

Al Hilal Global Sukuk Fund

FINANCIAL STATEMENTS

31 DECEMBER 2022

Al Hilal Global Sukuk Fund

Financial statements

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Independent auditors' 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 2022, the statements of comprehensive income, changes in net assets attributable to unitholders and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards)

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.



Other Matter

The financial statements of the Fund as at and for the year ended 31 December 2021 were audited by another auditor who expressed unmodified opinion on those financial statement on 15 March 2022.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Standards and their preparation and for such internal control as management 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, management 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.

Those charged with Governance are responsible for overseeing the Fund's financial reporting process.

Auditors' 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 auditors' 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 management.



Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management'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 auditors' 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 auditors' 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 those charged with governance 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.

KPMG Lower Gulf Limited

Emilio Pera
Registration No: 1146
Abu Dhabi, United Arab Emirates

Date: 27 APR 2023

Al Hilal Global Sukuk Fund

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>USD</i>	2021 <i>USD</i>
INCOME			
Sukuk profit distribution		2,444,843	3,966,999
Net realised (losses)/ gains from financial assets at FVTPL	3	(8,256,122)	212,335
Net unrealised losses from financial assets at FVTPL	3	(233,884)	(1,564,482)
Total income		(6,045,163)	2,614,852
EXPENSES			
Management fees	9	(543,682)	(931,594)
Other expenses	4	(112,911)	(150,300)
		(656,593)	(1,081,894)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(6,701,756)	1,532,958

The attached notes 1 to 12 form part of these financial statements.

Al Hilal Global Sukuk Fund

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 USD	2021 USD
ASSETS			
Cash and cash equivalents	5	2,522,429	2,604,499
Financial assets at fair value through profit or loss	6	46,342,418	89,835,817
Profit receivable from Sukuk		420,807	777,295
		<u>49,285,654</u>	<u>93,217,611</u>
LIABILITIES			
Amounts due to a related party	9	230,886	442,522
Other liabilities	7	23,192	23,884
		<u>254,078</u>	<u>466,406</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>49,031,576</u>	<u>92,751,205</u>
Net Asset Value (NAV) per unit, based on outstanding units of 5,369,382 (2021: 8,796,300)	8	<u>9.13</u>	<u>10.54</u>

These financial statements were approved and authorised for issue by the Fund Advisory Board of Al Hilal Global Sukuk Fund on 17th April 2023 and signed on its behalf by:



Fund Advisory Board Member



Fund Advisory Board Member

The attached notes 1 to 12 form part of these financial statements.

Al Hilal Global Sukuk Fund

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS For the year ended 31 December 2022

	<i>Number of units</i>	<i>Net assets attributable to unit holders USD</i>
At 1 January 2022	8,796,300	92,751,205
Issue of units during the year	249,734	2,469,686
Redemption of units during the year	(3,676,652)	(35,976,619)
Dividend paid during the year	-	(3,510,940)
Decrease in net assets attributable to unitholders	-	(6,701,756)
At 31 December 2022 (note 8)	5,369,382	49,031,576
At 1 January 2021	10,243,454	108,948,123
Issue of units during the year	3,126,204	32,899,410
Redemption of units during the year	(4,573,358)	(47,948,251)
Dividend paid during the year	-	(2,681,035)
Increase in net assets attributable to unitholders	-	1,532,958
At 31 December 2021 (note 8)	8,796,300	92,751,205

The attached notes 1 to 12 form part of these financial statements.

Al Hilal Global Sukuk Fund

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 USD	2021 USD
OPERATING ACTIVITIES			
(Decrease)/increase in net assets attributable to unitholders		(6,701,756)	1,532,958
Adjustments for:			
Net realised losses/(gains) on financial assets at FVTPL	3	8,256,122	(212,335)
Net unrealised losses from financial assets at FVTPL	3	233,884	1,564,482
		<u>1,788,250</u>	<u>2,885,105</u>
Working capital changes in:			
Profit receivable from Sukuk		356,488	294,871
Amounts due to a related party		(211,636)	217,197
Other liabilities		<u>(692)</u>	<u>(750)</u>
Cash from operations		1,932,410	3,396,423
Purchase of financial assets at fair value through profit or loss		(75,612,417)	(138,369,118)
Proceeds from sale of financial assets at fair value through profit or loss		<u>110,615,810</u>	<u>151,964,185</u>
Net cash generated from operating activities		36,935,803	16,991,490
FINANCING ACTIVITIES			
Proceeds from issue of redeemable units		2,469,686	32,899,410
Payments on redemption of redeemable units		(35,976,619)	(47,948,251)
Dividend paid		<u>(3,510,940)</u>	<u>(2,681,035)</u>
Net cash used in financing activities		(37,017,873)	(17,729,876)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(82,070)	(738,386)
Cash and cash equivalents at 1 January		<u>2,604,499</u>	<u>3,342,885</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	5	2,522,429	2,604,499

The attached notes 1 to 12 form part of these financial statements.

Al Hilal Global Sukuk Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Hilal Global Sukuk Fund ("the Fund") is an open-ended fund established by Al Hilal Bank – 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 and the administration services 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 the controls stipulated in the investment guidelines.

The registered address of the Fund is P O Box 63111, Abu Dhabi, United Arab Emirates.

2.1 BASIS OF PREPARATION

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

The financial statements have been presented in United States Dollar (USD) which is the functional currency of the Fund. All financial information presented in USD has been rounded to the nearest Dollar.

The 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.

2.2 CHANGES IN ACCOUNTING POLICIES

STANDARDS AND INTERPRETATIONS IN ISSUE AND EFFECTIVE

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS effective as of 1 January 2022:

During the current year, the Group has applied the amendments to IFRS 3, IAS 16, IAS 37 and annual improvements to IFRS Standards 2018–2020 issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2022. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

Other than the above, there are no other significant IFRSs, amendments or interpretations that were effective for the first time for the financial year beginning on or after January 1, 2022.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these standards, if applicable, when they become effective:

New and revised IFRS	Effective for annual periods beginning on or after January 1, 2023
Amendments to IAS 1 'Presentation of Financial Statements' to address the classification of liabilities as current or non-current providing a more general approach based on the contractual arrangements in place at the reporting date.	
IFRS 17 'Insurance Contracts' requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts	January 1, 2023
Amendments to IFRS 17 'Insurance Contracts' to address concerns and implementation challenges identified after IFRS 17 were published in 2017	January 1, 2023
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4). The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 'Insurance Contracts' from applying IFRS 9 'Financial Instruments' so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023.	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) which require that an entity disclose its material accounting policies, instead of its significant accounting policies.	January 1, 2023
The IASB issued 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)' that clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations.	January 1, 2023
The amendments replace the definition of Accounting Estimates (Amendments to IAS 8) – The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".	January 1, 2023
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) - The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.	January 1, 2024
Non-current Liabilities with Covenants (Amendments to IAS 1) - The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability	January 1, 2024

The Fund does not expect these new standards and amendments to have any significant impact on the financial statements, when implemented in future periods.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.3 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 the 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 result 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Measurement of financial assets

Initial 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 or financial liability.

Subsequent measurement of financial assets

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 other than equity instruments measured at amortised cost and at fair value through other comprehensive income 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.

Impairment of financial assets

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.

Measurement of financial liabilities

Amounts due to a related party and other payables 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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.

Net realized and unrealized 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.

Profit from investments in Sukuk

Profit from investments in Sukuk is recognised on effective commission rate method in the statement of comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Redeemable units

Redeemable units are classified as equity. 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.

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.

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 closing 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 and liabilities are measured at a closing prices.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with 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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are measured at fair value on the reporting date. For quoted securities, market prices are readily available.

Fair value estimates are made at specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of significant judgment and therefore, cannot be determined with precision.

3 NET GAINS (LOSSES) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 USD	2021 USD
Net unrealised gains/ (losses) from financial assets at fair value through profit or loss (note 6)	(233,884)	(1,564,482)
Net realised (losses)/ gains from financial assets at fair value through profit or loss (note 6)	(8,256,122)	212,335
	<u>(8,490,006)</u>	<u>(1,352,147)</u>

4 OTHER EXPENSES

	2022 USD	2021 USD
Custodian fees	37,556	38,187
Administration fees	48,571	83,226
Professional fees	15,017	17,204
Others	11,767	11,683
	<u>112,911</u>	<u>150,300</u>

5 CASH AND CASH EQUIVALENTS

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

	2022 USD	2021 USD
Bank and other balances with original maturity of less than 3 months	<u>2,522,429</u>	<u>2,604,499</u>

Al Hilal Global Sukuk Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

6 FINANCIAL ASSETS 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 year is as follows:

	2022 USD	2021 USD
Balance at the beginning of the year	89,835,817	104,783,031
Purchases during the year	75,612,417	138,369,118
Sales during the year	(110,615,810)	(151,964,185)
Net unrealised gains/(losses) on financial assets at FVTPL (note 3)	(233,884)	(1,564,482)
Net realised (losses)/gains on financial assets at FVTPL (note 3)	(8,256,122)	212,335
Balance at the end of the year	46,342,418	89,835,817

Investments by geography are as follows:

	2022 USD	2021 USD
UAE	20,207,059	40,814,571
Saudi Arabia	7,258,135	9,048,653
Indonesia	6,939,688	8,453,937
Kuwait	-	10,708,990
Bahrain	1,955,000	5,607,249
Oman	2,428,125	9,553,370
Malaysia	3,097,813	767,813
Qatar	4,456,598	1,006,530
Turkey	-	3,874,704
	46,342,418	89,835,817

7 OTHER LIABILITIES

	2022 USD	2021 USD
Custodian fees	3,150	3,150
Professional fees	13,676	11,454
Other payables	6,366	9,280
	23,192	23,884

Al Hilal Global Sukuk Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

8 NET ASSET VALUE

Net Asset Value per share is calculated by dividing the net assets for the year by the number of shares outstanding during the year as follows:

	2022 USD	2021 USD
Net asset attributable to unit holders (USD)	<u>49,031,576</u>	<u>92,751,205</u>
Number of units outstanding	<u>5,369,382</u>	<u>8,796,300</u>
Net asset value per unit (USD)	<u>9.13</u>	<u>10.54</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 Assets Value (NAV) per unit on every Wednesday of each week.

9 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise members of the Fund Advisory Board, the Sharia Supervisory Board and the Investment Manager and those entities over which the Fund, members of the Fund Advisory Board, the Sharia Supervisory 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 (2021: 0.85%) attributable to unit holders as set out in the Funds' term sheet.

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

	2022 USD	2021 USD
Management fees	<u>543,682</u>	<u>931,594</u>

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

	2022 USD	2021 USD
Bank balances	<u>2,522,429</u>	<u>2,604,499</u>
Number of units held by related parties	<u>5,369,382</u>	<u>7,249,918</u>
Total value of redeemable units held by related parties	<u>49,031,576</u>	<u>76,414,136</u>
<i>Due to related parties</i>		
Investment management fees payable to the Investment Manager	<u>230,886</u>	<u>442,522</u>

Al Hilal Global Sukuk Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

9 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Compensation of key management personnel

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

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

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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.

As at 31 December 2022 and 2021, the Fund held the following financial instruments measured at fair value:

	<i>31 December</i> <i>2022</i> <i>USD</i>	<i>Level 1</i> <i>USD</i>	<i>Level 2</i> <i>USD</i>	<i>Level 3</i> <i>USD</i>
Financial assets				
Financial assets at fair value through profit or loss	<u>46,342,418</u>	<u>46,342,418</u>	<u>-</u>	<u>-</u>

	<i>31 December</i> <i>2021</i> <i>USD</i>	<i>Level 1</i> <i>USD</i>	<i>Level 2</i> <i>USD</i>	<i>Level 3</i> <i>USD</i>
Financial assets				
Financial assets at fair value through profit or loss	<u>89,835,817</u>	<u>89,835,817</u>	<u>-</u>	<u>-</u>

During the year ended 31 December 2022 and 2021, there were no transfers between or into Level 1, Level 2 and Level 3 fair value measurements.

11 FINANCIAL RISK MANAGEMENT AND OBJECTIVES

Risk management framework

The Fund's principal financial liabilities consist of amounts due to a related party 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.

Al Hilal Global Sukuk Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

11 FINANCIAL RISK MANAGEMENT AND OBJECTIVES (continued)

Risk management framework (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 summarized 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.

The maturity profile of assets and liabilities at 31 December 2022 is as follows:

	<i>Up to three months USD</i>	<i>From three months to one year USD</i>	<i>From one year to five years USD</i>	<i>More than five years USD</i>	<i>Unspecified maturity USD</i>	<i>Total USD</i>
ASSETS						
Bank balances	2,522,429	-	-	-	-	2,522,429
Financial assets at fair value through profit or loss	4,497,310	11,932,249	10,859,498	19,053,361	-	46,342,418
Profit receivable from Sukuk	420,807	-	-	-	-	420,807
Total	7,440,546	11,932,249	10,859,498	19,053,361	-	49,285,654
LIABILITIES AND NET ASSETS						
Amounts due to a related party	230,886	-	-	-	-	230,886
Other liabilities	23,192	-	-	-	-	23,192
Total	254,078	-	-	-	-	254,078

Al Hilal Global Sukuk Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

11 FINANCIAL RISK MANAGEMENT AND OBJECTIVES (continued)

Liquidity risk (continued)

The maturity profile of assets and liabilities at 31 December 2021 is as follows:

	<i>Up to three months USD</i>	<i>From three months to one year USD</i>	<i>From one year to five years USD</i>	<i>More than five years USD</i>	<i>Unspecified maturity USD</i>	<i>Total USD</i>
ASSETS						
Bank balances	2,604,499	-	-	-	-	2,604,499
Financial assets at fair value through profit or loss	-	-	46,717,360	43,118,457	-	89,835,817
Profit receivable from Sukuk	<u>777,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>777,295</u>
Total	<u>3,381,794</u>	<u>-</u>	<u>46,717,360</u>	<u>43,118,457</u>	<u>-</u>	<u>93,217,611</u>
LIABILITIES AND NET ASSETS						
Amounts due to a related party	442,522	-	-	-	-	442,522
Other liabilities	<u>23,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,884</u>
Total	<u>466,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>466,406</u>

The Fund's expected cash flows on these instruments do not vary significantly from this analysis except for net assets attributable to the unit holders, which 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:

Al Hilal Global Sukuk Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

11 FINANCIAL RISK MANAGEMENT AND OBJECTIVES (continued)

Credit risk (continued)

	2022 %	2021 %
<i>Geographical diversification:</i>		
United Arab Emirates	43.60	45.43
Saudi Arabia	15.66	10.07
Indonesia	14.98	9.41
Qatar	9.62	1.12
Malaysia	6.68	0.86
Oman	5.24	10.64
Bahrain	4.22	6.24
Turkey	-	4.31
Kuwait	-	11.92
	100.00	100.00
	2022 %	2021 %
<i>Sector diversification:</i>		
Sovereign	31.23	22.82
Financial	29.43	28.88
Utilities	7.59	10.52
Real Estate	7.16	17.54
Government	4.22	0.92
Others	20.37	19.32
	100.00	100.00

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

Issuer diversification:

2022			2021		
Sukuk	%	Credit Ratings	Sukuk	%	Credit Ratings
DP World PLC	12.32	BBB-	Majid A1 Futtain Properties LL	12.77	BBB-
Republic of Indonesia	10.87	BBB	Republic of Indonesia	6.56	BBB
Dubai Islamic Bank PJSC	8.62	A-	Sultanate of Oman	6.54	BB-
Saudi Electricity Global Sukuk	7.59	A	DAE SUKUK DIFC LTD	5.85	BBB-
Malaysia Wakala Sukuk	6.68	A-	NOGAHOLDING Sukuk	5.04	NR
Sharjah Islamic Bank	5.38	NR	KIB Sukuk LTD	4.34	NR
Al-Hilal Bank PJSC	5.33	NR	Mazoon Electricity Co SAOC	4.09	BB-
Almarai Co JSC	5.30	BBB-	Saudi Telecom CO	3.98	A

Cash and cash equivalents

The Fund's bank balances are with the custodian. There were no significant concentrations of credit risk to any individual issuer or group of issuers as at 31 December 2022 and 31 December 2021 except the bank balances which are held with the custodian.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

11 FINANCIAL RISK MANAGEMENT AND OBJECTIVES (continued)

Credit risk (continued)

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.

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 custodians. 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.

Al Hilal Global Sukuk Fund

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

11 FINANCIAL RISK MANAGEMENT AND OBJECTIVES (continued)

Market risk (continued)

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:

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.

As there are no foreign investments held at 31 December 2022 and 2021 thus the Fund is not exposed to any currency risk.

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 Fair Value through Profit and Loss ("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:

	2022 USD	2021 USD
Increase of 200 basis points change in profit rates	(3,721,955)	(8,867,585)
Decrease of 200 basis points change in profit rates	5,056,321	10,538,311

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

31 December 2022

11 FINANCIAL RISK MANAGEMENT AND OBJECTIVES (continued)

Profit rate risk (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.

12 SUSEQUENT EVENTS

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023

As at 31 December 2022, the Law was not considered to be substantively enacted from the perspective of IAS 12 – Income Taxes since the threshold of income over which the 9% tax rate would apply and other clarifications were yet to be prescribed by way of Cabinet Decisions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

12 SUSEQUENT EVENTS (continued)

The Cabinet of Ministers Decision No. 116/2022 effective from 2023, has confirmed the threshold of income over which the 9% tax rate would apply and the Law is considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Fund is currently in the process of assessing the impact on the financial statements, both from current and deferred tax perspective.

There were no other subsequent events after the reporting year which affect the financial statements as at 31 December 2022.

13 CONTINGENCIES AND COMMITMENTS

The Fund has no significant contingent liabilities and commitments at the reporting date.