AL HILAL GLOBAL SUKUK FUND

Report and financial statements
for the year ended 31 December 2019

AL HILAL GLOBAL SUKUK FUND

Report and financial statements
for the year ended 31 December 2019

Deloitte & Touche (M.E.)
Level 11, Al Sila Tower
Abu Dhabi Global Market Square
Al Maryah Island
P.O. Box 990
Abu Dhabi
United Arab Emirates

Tel: +971 (0) 2 408 2424
Fax:+971 (0) 2 408 2525
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF AL HILAL GLOBAL SUKUK FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Al Hilal Global Sukuk Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable units and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Fund as at and for year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on 31 March 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Investment Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Investment Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Investment Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Fund Advisory Board is responsible for overseeing the Fund's financial reporting process.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AL HILAL GLOBAL SUKUK FUND (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Investment Manager.
- Conclude on the appropriateness of the Investment Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Fund Advisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
30 March 2020
Abu Dhabi
United Arab Emirates

Statement of financial position
as at 31 December 2019

	Notes	2019 USD	2018 USD
Assets			
Bank balances	5	**381,867**	2,101,617
Financial assets at fair value through profit or loss ("FVTPL")	6	**34,913,530**	33,036,480
Profit receivable from Sukuk		**357,873**	308,711
Total assets		**35,653,270**	35,446,808
Liabilities			
Due to related parties	7	**77,805**	97,880
Other liabilities	8	**33,972**	27,250
Total liabilities (excluding net assets attributable to holders of redeemable units)		**111,777**	125,130
Net assets attributable to holders of redeemable units	10	**35,541,493**	35,321,678
Net asset value ("NAV") per unit, based on 3,260,211 units outstanding (31 December 2018: 3,605,667 units)		**10.90**	9.80

Fund Advisory Board Member

Fund Advisory Board Member

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2019

	Notes	2019 USD	2018 USD
Income			
Revenue from Sukuk profit distribution		**1,498,647**	1,530,755
Net realised gains / (losses) from financial assets at FVTPL	**6**	**2,223,189**	(1,026,035)
Net unrealised gains from financial assets at FVTPL	**6**	**446,671**	(541,244)
Finance income		**-**	20
Total income		**4,168,507**	(36,504)
Expenses			
Management fees	**7**	**(308,483)**	(309,512)
Other expenses	**9**	**(77,636)**	(123,817)
Total operating expenses		**(386,119)**	(433,329)
Distribution to holders of redeemable shares		**-**	(1,443,930)
Increase / (decrease) in net assets attributable to holders of redeemable units		**3,782,388**	(1,913,763)

The accompanying notes form an integral part of these financial statements.

Statement of changes in net assets attributable to holders of redeemable units for the year ended 31 December 2019

	2019 **USD**	2018 USD
Net assets attributable to holders of redeemable units at 1 January	**35,321,678**	39,598,163
Issue of units during the year	**-**	2,781,962
Redemption of units during the year	**(3,562,573)**	(5,144,684)
Increase / (decrease) in net assets attributable to holders of redeemable units	**3,782,388**	(1,913,763)
Net assets attributable to holders of redeemable units at 31 December	**35,541,493**	35,321,678

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2019

	2019 USD	2018 USD
Cash flows from operating activities		
Increase / (decrease) in net assets attributable to holders of redeemable units	**3,782,388**	(1,913,763)
Adjustments for:		
Net unrealised (gains) / losses from financial assets at FVTPL	**(2,223,189)**	1,026,035
Net realised (gains) / losses from financial assets at FVTPL	**(446,671)**	541,244
Distributions to holders of redeemable shares	**-**	1,443,930
	1,112,528	1,097,446
Changes in operating assets and liabilities		
Profit receivable from Sukuk	**(49,162)**	12,540
Due to related parties	**(20,075)**	11,664
Other liabilities	**6,722**	(3,110)
Purchase of financial assets at FVTPL	**(23,865,998)**	(11,335,106)
Proceeds from sale of financial assets at FVTPL	**24,658,808**	15,069,815
Net cash generated from operating activities	**1,842,823**	4,853,249
Cash flows from financing activities		
Proceeds from issue of redeemable units	**-**	2,781,962
Payments on redemption of redeemable units	**(3,562,573)**	(5,144,684)
Distributions paid to holders of redeemable shares	**-**	(1,443,930)
Net cash used in financing activities	**(3,562,573)**	(3,806,652)
Net (decrease) / increase in cash and cash equivalents	**(1,719,750)**	1,046,597
Cash and cash equivalents at 1 January	**2,101,617**	1,055,020
Cash and cash equivalents at 31 December	**381,867**	2,101,617

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2019

1 General information

Al Hilal Global Sukuk Fund ("the Fund") is an open-ended fund established by Al Hilal Bank PJSC – Investment Banking Group ("the Investment 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 Investment 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 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 registered address of the Fund is P O Box 63111, Abu Dhabi, UAE.

The financial statements were approved and authorised for issue by the Fund Advisory Board of Al Hilal Global Sukuk Fund on 30 March 2020.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board.

These financial statements are prepared and presented in United States Dollar (USD) which is the Fund's functional and presentation currency. All financial information presented in USD has been rounded to the nearest dollar except when otherwise indicated.

These financial statements are prepared under the historical cost convention except for financial assets at fair value through profit or loss which are carried at fair value.

3 Adoption of new and revised standards

3.1 New and revised IFRSs that are effective for the current year

The following new and revised IFRSs that are mandatorily effective for accounting periods that begins on or after 1 January 2019 have also been adopted by the Fund. The application of these revised IFRSs has not had any material impact on the disclosures or on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

3 Adoption of new and revised standards (continued)

3.1 New and revised IFRSs that are effective for the current year (continued)

- IFRS 16, *Leases*
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities*
- Amendments to IAS 28 *Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures*
- Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Annual Improvements to IFRSs 2015-2017 Cycle: Amendments to IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements,* IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*

3.2 Standards and interpretations in issue but not yet effective and not early adopted

The Fund has not early adopted the following new and revised IFRSs that have been issued but are not yet effective.

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	1 January 2020
Amendment to IFRS 3 *Business Combinations* relating to definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8 relating to definition of “material”	1 January 2020
IFRS 17 *Insurance Contracts*	1 January 2021
Amendments to IFRS 10 *Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

The Investment Manager anticipates that these IFRSs and amendments will be adopted in the financial statements in the initial period when they become mandatorily effective. The Investment Manager assessed that adoption of these amendments will not have a significant impact on the Fund’s financial statements.

4 Summary of significant accounting policies

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification of financial assets and liabilities
All financial assets under scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Fund's business model for managing the financial assets and contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost, if both the following conditions are met:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met:
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss, unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Fund may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

The fund has classified its investments as financial assets at fair value through profit or loss.

All financial liabilities are classified as subsequently measured at amortised cost, except for:
- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts; and
- commitments to provide a financing at a below-market profit rate.

At initial recognition, the Fund may irrevocably designate a financial asset or liability as measured at fair value through profit or loss when permitted, or when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Fund is provided internally on that basis to the entity's key management personnel.

4 Summary of significant accounting policies (continued)

Financial instruments (continued)

Reclassification of financial assets and financial liabilities
Where the Fund changes its business model for managing financial assets, it reclassifies all affected financial assets. An entity shall not reclassify any financial liability.

Measurement of financial assets
At initial recognition, financial assets are measured at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

After initial recognition, an entity shall measure a financial asset in accordance with its classification at:

- amortised cost less impairment;
- fair value through other comprehensive income less impairment; or
- fair value through profit or loss.

Impairment is assessed on the financial assets measured at amortised cost and at fair value through other comprehensive income for debt instruments as disclosed below.

Impairment of financial assets
In relation to the impairment of financial assets, the Fund applies the Expected Credit Loss ("ECL") model. Under the expected credit loss model, the Fund accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. It is not necessary for a credit event to have occurred before credit losses are recognised. The Fund has adopted the simplified approach for measuring the impairment on its financial assets. Under the simplified approach, the Fund measures the loss allowance at an amount equal to lifetime ECL for its financial instruments.

A loss allowance for expected credit losses is recognised on all classes of financial assets, other than those that are measured as fair value through profit or loss and equity instruments classified and measured at fair value through other comprehensive income. The financial assets subject to impairment requirements of IFRS 9, include bank balances and other assets.

Derecognition of financial assets
The Fund derecognises a financial asset only when:

- the contractual rights to the cash flows from the asset expire; or
- it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset.

4 Summary of significant accounting policies (continued)

Financial instruments (continued)

Measurement of financial liabilities
Amounts due to related parties and other liabilities are classified as 'financial liabilities' and are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective profit method, with profit expense recognised on an effective yield basis, except for short term liabilities when the recognition of profit is immaterial.

Derecognition of financial liabilities
The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents for the purpose of statement of cash flows comprise balances with banks with original maturities of less than three months.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Net asset value per unit

The net asset value per unit is calculated by dividing the net assets included in the statement of financial position by the closing number of units outstanding at year end.

Other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows, that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

4 Summary of significant accounting policies (continued)

Net gain (loss) from financial assets at fair value through profit or loss

Net gain (loss) from financial assets at fair value through profit or loss includes all realised gain (loss) and unrealised fair value changes and foreign exchange differences, but excludes dividend income.

Net realised gain (loss) from financial assets at fair value through profit or loss represents the difference between the closing price applicable on the last revaluation date and their sale/settlement price.

The unrealised gain (loss) represents the difference between the carrying amount of a financial instrument at the beginning of the reporting period, or transaction price when purchased in the current reporting period and its fair value at the end of the reporting period.

Dividend income

Dividend income is recognised in the statement of comprehensive income when the right to receive income is established net of applicable tax on dividends. For quoted equity securities, this is usually the ex-dividend date.

Foreign currencies

Transactions in foreign currencies are recorded at rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Foreign currency exchange differences arising on translation of foreign currencies are recognised in the statement of comprehensive income. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in net gain on investments at fair value through profit or loss.

Redeemable units

Redeemable units are classified as liabilities. In accordance with the Fund’s prospectus, the redemption amounts of the redeemable units are based on last published net asset value. The net asset value includes the Fund's underlying investments, calculated using the closing prices. On the other hand, in accordance with the Fund's accounting policies, financial assets are measured at a bid price and financial liabilities are measured at the asking price.

Distributions to holders of redeemable shares comprise dividends declared and paid by the Fund to the holders of redeemable shares during the year. Dividends are at the discretion of the Fund. A dividend to the Fund’s unit holders is accounted for as a reduction in net assets attributable to holders of redeemable units. The distributions are presented as finance costs due to the redeemable shares being classified as financial liabilities in the statement of financial position.

4 Summary of significant accounting policies (continued)

Expenses

All expenses, including the management fees, administration fees, custodian fee, organisational costs and other operational expenses are recognised in the statement of comprehensive income on an accrual basis.

Subscription fees

Subscription fees are charged to unitholders by the Investment Manager at the time of issuance of units from the Fund.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Fund.

When available, the Fund measures the fair value of an instrument using quoted bid prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received.

Assets are measured at a bid price and liabilities are measured at an asking price.

All changes in fair value, other than dividend income, are recognised in the statement of comprehensive income as net gain or loss from financial instruments at fair value through profit or loss.

5 Estimates and judgments

The preparation of financial statements in conformity with the IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities. These judgments, estimates and assumptions also affect the revenue, expenses and provision as well as fair value changes.

These judgments, estimates and assumptions may affect the reported amounts in subsequent financial years. Estimates, judgments and underlying assumptions are continually evaluated and are based on historical experience and other factors.

The Fund does not have significant accounting estimates that have a significant risk of resulting in material adjustments in respect of assets and liabilities within the next financial year.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

5 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise of the following:

	2019 USD	2018 USD
Bank balances	**381,867**	2,101,617

6 Financial assets at fair value through profit or loss

The Fund's financial assets at FVTPL comprise investments in Sukuk that are held for trading. Movement in the balance of financial assets at FVTPL during the year is as follows:

	2019 USD	2018 USD
Balance at the beginning of the year	**33,036,480**	38,338,468
Purchases during the year	**23,865,998**	11,335,106
Sales during the year	**(24,658,808)**	(15,069,815)
Net unrealised losses (gains) from financial assets at FVTPL	**2,223,189**	(1,026,035)
Net realised losses (gains) from financial assets at FVTPL	**446,671**	(541,244)
Balance at the end of the year	**34,913,530**	33,036,480

Investments by geography are as follows:

	2019 USD	2018 USD
UAE	**18,989,760**	13,740,595
Indonesia	**4,076,738**	6,124,420
Saudi Arabia	**3,792,643**	3,926,105
Bahrain	**2,391,910**	2,056,255
Oman	**2,283,652**	2,007,150
Qatar	**1,306,880**	248,108
Kuwait	**1,286,020**	748,918
Malaysia	**785,927**	1,957,505
Turkey	**-**	1,000,965
Others	**-**	1,226,459
	34,913,530	33,036,480

Notes to the financial statements
for the year ended 31 December 2019 (continued)

7 Related parties

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

Terms and conditions
Key terms and conditions are shown below:

Banking	The Investment Manager provides banking services at rates agreed with the Fund.
Others	The Investment Manager is entitled to investment management fees of 0.85% of net assets value (2018: 0.85%) attributable to unitholders as set out in the Fund's term sheet.

The outstanding balances as at year end are as follows:

	2019 USD	2018 USD
Bank balances	**381,867**	2,101,617
Number of units held by related party	**1,390,061**	1,390,061
Total value of redeemable units held by related parties	**15,151,665**	13,622,598
Due to related parties		
Investment management fees payable to the Investment Manager	**77,805**	82,880
Sharia review fees payable	-	15,000
	77,805	97,880

Details of transactions with related parties in the statement of comprehensive income are as follows:

	2019 USD	2018 USD
Management fees	**308,483**	309,512
(Reversal) / Provision for Sharia fees	**(15,000)**	7,500

Notes to the financial statements
for the year ended 31 December 2019 (continued)

7 Related parties (continued)

Compensation of key management personnel
The Fund has no key management personnel. Activities of the Fund are managed by the Investment Manager and supervised by the Fund Advisory Board.

8 Other liabilities

	2019	2018
	USD	USD
Custodian fees	**19,056**	4,543
Professional fees	**8,688**	17,314
Other payables	**6,228**	5,393
	33,972	27,250

9 Other expenses

	2019	2018
	USD	USD
Custodian fees	**41,057**	53,400
Administration fees	**27,923**	28,021
Professional fees	**11,587**	24,412
(Reversal) / Provision for Shariah fees	**(15,000)**	7,500
Others	**12,069**	10,484
	77,636	123,817

10 Net asset value

Net asset value is calculated by dividing the net assets for the period by the number of shares outstanding during the year.

	2019	2018
Net assets (USD)	**35,541,493**	35,321,678
Number of units outstanding	**3,260,611**	3,605,667
Net asset value per unit (USD)	**10.90**	9.80

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Net asset value (continued)

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 Assets Value (NAV) per unit 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.

11 Fair values of financial instruments

As at 31 December 2019 and 31 December 2018, carrying amounts of all the financial assets and liabilities approximated their fair values at the statement of financial position date.

The fair value hierarchy levels have been defined as follows:

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of Fund's financial assets are based on quoted prices in active markets. Hence these are classified at FVTPL within Level 1 of the fair value hierarchy.

During the period, there were no transfers between or into Level 1, Level 2 and Level 3 fair value measurements (31 December 2018: nil).

12 Financial Risk Management and Objectives

Risk management framework

The Fund's principal financial liabilities consist of amounts due to related parties and other payables. The Fund has financial assets such as financial assets at fair value through profit or loss and bank balances. The Fund's financial assets and liabilities arise directly from its operations.

The Fund Advisory Board has the overall responsibility for the establishment and oversight of the Fund's risk management framework. The Fund is managed by the Investment Manager on the basis of the Fund's investment objectives and guidelines, subject to the supervision of the Fund Advisory Board, on a day to day basis. The Advisory Board reviews the activities and performance of the Fund (including Fund's investment strategies as set out in the investment guidelines) and makes appropriate recommendations to the Investment Manager.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly, on an ongoing basis, to reflect changes in market conditions, products and services offered.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

12 Financial Risk Management and Objectives (continued)

The main risks arising from the Fund's financial instruments are as follows:

1. Liquidity risk;
2. Credit risk;
3. Operational risk; and
4. Market risk.

The Investment Manager reviews and agrees policies for managing each of these risks which are summarised below:

Liquidity risk

Liquidity risk is the risk that the Fund will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or a credit downgrade which may cause certain sources of funding to dry up immediately.

The Fund's approach to manage the risk is to have sufficient liquidity to meet its liabilities, including anticipated redemptions of units, as and when due, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place. The Fund's overall liquidity risks are monitored on a weekly basis by the Fund Advisory Board.

Under normal operating conditions, up to 25% of Fund NAV may be held in the form of cash and/or other short-term investments deemed appropriate by the Investment Manager in its sole discretion. Cash will be invested in a Sharia-compliant manner. Under non-normal operating conditions, including events such as providing liquidity for client transactions or during periods of excessive market volatility, cash and / or other short-term investments may account for up to 70% of Fund NAV. The Fund's term sheet provides for the weekly redemption of units and it is therefore exposed to the liquidity risk of meeting unit holders' redemptions at any time. The Fund's redemption policy only allows for redemptions on the last day of each week and unit holders must provide at least four business days prior notice of dealing day.

The Fund's financial instruments includes bank balances and listed Sukuk securities which are considered to be readily realisable as they are actively traded globally on major markets.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

12 Financial Risk Management and Objectives (continued)

Liquidity risk (continued)

The maturity profile of assets and liabilities at 31 December 2019 and 31 December 2018 are as follows:

	Within 3 months USD	**3 months to 1 year USD**	**1 to 5 years USD**	**Unspecified maturity USD**	**Total USD**
31 December 2019					
Assets					
Bank balances	**381,867**	**-**	**-**	**-**	**381,867**
Financial assets at FVTPL	**-**	**-**	**13,214,283**	**21,699,247**	**34,913,530**
Other assets	**357,873**	**-**	**-**	**-**	**357,873**
	739,740	**-**	**13,214,283**	**21,699,247**	**35,653,270**
Liabilities					
Due to related parties	**77,805**	**-**	**-**	**-**	**77,805**
Other liabilities	**33,972**	**-**	**-**	**-**	**33,972**
	111,777	**-**	**-**	**-**	**111,777**

	Within 3 months USD	3 months to 1 year USD	1 to 5 years USD	Unspecified maturity USD	Total USD
31 December 2018					
Assets					
Bank balances	2,101,617	-	-	-	2,101,617
Financial assets at FVTPL	-	2,001,138	17,870,480	13,164,863	33,036,480
Other assets	308,711	-	-	-	308,711
	2,410,328	2,001,138	17,870,480	13,164,863	35,446,808
Liabilities					
Due to related parties	97,880	-	-	-	97,880
Other liabilities	27,250	-	-	-	27,250
	125,130	-	-	-	125,130

Notes to the financial statements
for the year ended 31 December 2019 (continued)

12 Financial Risk Management and Objectives (continued)

Liquidity risk (continued)

The Fund's expected cash flows on these instruments do not vary significantly from this analysis. For the redeemable units the Fund has the contractual obligation to redeem within 10 business days from the relevant dealing day. Historical experience indicates that these units are held by unit holders based on medium or long term basis and redemption levels are not expected to exceed 10% of Fund NAV in one dealing day.

Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. It arises principally from cash at bank and Sukuk investments. The Investment Manager attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The maximum credit risk is limited to amounts appearing on the statement of financial position.

Where the credit risk is not in accordance with the investment policy or guidelines of the Fund, the Investment Manager is obliged to rebalance the portfolio as soon as it is reasonably practicable after each determination that the portfolio is not in compliance with the stated investment parameters. The Fund's concentration matrix reflecting diversification is as follows:

	2019	2018
	%	%
Geographical diversification		
UAE	**54.39**	41.59
Indonesia	**11.68**	18.54
Saudi Arabia	**10.86**	11.88
Bahrain	**6.85**	6.22
Oman	**6.54**	6.08
Qatar	**3.75**	0.75
Kuwait	**3.68**	2.27
Malaysia	**2.25**	5.93
Turkey	**-**	3.03
Others	**-**	3.71
	100.00	100.00
Sector diversification		
Sovereign	**25.14**	35.00
Financial	**24.60**	22.95
Real estate	**24.60**	14.03
Services	**7.50**	3.84
Utilities	**4.66**	10.90
Others	**13.50**	13.28
	100.00	100.00

Notes to the financial statements
for the year ended 31 December 2019 (continued)

12 Financial Risk Management and Objectives (continued)

Credit risk (continued)

The Fund’s individual significant exposure in its portfolio of investments at fair value through profit or loss is as follows:

	2019 %		2018 %
Republic of Indonesia	**11.68**	Republic of Indonesia	16.36
Majid Al Futtaim Properties LL	**9.16**	Saudi Electricity Global Sukuk	7.42
Saudi Telecom Co	**6.13**	Dubai Islamic Bank PJSC	5.93
Kingdom of Bahrain	**6.01**	Kingdom of Bahrain	4.75
Dubai Islamic Bank PJSC	**5.25**	DP World Crescent Limited	4.47
Sultanate of Oman	**4.37**	Sultanate of Oman	4.11
Emirates Strategic Investments	**4.29**	NMC Health PLC	3.84
SIB Tier 1 Sukuk Co	**2.95**	Dubai DOF Sukuk Limited	3.14

Cash and cash equivalents
The Fund's bank balances are with the custodian. The Company’s funds are deposited only in bank that is directly or comparably with the peer institutions, rated as investment grade by the global external rating agency. Accordingly, placements in this bank are considered low credit risk investments.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions, the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Fund cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Fund is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation whilst achieving its investment objective of generating returns to investors.

12 Financial Risk Management and Objectives (continued)

Operational risk (continued)

The primary responsibility for the development and implementation of controls over operational risk rests with the Investment Manager. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Contingency plans
- Ethical and business standards
- Risk mitigation, including insurance where this is effective.

Compliance with policies and procedures is supported by periodic reviews undertaken by the Investment Manager's Audit and Compliance Division. The results of these reviews are discussed with the management, with summaries submitted to the Audit Committee and senior management of the Investment Manager.

The Investment Manager's assessment over the adequacy of the controls and processes in place at the service providers with respect to operational risks is carried out via regular discussions with the service providers.

Substantially all of the securities of the Fund are held with reputable brokers. Bankruptcy or insolvency of the custodians may cause the Fund's rights with respect to the securities held by the custodian to be delayed or limited. The Investment Manager monitors the credit ratings, internal control and financial position of its custodians on a periodic basis.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Fund is exposed to market risk with respect to its investments. The Fund limits market risk by investing in a balanced portfolio of Sukuk based on Islamic Sharia Rules and Principles, listed in globally recognized markets. The Fund’s market risk is managed on a daily basis by the Investment Manager in accordance with the policies and procedures in place. The Fund's overall market positions are monitored by the Fund Advisory Board on periodic basis. Market risk can arise as a result of the following:

Notes to the financial statements
for the year ended 31 December 2019 (continued)

12 Financial Risk Management and Objectives (continued)

Market risk (continued)

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits. There are no restrictions on the currency in which the Sukuk are denominated. However, non-USD and non USD-pegged currencies should not account for more than 50% of the Fund's net assets value and no single non-USD currency should account for more than 20% of the Fund's net assets value.

The exchange rate of AED, which is the Fund’s largest non-USD currency, is pegged against US Dollar and hence the Fund’s exposure to currency risk is limited to that extent. Since the majority of the assets and liabilities are in USD or in foreign currencies pegged with the USD, the Investment Manager estimates that any reasonable possible changes in exchange rates would not have a significant impact on the Fund's financial statements.

Profit rate risk

Profit rate risk is the risk that arises from timing difference in the re-pricing of the Fund's profit bearing assets and liabilities.

Profit rate risk in trading book is applicable to the Fund’s exposure to various sukuk holdings issued by governments and corporates which are classified as FVTPL. The market value of these Sukuk is impacted as a result of fluctuations in the prevailing levels of profit rates on cash flows. The Investment Manager sets limits on the maximum exposure allowable as a result of adverse profit rate movement.

If the profit rates increased/decreased by 200 basis points, with all other variables remaining constant, the impact on the market value of Sukuk classified at fair value through profit and loss will be as follows:

Impact on results of the Fund

	2019 **USD**	2018 USD
Increase of 200 basis points change in profit rates	**(3,559,501)**	(2,950,093)
Decrease of 200 basis points change in profit rates	**4,137,503**	3,452,127

In addition to profit rate risk on financial assets at fair value through profit or loss, the Fund does not have any other profit bearing financial assets and liabilities which are exposed to profit rate risk.

Other price risk

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from currency and profit rate risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As the majority of the Fund’s financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect net investment income.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

12 Financial Risk Management and Objectives (continued)

Other price risk (continued)

Price risk is managed by the Investment Manager by constructing a diversified portfolio of instruments, in different industry sectors and traded on different markets. Under normal circumstances the Fund invests in the trading instruments in accordance with the investment guidelines.

As per the prospectus of the Fund, the policy for concentration of its investment portfolio profile is as follows:

- Unrated sovereign Sukuk should not account for more than 10% of the Fund's net assets.
- Convertible Sukuk should not account for more than 10% of the Fund's net assets.
- Any Sukuk issuance at the time of investing in them should not account for more than 15% of the Fund's net assets and should not account for more than 15% of the issuance. The Fund shall not invest more than 20% of the Fund's net assets in securities issued by the same group of corporate entities.
- Sovereign and quasi-sovereign issuances should account for at least 30% of the Fund's net assets. The classification of an issuance as quasi-sovereign shall be determined by the Investment Manager in its sole discretion.
- No more than 60% of the Fund's net assets should be held in Sukuk issued by entities in the UAE and, in relation to all other jurisdictions, no more than 50% of the Fund's net assets.
- Under normal operating conditions, up to 25% of the Fund's net assets may be held in the form of cash and/or other short-term investments deemed appropriate by the Investment Manager in its sole discretion. Cash will be invested in a Sharia-compliant manner. Under non-normal operating conditions, including events such as providing liquidity for client transactions or during periods of excessive market volatility, cash and or other short-term investments may account for up to 70% of the Fund's net assets.

Where the market risk is not in accordance with the investment policy or guidelines of the Fund, the Investment Manager is obliged to rebalance the portfolio as soon as is reasonably practicable after each determination that the portfolio is not in compliance with the stated investment parameters.

The Fund estimates the future reasonably possible market price fluctuations for Sukuk investments on an individual investment basis.

Capital management

The primary objective of the Fund's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize unitholders value.

The Fund's capital is represented by the number of units outstanding. The objective of the Fund is to invest the subscriptions amounts in a portfolio with a view to both achieve and provide capital growth and attractive returns over medium term, while reducing directional downward risk in underlying market.

The Fund aims to deliver this objective mainly through investing in a balanced portfolio as per the Fund's investment guidelines while maintaining sufficient liquidity to meet unit holders' redemptions. The Fund has complied with the externally imposed requirements.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

13 Reclassifications on comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year. The Investment Manager believes that the current year presentation provides more information that is meaningful to the users of the financial statements. These reclassifications did not have any impact on net assets attributable to holders of redeemable units of the prior year.

14 Subsequent event

The rapid spread of the coronavirus disease 2019 ("COVID-19") across the globe is causing disruptions to businesses and economic activity. The ultimate impact of COVID-19 remains unknown at date of issuance of these financial statements, but at the beginning of the year it had significant negative effects on the capital markets and its volatility in which the Fund had invested. The Fund considers this outbreak to be a non-adjusting post reporting date event. As the situation is rapidly evolving and the impact on the Fund's performance, investing activities and portfolio company operations is extraordinarily uncertain, the Investment Manager does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak to the Fund's net assets attributable to holders of redeemable units.

In February 2020, the Fund declared and paid dividends amounting to USD 1.92 million, as approved by Securities and Commodities Authority.