

Al Hilal Global Sukuk Fund

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2020

Al Hilal Global Sukuk Fund

Interim condensed financial statements

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

Introduction

We have reviewed the accompanying interim condensed financial statements of Al Hilal Global Sukuk 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 unit holders 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 Global Sukuk Fund

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

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

		<i>Six months ended 30 June 2020 USD</i>	<i>Six months ended 30 June 2019 USD</i>
Income			
Net unrealized (loss) gain on financial assets at fair value through profit or loss		(871,514)	1,702,039
Net realized (loss) gain on financial assets at fair value through profit or loss		(614,805)	125,590
Sukuk profit distribution		902,712	754,832
Finance income		-	3
Total (loss) income		<u>(583,607)</u>	<u>2,582,464</u>
Operating expenses			
Investment management fees	6	(205,477)	(152,449)
Other expenses		<u>(50,702)</u>	<u>(57,188)</u>
Total operating expenses		<u>(256,179)</u>	<u>(209,637)</u>
(DECREASE) INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>(839,786)</u>	<u>2,372,827</u>

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

Al Hilal Global Sukuk Fund

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

مصرف الهلال
al hilal bank

		30 June 2020 USD (Unaudited)	31 December 2019 USD (Audited)
	Note		
ASSETS			
Bank balances	5	7,030,686	381,867
Financial assets at fair value through profit or loss	7	55,129,970	34,913,530
Profit receivable from Sukuk		<u>534,062</u>	<u>357,873</u>
		<u>62,694,718</u>	<u>35,653,270</u>
LIABILITIES			
Amounts due to related parties	6	116,472	77,805
Due to broker		2,347,008	-
Other liabilities	8	<u>17,043</u>	<u>33,972</u>
		<u>2,480,523</u>	<u>111,777</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>60,214,195</u>	<u>35,541,493</u>
Net Asset Value (NAV) per unit, based on 5,911,232 outstanding units (31 December 2019: 3,260,611 units)	9	<u>10.19</u>	<u>10.90</u>


Fund Advisory Board Member


Fund Advisory Board Member

مصرف الهلال، ص. ب ٦٣١١
أبوظبي، إ. ع. م.

Al Hilal Bank, PO Box 63111
Abu Dhabi, UAE

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

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Al Hilal Global Sukuk 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 USD (Unaudited)</i>
Balance as at 1 January 2019 (audited)	3,605,667	35,321,678
Issue of units during the period	-	-
Redemption of units during the period	(223,594)	(2,259,254)
Increase in net assets attributable to unit holders	<u>-</u>	<u>2,372,827</u>
Balance as at 30 June 2019 (unaudited)	<u>3,382,073</u>	<u>35,435,251</u>
Balance as at 1 January 2020 (audited)	3,260,611	35,541,493
Issue of units during the period	2,859,265	29,505,314
Redemption of units during the period	(208,644)	(2,070,530)
Dividend paid during the period	-	(1,922,296)
Decrease in net assets attributable to unit holders	<u>-</u>	<u>(839,786)</u>
Balance as at 30 June 2020 (unaudited)	<u>5,911,232</u>	<u>60,214,195</u>

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

Al Hilal Global Sukuk Fund

INTERIM CONDENSED STATEMENT OF CASH FLOWS

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

	<i>30 June 2020 USD (Unaudited)</i>	<i>30 June 2019 USD (Unaudited)</i>
OPERATING ACTIVITIES		
(Loss) profit for the period	(839,786)	2,372,827
Adjustment for:		
Net unrealized loss (gain) on financial assets at fair value through profit or loss	871,514	(1,702,039)
Net realized loss (gain) on financial assets at fair value through profit or loss	614,805	(125,590)
Sukuk profit distribution	<u>(902,712)</u>	<u>(754,832)</u>
	(256,179)	(209,634)
Working capital changes:		
Change in due to broker	2,347,008	1,000,000
Change in amounts due to related parties	38,667	2,295
Change in other liabilities	<u>(16,929)</u>	<u>11,607</u>
Cash generated from operations	2,112,567	804,268
Purchase of investment securities	(33,259,047)	(11,072,088)
Proceeds from sale of investment securities	11,556,288	10,744,640
Sukuk profit received	<u>726,523</u>	<u>736,990</u>
Net cash from operating activities	<u>(18,863,669)</u>	<u>1,213,810</u>
FINANCING ACTIVITIES		
Proceeds from issuance of redeemable units	29,505,314	-
Payments on redemption of redeemable units	(2,070,530)	(2,259,254)
Dividend paid	<u>(1,922,296)</u>	<u>-</u>
Net cash from (used in) financing activities	<u>25,512,488</u>	<u>(2,259,254)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,648,819	(1,045,444)
Cash and cash equivalents at the beginning of the period	<u>381,867</u>	<u>2,101,617</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>7,030,686</u>	<u>1,056,173</u>

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

Al Hilal Global Sukuk Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2020

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Hilal Global Sukuk Fund (“the Fund”) is an open-ended fund established by Al Hilal Bank PJSC – Investment Banking Group (“the Fund Manager”) under the authority of the Central Bank Board of Directors’ Resolutions No. 164/94/8 and approval of the Securities and Commodities Authority (“SCA”) of the United Arab Emirates (“UAE”) dated 5 February 2012. The Fund is not a separately incorporated entity and its activities are managed by the Fund Manager and supervised by the Fund Advisory Board. Since January 2019, the custody of the Fund has been delegated to Standard Chartered Bank (the “Custodian”). The custody had previously been handled by HSBC Bank Middle East Limited. The administration of the Fund is delegated to Apex Fund Services Ltd. (the “Fund Administrator”). The registered address of the Fund is P O Box 63111, Abu Dhabi, UAE.

The Fund aims to generate appropriate periodic returns on its investments giving the investors a chance to receive periodic coupons in addition to achieving long-term capital growth by investing in a diversified portfolio of Sharia-compliant global fixed-income securities (Sukuk) and in accordance with controls stipulated by investment guidelines.

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, 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.

These interim condensed financial statements have been presented in United States Dollar (USD) which is 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.

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 USD (Unaudited)</i>	<i>31 December 2019 USD (Audited)</i>
Bank balances (note 6)	<u>7,030,686</u>	<u>381,867</u>

Al Hilal Global Sukuk Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2020

6 RELATED PARTY TRANSACTIONS

Related parties comprise members of the Fund Advisory Board, the Sharia Supervisory Board and 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.

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 investment management fees of 0.85% of net asset value (2019: 0.85%) attributable to unit holders 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 USD (Unaudited)</i>	<i>Six months ended 30 June 2019 USD (Unaudited)</i>
Management fees	<u>205,477</u>	<u>152,449</u>
Sharia fee	<u>-</u>	<u>3,719</u>

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

	<i>30 June 2020 USD (Unaudited)</i>	<i>31 December 2019 USD (Audited)</i>
Number of units held by related parties	<u>4,154,334</u>	<u>1,390,061</u>
Total value of redeemable units held by related parties (in USD)	<u>42,332,663</u>	<u>15,151,665</u>
Bank balances	<u>7,030,686</u>	<u>381,867</u>
<i>Due to related parties</i>		
Investment management fees payable to the Fund Manager	<u>116,472</u>	<u>77,805</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 Global Sukuk Fund

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7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Fund's financial assets at FVTPL comprise investment in Sukuk 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 USD (Unaudited)</i>	<i>31 December 2019 USD (Audited)</i>
Balance at the beginning of the period / year	34,913,530	33,036,480
Purchases during the period / year	33,259,047	23,865,998
Sales during the period / year	(11,556,288)	(24,658,808)
Net unrealised (loss) gain on financial assets at FVTPL	(871,514)	2,223,189
Net realised (loss) gain on financial assets at FVTPL	(614,805)	<u>446,671</u>
Balance at period / year end	<u>55,129,970</u>	<u>34,913,530</u>

Investments by geography are as follows:

	<i>30 June 2020 USD (Unaudited)</i>	<i>31 December 2019 USD (Audited)</i>
UAE	26,960,236	18,989,760
Indonesia	5,261,903	4,076,738
Saudi Arabia	6,340,698	3,792,643
Bahrain	-	2,391,910
Oman	1,691,115	2,283,652
Qatar	3,950,193	1,306,880
Kuwait	1,763,640	1,286,020
Malaysia	7,910,061	785,927
Others	<u>1,252,124</u>	<u>-</u>
	<u>55,129,970</u>	<u>34,913,530</u>

8 OTHER LIABILITIES

	<i>30 June 2020 USD (Unaudited)</i>	<i>31 December 2019 USD (Audited)</i>
Custodian fees	3,047	19,056
Professional fee payable	5,331	8,688
Administration fee	4,244	-
Other payables	<u>4,421</u>	<u>6,228</u>
	<u>17,043</u>	<u>33,972</u>

Al Hilal Global Sukuk Fund

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30 June 2020

9 NET ASSET VALUE

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

	<i>30 June 2020 (Unaudited)</i>	<i>31 December 2019 (Audited)</i>
Net assets (USD)	<u>60,214,195</u>	<u>35,541,493</u>
Number of units outstanding	<u>5,911,232</u>	<u>3,260,611</u>
Net asset value per unit (USD)	<u>10.19</u>	<u>10.90</u>

The initial offering of units was at a price of USD 10 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. Redemption is made at the price per unit as determined at the relevant applicable dealing day without any deductions.

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:

	<i>Total USD</i>	<i>Level 1 USD</i>	<i>Level 2 USD</i>	<i>Level 3 USD</i>
<i>30 June 2020 (unaudited)</i>				
Financial assets at fair value through profit or loss	<u>55,129,970</u>	<u>55,129,970</u>	<u>-</u>	<u>-</u>
	<i>Total USD</i>	<i>Level 1 USD</i>	<i>Level 2 USD</i>	<i>Level 3 USD</i>
<i>31 December 2019 (audited)</i>				
Financial assets at fair value through profit or loss	<u>34,913,530</u>	<u>34,913,530</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 CONTINGENCIES AND COMMITMENTS

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