATION

The interim condensed financial statements for the six month period ended 30 June 2020 have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting.

The interim condensed financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss (“FVTPL”), which have been measured at fair value.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Fund’s annual financial statements as at 31 December 2019. In addition, results for the six month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

The interim condensed financial statements are presented in United Arab Emirates Dirhams (AED), being the functional and presentation currency of the Fund.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2019, except for the adoption of the following new IFRSs and amendments as of 1 January 2020. The Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to references to the conceptual framework in IFRS standards;
- Amendments to IFRS 3 regarding to definition of a business;
- Amendments to IAS 1 and IAS 8 regarding definition of materiality;
- Amendments to IFRS 9, IAS 39 and IFRS 7 regarding interest rate benchmark reform; and
- Amendments to IFRS 16 relating to Covid-19-Related Rent Concessions

The Fund has applied the new standards, interpretations and amendments effective as of 1 January 2020 and concluded that these do not have a significant impact on the interim condensed financial statements of the Fund.

30 June 2020

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim condensed financial statements in conformity with the International Financial Reporting Standards requires management to make judgment, estimates and assumptions that affect the application of accounting policies and reported amounts of financial and other assets and liabilities and the disclosure of commitments. These judgments, estimates and assumptions also affect the income, expenses and provisions as well as fair value changes. Actual results may differ from these estimates.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Fund's accounting policies and the key sources of estimation uncertainty are the same as those applied to the financial statements as at and for the year ended 31 December 2019

Key sources of estimation uncertainty

On 11 March 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterized as a pandemic. In addition, oil prices significantly dropped in January to March 2020 due to a number of political and economic factors. As a result, businesses have subsequently seen reduced customer traffic and, where governments mandated, temporary suspension of travel and closure of recreation and public facilities.

To alleviate the negative impact of the COVID-19 pandemic, the UAE Government, Central Bank and other independent jurisdictions and regulators have taken measures and issued directives to support businesses and the UAE economy at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity in the UAE.

The situation, including the government and public response to the challenges, continue to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of approval of these financial statements. Notwithstanding, these developments could impact our future financial results, cash flows and financial position.

5 BANK BALANCES

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Bank balances (note 6)	<u><u>858</u></u>	<u><u>5,115</u></u>

6 RELATED PARTY TRANSACTIONS

Related parties comprise members of the Fund Advisory Board, the Sharia Supervisory Board, the Fund Manager and those entities over which the Fund, members of the Fund Advisory Board, the Sharia Supervisory Board and the Fund Manager can exercise control or significant influence or be controlled or significantly influenced by such entities including the funds that are managed by the Fund Manager. In the ordinary course of business, the Fund renders and receives services from such related parties at agreed rates and terms and conditions set out by the Fund Manager.

Al Hilal GCC Equity Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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6 RELATED PARTY TRANSACTIONS continued

Terms and conditions

Key terms and conditions are shown below:

Banking	The Fund Manager provides banking services at rates agreed with the Fund.
Others	The Fund Manager is entitled to fund management fees of 2% of net asset value attributable to unit holders (2019: 2%) as set out in the Funds' term sheet.

Transactions with related parties included in the interim statement of comprehensive income are as follows:

	<i>Six months ended 30 June 2020 AED'000 (Unaudited)</i>	<i>Six months ended 30 June 2019 AED'000 (Unaudited)</i>
Shariah fees	<u>2</u>	<u>27</u>
Management fees	<u>160</u>	<u>338</u>

Balances with related parties included in the statement of financial position are as follows:

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>30 June 2019 AED'000 (Unaudited)</i>
Number of units held by related party	<u>100</u>	<u>200</u>
Total value of redeemable units held by related parties	<u>11,569</u>	<u>25,658</u>
Bank balances	<u>858</u>	<u>3,469</u>
<i>Due to related parties</i>		
Investment management fees payable to the Fund Manager	<u>65</u>	<u>175</u>
Shariah review fees payable	<u>-</u>	<u>138</u>

Compensation of key management personnel

The Fund is managed by the Fund Manager and there are no key management personnel of the Fund.

Al Hilal GCC Equity Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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7 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Fund's financial assets at FVTPL comprise listed equity securities that are held for trading. Movement in the balance of financial assets at FVTPL during the period / year is as follows:

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Balance at the beginning of the period / year	20,048	26,941
Purchases during the period / year	-	7,462
Sales during the period / year	(3,631)	(15,283)
Net unrealised loss on financial assets at FVTPL	(1,541)	(218)
Net realised (loss) gain on financial assets at FVTPL	<u>(57)</u>	<u>1,146</u>
Balance at period / year end	<u>14,819</u>	<u>20,048</u>

Investments by geography are as follows:

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Saudi Arabia	7,840	9,728
UAE	3,655	5,165
Kuwait	1,754	2,747
Qatar	1,181	1,908
Oman	<u>389</u>	<u>500</u>
	<u>14,819</u>	<u>20,048</u>

8 OTHER LIABILITIES

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Professional fee	20	29
Custodian fees	123	50
Other payables	<u>15</u>	<u>13</u>
	<u>158</u>	<u>92</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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9 NET ASSET VALUE

Net asset value is calculated by dividing the net assets by the number of shares as of the period / year end:

	30 June 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Net assets (AED'000)	<u>15,481</u>	<u>21,603</u>
Number of units outstanding	<u>133,819</u>	<u>169,137</u>
Net asset value per unit (AED)	<u>115.69</u>	<u>127.72</u>

The initial offering of units was at a price of AED 100 per unit (par value). Subsequent to the initial offering, the subscription and redemption price for units is based on the Net Asset Value (NAV) per unit calculated on every Wednesday of each week.

10 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values

Carrying amounts of all the financial assets and liabilities approximated their fair values at the statement of financial position date.

Fair value hierarchy

As at 30 June 2020 and 31 December 2019, the Fund held the following financial instruments measured at fair value:

	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
30 June 2020 (unaudited)				
Financial assets at fair value through profit or loss	<u>14,819</u>	<u>14,819</u>	<u>-</u>	<u>-</u>
	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>AED'000</i>
31 December 2019 (audited)				
Financial assets at fair value through profit or loss	<u>20,048</u>	<u>20,048</u>	<u>-</u>	<u>-</u>

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the period ended 30 June 2020, there were no transfers between or into Level 1, Level 2 and Level 3 fair value measurements (31 December 2019: nil).

11 CONTINGENT LIABILITIES

The Fund has no significant contingent liabilities at the reporting date (31 December 2019: nil).