Al Hilal Global Sukuk Fund

FINANCIAL STATEMENTS

31 DECEMBER 2018

Al Hilal Global Sukuk Fund

Financial statements

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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 2018, and the statement of comprehensive income, statement of changes in equity 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 2018 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.

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.

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.

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INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF

AL HILAL GLOBAL SUKUK FUND continued

Report on the Audit of the Financial Statements continued

Auditor's responsibilities for the audit of the financial statements continued

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.

Signed by
Mohammad Mobin Khan
Partner
Ernst & Young
Registration No 532

31 March 2019
Abu Dhabi

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	*2018 USD*	*2017 USD*
INCOME			
Net (loss) gains from financial assets at fair value through profit or loss	4	**(1,567,279)**	294,149
Revenue from Sukuk profit distribution		**1,530,755**	1,556,376
Miscellaneous income		**20**	6,086
		(36,504)	1,856,611
EXPENSES			
Management fee	6	**(309,512)**	(330,664)
Other expenses	3	**(123,817)**	(82,016)
		(433,329)	(412,680)
(LOSS) PROFIT FOR THE YEAR		**(469,833)**	1,443,931

The attached notes 1 to 10 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Notes	2018 USD	2017 USD
ASSETS			
Bank balances	6	2,101,617	1,055,020
Financial assets at fair value through profit or loss	4	33,036,480	38,338,468
Other assets		308,711	321,251
		35,446,808	39,714,739
LIABILITIES			
Due to related parties	6	97,880	86,216
Other liabilities	5	27,250	30,360
		125,130	116,576
NET ASSETS		35,321,678	39,598,163
TOTAL LIABILITIES AND EQUITY		35,446,808	39,714,739
Net Asset Value (NAV) per unit, based on outstanding units of 3,605,667 (2017:3,838,855)	7	9.80	10.32

These financial statements were approved and authorised for issue by the Fund Advisory Board of Al Hilal Global Sukuk Fund on 31-Mar-19 and signed on its behalf by:

Fund Advisory Board member

Fund Advisory Board member

The attached notes 1 to 10 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Number of units	*Net assets USD*
At 1 January 2018	3,838,855	39,598,163
Issue of units during the year	284,016	2,781,962
Redemption of units during the year	(517,204)	(5,144,684)
Dividend paid during the year	-	(1,443,930)
Loss for the year	-	(469,833)
At 31 December 2018 (note 7)	**3,605,667**	**35,321,678**
At 1 January 2017	3,849,955	39,735,870
Issue of units during the year	1,127,596	11,523,926
Redemption of units during the year	(1,138,696)	(11,632,967)
Dividend paid during the year	-	(1,472,597)
Profit for the year	-	1,443,931
At 31 December 2017 (note 7)	3,838,855	39,598,163

The attached notes 1 to 10 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	2018 *USD*	*2017* *USD*
OPERATING ACTIVITIES		
(Loss) profit for the year	**(469,833)**	1,443,931
Adjustments for:		
Net losses (gains) from financial assets at fair value through profit or loss	**1,567,279**	(294,149)
	1,097,446	1,149,782
Working capital changes:		
Other assets	**12,540**	(29,631)
Due to related parties	**11,664**	(4,636)
Other liabilities	**(3,110)**	7,432
Cash from operations	**1,118,540**	1,122,947
Purchase of financial assets at fair value through profit or loss	**(11,335,106)**	(14,983,330)
Proceeds from sale of financial assets at fair value through profit or loss	**15,069,815**	14,298,968
Net cash from operating activities	**4,853,249**	438,585
FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	**2,781,962**	11,523,926
Payments on redemption of redeemable units	**(5,144,684)**	(11,632,967)
Dividend paid	**(1,443,930)**	(1,472,597)
Net cash used in financing activities	**(3,806,652)**	(1,581,638)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,046,597**	(1,143,053)
Cash and cash equivalents at 1 January	**1,055,020**	2,198,073
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**2,101,617**	1,055,020

The attached notes 1 to 10 form part of these financial statements.

1 ACTIVITIES

Al Hilal Global Sukuk Fund ("the Fund") is an open-ended fund established 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 UAE dated 5 February 2012 by Al Hilal Bank – Investment Banking Group ("the Investment Manager"). The Fund is not a separately incorporated entity and its activities are managed by the Investment Manager. The custody of the Fund is delegated to HSBC Bank Middle East Limited ("the Custodian") 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, UAE.

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) and interpretations issued by the standing interpretation committee of the 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

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 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers;
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations;
- Amendments to IAS 40 Transfers of Investment Property;
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions;
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice; and
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters.

Annual Improvements 2014-2016 Cycle

- IFRS 1 First-time adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first time adopters;
- IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

The adoption of the above new standards and interpretations has no significant impact on the Fund's financial position, performance or disclosures.

2.2 CHANGES IN ACCOUNTING POLICIES continued

IFRS 9 Financial Instruments
In these financial statements, the Fund has applied for the first time, IFRS 9 Financial Instruments which replaces IAS 39 for annual periods on or after 1 January 2018.

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Changes to classification and measurement
To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are typically quoted debt instruments that met the SPPI criterion and are held within a business model both to collect cash flows and to sell.
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Fund intends to hold for the foreseeable future and which the Fund has irrevocably elected to so classify upon initial recognition or transition.

Financial assets at FVPL comprise derivative instruments and quoted equity instruments which the Fund has not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Majority of the financial assets held by the Fund are currently measured at fair value through profit or loss and these financial assets meet the conditions for classification as Financial assets at FVPL under IFRS 9. Accordingly, the Fund has concluded that the new guidance does not have a significant impact on the classification and measurement of its financial assets.

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

There is no impact on the Fund's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Fund does not have any such liabilities.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Fund's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Fund does not currently have any hedging relationships. Accordingly, there is no impact on the accounting for its hedging relationships.

2.2 CHANGES IN ACCOUNTING POLICIES continued

IFRS 9 Financial Instruments continued

Changes to the impairment calculation

The adoption of IFRS 9 has changed accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires an entity to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. Majority of the financial assets held by the Fund are currently measured at fair value through profit or loss, accordingly there is no impact of new approach on these assets. As per the management's assessment for provisions on balances with banks, the impact is not significant.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Fund has assessed the impact of IFRS 15 and concluded that there is no significant impact of IFRS 15 on its financial statements.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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. 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. The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. Dividends are at the discretion of the Fund. A dividend to the Fund’s unit holders is accounted for as an equity transaction.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 interest 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 interest 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 loan at a below-market interest rate.

At initial recognition, the Fund may irrevocably designate a financial 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.

2.4 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
Initial measurement of financial assets
At initial recognition, financial assets and financial liabilities are measured at fair value plus or minus, in the case of a financial asset or financial liability 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 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 as opposed to an incurred credit loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued
Measurement of financial liabilities
Amounts due to related parties 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 interest method, with interest expense recognised on an effective yield basis, except for short term liabilities when the recognition of interest 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.

Accounts payable and accruals
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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Fair value measurement continued
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.

2.5 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:

- IFRS 16 Leases;
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- IFRS 17 Insurance Contracts
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement –
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Annual improvements
- IFRS 3 Business Combinations - Previously held Interests in a joint operation
- IFRS 11 Joint Arrangements - Previously held Interests in a joint operation
- IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity
- IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

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

The Fund is in the process of assessing the impact of the new standards and amendments on its financial statements.

3 OTHER EXPENSES

	2018 *USD*	*2017* *USD*
Legal and professional fees	**24,412**	23,870
Custody fees	**53,345**	16,776
Administration fees	**28,021**	29,176
Others	**18,039**	12,194
	123,817	82,016

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 USD	*2017 USD*
Sukuk investments	**33,036,480**	38,338,468

At the reporting date, the fair value of these investments was arrived at using market value of the investments.

The change in fair value of financial assets at fair value through profit or loss was recorded as a net unrealized loss on financial assets in statement of comprehensive income as at 31 December 2018 amounting to USD 1,026,035 (2017: net unrealized gain of USD 299,403).

During the year, the Fund sold and redeemed some Sukuk investments for the sales proceeds of USD 15,069,815 (2017: USD 14,298,968) and recognised a net loss of USD 541,244 (2017: USD 5,254).

5 OTHER LIABILITIES

	2018 USD	*2017 USD*
Professional fees payable	**16,509**	14,293
Administration fee payable	**2,671**	2,784
Other payable	**8070**	13,283
	27,250	30,360

6 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 (2017: 0.85%) as set out in the Funds' term sheet.

6 RELATED PARTY BALANCES AND TRANSACTIONS continued

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

	2018 ***USD***	*2017* *USD*
Management fees	**309,512**	330,664
Sharia fee	**7,500**	7,500

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

	2018 ***USD***	*2017* *USD*
Bank balances	**2,101,617**	1,055,020
Number of units held by related parties	**1,390,061**	1,845,969
Total value of redeemable units held by related parties (in USD)	**13,622,598**	19,050,400
Due to related parties		
Investment management fees payable to the Investment Manager	**82,880**	86,216
Shariah review fees payable	**15,000**	-
	97,880	86,216

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

7 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:

	2018	*2017*
Net assets (USD)	**35,321,678**	39,598,163
Number of units outstanding	**3,605,667**	3,838,855
Net asset value per unit (USD)	**9.80**	10.32

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.

8 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 2018 and 2017, the Fund held the following financial instruments measured at fair value:

	31 December 2018 USD	*Level 1 USD*	*Level 2 USD*	*Level 3 USD*
Financial assets				
Financial assets at fair value through profit or loss	**33,036,480**	-	33,036,480	-

	31 December 2017 USD	*Level 1 USD*	*Level 2 USD*	*Level 3 USD*
Financial assets				
Financial assets at fair value through profit or loss	38,338,468	-	38,338,468	-

During the year ended 31 December 2018 and 2017, there were no transfers between or into Level 1, Level 2 and Level 3 fair value measurements.

9 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.

9 FINANCIAL RISK MANAGEMENT AND OBJECTIVES continued

Risk management framework continued
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.

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.

9 FINANCIAL RISK MANAGEMENT AND OBJECTIVES continued

Liquidity risk continued

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

	Up to three months USD	*From three months to one year USD*	*From one year to five years USD*	*More than five years USD*	*Unspecified maturity USD*	*Total USD*
ASSETS						
Bank balances	**2,101,617**	-	-	-	-	**2,101,617**
Financial assets at fair value through profit or loss	-	**2,001,138**	**17,870,480**	**13,164,863**	-	**33,036,480**
Other assets	**308,711**	-	-	-	-	**308,711**
Total	**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**
Total	**125,130**	-	-	-	-	**125,130**

The maturity profile of assets and liabilities at 31 December 2017 is as follows:

	Up to three months USD	*From three months to one year USD*	*From one year to five years USD*	*More than five years USD*	*Unspecified maturity USD*	*Total USD*
ASSETS						
Bank balances	1,055,020	-	-	-	-	1,055,020
Financial assets at fair value through profit or loss	-	503,790	12,147,829	25,686,849	-	38,338,468
Other assets	321,251	-	-	-	-	321,251
Total	1,376,271	503,790	12,147,829	25,686,849	-	39,714,739
LIABILITIES						
Due to related parties	86,216	-	-	-	-	86,216
Other liabilities	30,360	-	-	-	-	30,360
Total	116,576	-	-	-	-	116,576

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.

9 FINANCIAL RISK MANAGEMENT AND OBJECTIVES continued

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:

	2018 **%**	*2017* %
Geographical diversification:		
United Arab Emirates	**41.59**	36.29
Indonesia	**18.54**	12.88
Malaysia	**5.93**	11.44
Turkey	**3.03**	9.29
Qatar	**0.75**	5.00
Saudi Arabia	**11.88**	10.73
Others	**18.28**	14.37
Sector diversification		
Sovereign	**35.00**	36.22
Financial	**22.95**	37.35
Real Estate	**14.03**	1.31
Services	**3.84**	3.42
Utilities	**10.90**	13.34
Others	**13.28**	8.36

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

Issuer diversification:

2018 ***Sukuk***	*%*	*2017* *Sukuk*	*%*
Republic of Indonesia	**16.36%**	DP World Crescent Limited	4.00
Saudi Electricity Global Sukuk	**7.42%**	Dubai DOF Sukuk Limited	4.16
Dubai Islamic Bank PJSC	**5.93%**	Jany Sukuk Co Ltd	.65
Kingdom of Bahrain	**4.75%**	Perusahaan Penerbit SBCN Indonesia iii	4.80
DP World Crescent Limited	**4.47%**	Emaar Sukuk Limited	3.39
Sultanate of Oman	**4.11%**	Garuda Indonesia Global Sukuk Ltd	2.64
NMC Health PLC	**3.84%**	Perusahaan Penerbit SBSN Indonesia	1.32
Dubai DOF Sukuk Limited	**3.14%**	RAK Capital Sukuk	1.92

9 FINANCIAL RISK MANAGEMENT AND OBJECTIVES continued

Credit risk continued

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 2018 and 31 December 2017 except the bank balances which are held with the custodian.

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 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.

9 FINANCIAL RISK MANAGEMENT AND OBJECTIVES continued

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:

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 Fund 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 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

	2018	*2017*
	USD	*USD*
± 200 basis points change in profit rates	**30,615**	31,128

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.

9 FINANCIAL RISK MANAGEMENT AND OBJECTIVES continued

Market risk continued

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.

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.

10 CONTINGENCIES AND COMMITMENTS

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