

# **NBAD Sukuk Income Fund**

Condensed interim financial statements

30 June 2013

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## **Condensed interim financial statements**

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## Independent auditors' report on review of condensed interim financial information

The Unit holders  
NBAD Sukuk Income Fund  
Abu Dhabi

### Introduction

We have reviewed the accompanying 30 June 2013 condensed interim financial information of the NBAD Sukuk Income Fund ("the Fund"), which comprises:

- the condensed interim statement of financial position as at 30 June 2013;
- the condensed interim statement of comprehensive income for the six-month periods ended 30 June 2013;
- the condensed interim statements of changes in net assets attributable to holders of redeemable units for the six month period ended 30 June 2013;
- the condensed interim statement of cash flows for the six month period ended 30 June 2013; and
- notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2013 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Munther Dajani  
Registration No. 268

15 JUN 2014

# NBAD Sukuk Income Fund

## Condensed interim statement of financial position

		(Unaudited) 30 June 13 USD	(Audited) 31 Dec 12 USD
<b>Assets</b>			
Bank balance		129,310	1,166,280
Investments at fair value through profit or loss		29,289,441	14,442,052
Other assets		1,025,068	225,582
<b>Total assets</b>		<b>30,443,819</b>	<b>15,833,914</b>
<b>Liabilities</b>			
Due to related parties	5	79,579	40,792
Other liabilities		36,969	33,450
<b>Total liabilities</b>		<b>116,548</b>	<b>74,242</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>30,327,271</b>	<b>15,759,672</b>
<b>Number of units outstanding (thousand units)</b>		<b>6,070,402</b>	<b>3,034,741</b>
<b>Net asset value per unit (USD)</b>		<b>5.00</b>	<b>5.19</b>



Mark Watts  
Investment Committee Member



Saleem Khokhar  
Investment Committee Member

The notes on pages 6 to 10 are an integral part of these condensed interim financial statements.

The independent auditors' report on review of condensed interim financial information is set out on page 1.

## NBAD Sukuk Income Fund

### Condensed interim statement of comprehensive income

For the six months ended 30 June

	Note	(Unaudited) 2013 USD
Profit income		695,539
Net loss on investments at fair value through profit or loss	4	(1,312,881)
Other income		20,080
<b>Net operating income</b>		<u>(597,262)</u>
Investment management fees	5	(121,567)
Other operating expenses		(35,761)
<b>Total operating expenses</b>		<u>(157,328)</u>
<b>Net loss from operations before finance cost</b>		<u>(754,590)</u>
Dividends to holders of redeemable units		(632,029)
<b>Decrease in net assets attributable to holders of redeemable units</b>		<u>(1,386,619)</u>

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## NBAD Sukuk Income Fund

### Condensed interim statement of changes in net assets attributable to holders of redeemable units

For the period ended 30 June

	Number of units	Net assets attributable to unit holders USD
Issue of units during the period*	3,074,055	15,599,250
Dividends reinvested in units	18,829	97,239
Redemption of units during the period*	(58,143)	(300,468)
Increase in net assets attributable to holder of redeemable units	-	363,651
<b>As at 31 December 2012 (audited)</b>	<b>3,034,741</b>	<b>15,759,672</b>
Issue of units during the period	3,528,304	18,545,000
Dividends reinvested in units	51,043	264,713
Redemption of units during the period	(543,686)	(2,855,495)
Decrease in net assets attributable to holder of redeemable units	-	(1,386,619)
<b>As at 30 June 2013 (unaudited)</b>	<b>6,070,402</b>	<b>30,327,271</b>

\* The period from 2 May 2012 (inception) to 31 December 2012

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# NBAD Sukuk Income Fund

## Condensed interim statement of cash flows

For the six months ended 30 June

	<i>Note</i>	(Unaudited) 2013 USD
<b>Cash flows from operating activities</b>		
Net loss from operations before finance cost		(754,590)
<i>Changes in:</i>		
Investments at fair value through profit or loss		(14,847,389)
Other assets		(799,486)
Due to related parties	5	38,787
Other liabilities		3,519
<i>Net cash used in operating activities</i>		<u>(16,359,159)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of units		18,545,000
Payments on redemption of units		(2,855,495)
Cash dividend paid		(367,316)
<i>Net cash from financing activities</i>		<u>15,322,189</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,036,970)</b>
Cash and cash equivalents at 1 January		1,166,280
<b>Cash and cash equivalents at 30 June</b>		<u><u>129,310</u></u>

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# NBAD Sukuk Income Fund

## Notes to the condensed interim financial statements

### 1 Legal status and principal activities

NBAD Sukuk Income Fund (the "Fund") is an open-ended investment fund established in the UAE by National Bank of Abu Dhabi PJSC (the "Fund Manager") based on resolution number 164/8/94 issued by the Board of Directors of the UAE Central Bank and with the approval of the Securities and Commodities Authority of the UAE. The Fund is not a separately incorporated entity and its activities are managed by the Fund Manager and administered by Deutsche Securities and Services, Dubai Branch, UAE (the "Fund Administrator").

The Fund aims to provide attractive levels of income with prospect of capital gains over the medium term through actively investing in a mix of fixed income and money market instruments, including but not limited to corporate and sovereign sukuk and other Islamic money market instruments, including but not limited to certificates of deposits, collateralised murabaha, convertible sukuk, murabaha deposits, ijarah and investments in other Islamic collective investment schemes (investment funds) with objectives that the Investment Manager believes are appropriate in light of the Fund's objectives.

The applicable prospectus was issued on 2 May 2012 ("date of inception"). It was approved by the Central Bank of the UAE and is available upon request from the Fund Manager's registered office at P.O. Box 4, Abu Dhabi, United Arab Emirates.

### 2 Basis of preparation

#### (a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Fund since the last annual financial statements as at and for the year ended 31 December 2012. They do not include all of the information required for full annual financial statements prepared in accordance with IFRS.

The Fund was established on 2 May 2012 and the first financial statements were prepared as at and for the period ended 31 December 2012. Accordingly no information is presented for the comparative corresponding period in the condensed statement of comprehensive income, changes in net assets attributable to holders of redeemable shares, cash flows and certain other notes.

These condensed interim financial statements were approved on behalf of the Fund Manager on 15 JUN 2014.

#### (b) Estimates

The preparation of interim financial statements requires the Fund Manager to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing condensed interim financial statements, significant judgments made by Fund Manager in applying the Fund's accounting policies and key sources of estimation uncertainty were the same as those applied to financial statements as at and for the year ended 31 December 2012.



# NBAD Sukuk Income Fund

## Notes to the condensed interim financial statements

### 3 Significant accounting policies

The accounting policies applied by the Fund in these condensed interim financial statements are the same as those applied by the Fund in its financial statements 'as at' and for the year ended 31 December 2012 except as stated below:

#### *IFRS 13 – Fair Value Measurement*

The Fund has adopted IFRS 13 prospectively from the beginning of the period. The change had no significant impact on the measurements of the Fund's assets and liabilities.

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 in the principal, or in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Fund determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in the consolidated statement of income on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Fund measures assets and long positions at a bid price and liabilities and short positions at an ask price.

# NBAD Sukuk Income Fund

## Notes to the condensed interim financial statements

### 4 Net loss on investments at fair value through profit or loss

	<i>(Unaudited)</i> 30 Jun 2013 USD
Net realised gain	138,585
Net unrealised loss	<u>(1,451,466)</u>
	<u>(1,312,881)</u>

As at the reporting date all of the Fund's investments at fair value through profit or loss are in Sukuks.

### 5 Related parties

#### *Identity of related parties*

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise members of the Advisory Board and Investment Committee of the Fund and the Fund Manager and the entities controlled by them. 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 Fund Manager.

# NBAD Sukuk Income Fund

## Notes to the condensed interim financial statements

### 5 Related parties (continued)

#### Terms and conditions

Key terms and conditions are shown below:

- Fees
- The Fund Manager is entitled to the following fees as set out in the offering terms sheet:
- Management fee of 1% per annum of the NAV, calculated and accruing on a daily basis and payable to the Fund Manager on a quarterly basis; and
  - Annual registrar and transfer agent fee of the higher of USD 10,000 or 0.05% of assets under management. Additionally, a one-time fee of USD 25 per investor is charged as initial set-up cost and USD 5 is charged per transaction involving dividend processing and distribution.

#### Balances

Balances with related parties at the reporting dates are shown below:

	(Unaudited) 30 Jun 2013 USD	(Audited) 31 Dec 2012 USD
<i>Due to related parties</i>		
Management fee payable to the Fund Manager	73,929	37,642
Administration fee payable to custody department of NBAD	5,650	3,150
	<u>79,579</u>	<u>40,792</u>

#### Transactions

Transactions with related parties during the period included in these condensed interim statement of comprehensive income are shown below:

	(Unaudited) 30 June 2013 USD
Net realised gain on transactions with the Fund Manager	13,333
Investment management fees	121,567
Administration Fees	<u>9,878</u>

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

# NBAD Sukuk Income Fund

## Notes to the condensed interim financial statements

### **6 Financial risk management**

The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2012;

### **7 Financial assets and liabilities**

All financial assets and liabilities are measured at amortised cost except for investments at fair value through profit or loss which are measured at fair value by reference to published price quotations in an active market.

The Fund holds all its investments in quoted debt securities measured at fair value at the end of the reporting period, categorised under Level 1 of the fair value hierarchy, except for derivatives which are categorised as Level 2.