

Audi Income Fund
(Managed by Audi Capital Company)

**UNAUDITED INTERIM CONDENSED FINANCIAL
STATEMENTS**

30 JUNE 2020

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE UNITHOLDERS OF AUDI INCOME FUND (MANAGED BY AUDI CAPITAL COMPANY)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Audi Income Fund (the "Fund") managed by Audi Capital Company (the "Fund Manager") as at 30 June 2020, and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the six-month period ended 30 June 2020, 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") 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 endorsed in the Kingdom of Saudi Arabia.

Emphasis of a matter

We draw attention to the fact that the interim condensed financial statements of the Fund for the period from 11 April 2019 to 30 June 2019 have not been reviewed. Accordingly, we are unable to comment on whether there are any material modifications required on the comparative information presented for the period from 11 April 2019 to 30 June 2019. Our conclusion is not modified in respect of this matter.

for Ernst & Young



Yousef A. AlMubarak
Certified Public Accountant
License No. 427

Riyadh: 20 Thul-Hijjah 1441H
(10 August 2020)



Audi Income Fund
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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		<i>30 June 2020 USD (Unaudited)</i>	<i>31 December 2019 USD (Audited)</i>
	<i>Note</i>		
ASSETS			
Cash and cash equivalents		295,562	47,024
Investments at fair value through profit or loss	4	7,481,549	9,314,042
Receivable from investment sold		-	421,785
Special commission receivable		89,161	101,931
Other Assets		-	5,120
TOTAL ASSETS		7,866,272	9,889,902
LIABILITIES			
Management fee payable		5,003	6,421
Custody and administration fee payable		2,623	2,718
Accrued expenses		10,973	15,105
TOTAL LIABILITIES		18,599	24,244
EQUITY			
Net assets attributable to the Unitholders of redeemable units		7,847,673	9,865,658
TOTAL LIABILITIES AND EQUITY		7,866,272	9,889,902
Redeemable units in issue		824,967	961,543
Net assets value attributable to each unit		9.51	10.26

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

Audi Income Fund
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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June

			For the period from 11 April 2019 to 30 June 2019 USD (Unaudited and unreviewed)
		30 June 2020 USD (Unaudited)	
	Notes		
INVESTMENT INCOME			
Net (loss) gain from investments at fair value through profit or loss	5	(620,604)	81,960
Other income		215,208	37,795
		<u>(405,396)</u>	<u>119,755</u>
EXPENSES			
Management fees	8	(32,203)	(20,050)
Other expenses	7	(39,904)	(13,520)
		<u>(72,107)</u>	<u>(33,570)</u>
NET (LOSS) INCOME FOR THE PERIOD		(477,503)	86,185
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		<u>(477,503)</u>	<u>86,185</u>

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June

	30 June 2020 USD (Unaudited)	For the period from 11 April 2019 to 30 June 2019 USD (Unaudited and unreviewed)
EQUITY AT THE BEGINNING OF THE PERIOD	9,865,658	-
(loss)Profit for the year	(477,503)	86,185
Other comprehensive income for the period	-	-
Total comprehensive (loss)income for the period	(477,503)	86,185
Dividends paid during the period (note 9)	(212,612)	-
Proceeds from units issued during the period	34,000	14,185,773
Value of units redeemed during the year	(1,361,871)	-
EQUITY AT THE END OF THE PERIOD	7,847,673	14,271,958

REDEEMABLE UNITS TRANSACTIONS

Transactions in units made for the period ended 30 June are summarised as follows:

	30 June 2020 Units (Unaudited)	For the period from 11 April 2019 to 30 June 2019 Units (Unaudited and unreviewed)
UNITS AT THE BEGINNING OF THE PERIOD	961,543	-
Units issued during the period	3,424	1,418,875
Units redeemed during the period	(140,000)	-
Net (decrease) in units	(136,576)	1,418,875
UNITS AT THE END OF THE PERIOD	824,967	1,418,875

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

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INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June

	30 June 2020 USD (Unaudited)	For the period from 11 April 2019 to 30 June 2019 USD (Unaudited and unreviewed)
OPERATING ACTIVITIES		
Net (loss) income for the period	(477,503)	86,185
Adjustment to reconcile net income to net cash flows:		
Unrealized (loss) gain on investments at fair value through profit or loss	290,772	(81,960)
	(186,731)	4,225
Working capital adjustments:		
Investments at fair value through profit or loss	1,541,721	(13,071,945)
Receivable from investment sold	421,785	-
Special commission receivable	12,770	(90,787)
Other Assets	5120	-
Management fee payable	(1,418)	5,416
Custody and administration fee payable	(95)	2590
Accrued expenses	(4,131)	20,920
Net cash flows from operating activities	1,789,021	(13,129,581)
FINANCING ACTIVITIES		
Proceeds from units sold	34,000	14,185,773
Value of units redeemed	(1,361,871)	-
Dividends Paid	(212,612)	-
Net cash (used in) from financing activities	(1,540,483)	14,185,773
NET INCREASE IN CASH AND CASH EQUIVALENTS	248,538	1,056,192
Cash and cash equivalents at the beginning of the period	47,024	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	295,562	1,056,192

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

Audi Income Fund

(Managed by Audi Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2020

1. GENERAL

Audi Income Fund (the “Fund”) is an open-ended fund created by an agreement between Audi Capital Company (the “Fund Manager”) and investors (the “Unit Holders”) in the Fund. The Fund was established on 5 Jumada Al-Akhirah 1440H (corresponding to 10 February 2019) as per approval from the Capital Market Authority (“CMA”) and commenced its operations on 6 Sha’ban 1440H (corresponding to 11 April 2019).

The objective of the Fund is to distribute income to its unit holders through investing in local, regional market and international sukuk.

The Fund has appointed HSBC Saudi Arabia (the “Custodian”) to act as its custodian and administrator. The fees of the custodian and administrator’s services are paid by the Fund

The address of the Fund Manager is as follows:

Audi Capital Company
Prince Mohammad Ibn Abdulaziz road.
Centria Building, 3rd floor
Al Ulaya - Unit No 28,
Ar Riyadh 12241-6055
Kingdom of Saudi Arabia

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 Capital Market Authority on 16 Sha’aban 1437H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia.

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 2019.

These interim condensed financial statements have been prepared on a historical cost basis, except for investments at fair value through profit or loss which are stated at their fair value and also using the accruals basis of accounting and the 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 USD, except where otherwise indicated.

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 2019. There are new standards, amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed financial statements of the Fund.

There are other several amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund’s interim condensed financial statements. In the opinion of the Board, these will have no significant impact on the interim condensed financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2020

4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The composition of the investments at fair value through profit or loss is summarised below:

<i>30 June 2020 (Unaudited)</i>			
<i>% of Market Value</i>	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised (loss) USD</i>
Investments in Sukuk	100%	7,676,383	7,481,549
			(194,833)
<i>31 December 2019 (Audited)</i>			
<i>% of Market Value</i>	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised gain USD</i>
Investments in Sukuk	100%	9,218,103	9,314,042
			95,939

The composition of investments in Sukuk as at 30 June 2020, is summarised below:

	<i>30 June 2020 USD (Unaudited)</i>	<i>31 December 2019 USD (Audited)</i>
<i>Maturity date</i>		
SIB Tier 1 Sukuk Co	02 July 2025	-
Mazoon Assets Co	8 November 2027	461,972
Oman Sovereign Sukuk	1 June 2024	609,147
ICD Sukuk Co Ltd	1 February 2027	608,505
Mumtalakat Sukuk Holding Co	27 February 2024	532,378
KIB Tier 1 Sukuk Ltd	10 June 2024	527,840
Arabian Centres Sukuk Ltd	26 November 2024	517,500
Ahli United Sukuk	25 October 2021	442,500
Almarai Sukuk Ltd	5 April 2024	516,250
Dar Al Arkan Sukuk Co Lt	10 April 2022	511,250
Esic Sukuk Ltd	30 July 2024	197,500
Noor Tier 1 Sukuk Ltd	1 June 2021	265,361
Emirates Reit Sukuk Ltd	12 December 2022	-
NMC Healthcare Sukuk Ltd	21 November 2023	511,250
Tabreed sukuk spc Ltd	31 October 2025	449,233
Boubyan Tier 1 Capital	16 May 2021	510,125
Saudi Electricity Global Sukuk	27 January 2024	197,830
DIB Sukuk Ltd	14 February 2022	-
DP World Crescent Ltd	18 July 2029	390,238
KT Kira Sertifikalari Varlik	2 November 2021	380,144
Al Ysur Morabaha and Sukuk Fund	(SAR fund)	222,606
Albilad Saudi Sovereign Sukuk Ltd	(SAR fund)	202,816
SD International Sukuk Ltd	9 May 2022	321,374
Ei Sukuk Co Ltd	31 May 2021	255,403
Hazine Mustesarligi Varlik Kiral	6 April 2023	394,858
Adib Capital Invest	20 September 2023	411,514
DIB Tier 1 Sukuk 3 Ltd	22 January 2025	305,250
Hazine Mustesarligi Varlik Kiral	21 February 2022	303,867
	7,481,549	9,314,042

The average effective special commission rates for these instruments are 4.85% as at 30 June 2020 and 5.37%(31 December 2019).

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2020

5. NET (LOSS) GAIN FROM INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 USD (Unaudited)	2019 USD (Unaudited and unreviewed)
Realised (loss) gain	(329,832)	-
Unrealised gain	(290,772)	81,960
	(620,604)	81,960

6. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Fund has only 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. 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 2 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current year or prior year.

7. OTHER EXPENSES

	30 June 2020 USD (Unaudited)	2019 USD (Unaudited and unreviewed)
Custody fee	7,957	3,376
Admin fee	7,957	3,376
Board fee	2,734	-
Audit fee	5,968	1,763
Shariah fee	3,978	1,688
Vat expense	2,757	1,458
Benchmark fee	6,463	-
CMA fee	994	422
Tadawul fee	663	280
Transactions charges	384	320
Miscellaneous fee	49	837
	39,904	13,520

8. TRANSACTIONS WITH RELATED PARTIES

Management fee and other transactions

The Fund pays a management fee calculated on every valuation day, at an annual rate of 0.75% of the net assets. The calculation of the management fee is done on a daily basis and the payment is made on the first valuation day of the following month. Expenses paid by the Fund Manager on behalf of the Fund are reimbursed from the Fund.

Management fee expenses is disclosed in the statement of comprehensive income while advisory board compensation are disclosed in note 8 to the financial statements. Management fee payable are disclosed on the statement of financial position.

Trade transactions on the Saudi stock exchange are executed through the Fund Manager.

Units held by related parties

The Unit Holders' account as at 30 June 2020 included 364,588 units (627,921 units 31 December 2019), held by affiliates of the Fund Manager.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2020

9. DIVIDENDS

The fund distributed the following dividends for the period ended 30 June 2020:

<i>Date of distribution</i>	<i>Total amount of dividends (USD)</i>
13 January 2020	131,088
13 April 2020	81,524
	212,612

No such dividends were distributed for the period from 11 April 2019 to 30 June 2019.

10. 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>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
<i>As at 30 June 2020 (Unaudited)</i>			
ASSETS			
Bank balance	295,562	-	295,562
Investments at FVTPL	7,481,549	-	7,481,549
Other assets	89,161	-	89,161
TOTAL ASSETS	7,866,272	-	7,866,272
LIABILITIES			
Management fee payable	5,003	-	5,003
Custody and administration fee payable	2,623	-	2,623
Accrued expenses	10,973	-	10,973
TOTAL LIABILITIES	18,599	-	18,599
<i>As at 31 December 2019 (Audited)</i>			
ASSETS			
Bank balance	47,024	-	47,024
Receivable from investment sold	421,785	-	421,785
Investments at FVTPL	9,314,042	-	9,314,042
Special commission receivable	101,931	-	101,931
Other assets	5,120	-	5,120
TOTAL ASSETS	9,889,902	-	9,889,902
LIABILITIES			
Management fee payable	6,421	-	6,421
Custody and administration fee payable	2,718	-	2,718
Accrued expenses	15,105	-	15,105
TOTAL LIABILITIES	24,244	-	24,244

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 June 2020

11. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The outbreak of the newly emerging Corona Virus (COVID-19) is still evolving and increasing. Therefore, it is now difficult to predict the magnitude and full extent of the resulting impact on business and the Fund.

It is still not certain what size and extent of these impacts will be determined, depending on future developments that cannot be accurately predicted at the present time, such as the rate of virus transmission and the size and effectiveness of measures taken to contain it. In light of the current uncertainty of the economic impact, it is not possible to make a reliable estimate of the resulting impact at the date of these financial statements being approved.

These developments may affect the future financial results, cash flows and the financial position of the Fund.

12. SUBSEQUENT EVENTS

The fund has decided to distribute dividends to the unitholders of USD 139,609 corresponding to USD 0.1692293 for each unit held by the Unitholders on 9th July 2020.

13. LAST VALUATION DAY

The last valuation day of the period was 30 June 2020 (2019: 31 December 2019).

14. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements are approved by the Fund Board on 20 Thul-Hijjah 1441H (Corresponding to 10 August 2020).