

NBAD Sukuk Income Fund

Financial statements

31 December 2020

Principal Business address:
P.O. Box: 6316
Abu Dhabi
United Arab Emirates

NBAD Sukuk Income Fund

NBAD Sukuk Income Fund

Financial statements

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NBAD Sukuk Income Fund

Fund Manager's report

First Abu Dhabi Bank PJSC ("the Fund Manager") has the pleasure in presenting the audited financial statements of NBAD Sukuk Income Fund ("the Fund") for the year ended 31 December 2020.

General

The Fund an open-ended investment fund established in the United Arab Emirates (the "UAE") by First Abu Dhabi Bank (the "Fund Manager" or "FAB") and is licensed by the Securities and Commodities authorities "SCA".

Principal activities

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.

Results

During the year under review, the fund incurred a net loss of AED 474,969 (2019: *Net Income of AED1,182,796*) which is set out in detail in the attached Statement of profit or loss and other comprehensive income. The Fund issued 2,184,539 units amounting to AED 9,894,250 and realised a redemption of 1,256,215 units amounting to AED 5,715,933 during the year, and its ending net assets attributable to holders of redeemable units at 31 December 2020 was AED 34,177,278.

Going concern basis

The Fund Manager has reasonable expectation that the Fund has adequate resources and support to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2020.

Transactions with Related Parties

The financial statements disclose related party transactions and balances in note 8. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

Future outlook

The management is of the opinion that the present level of activities will be maintained in the near future and no changes in financing or employees are expected.

NBAD Sukuk Income Fund

Fund Manager's report (continued)

Auditors

KPMG Lower Gulf Limited were appointed as external auditors for the Fund for the year ended 31 December 2020. KPMG Lower Gulf Limited have expressed their willingness to continue in office. A shareholder resolution for the reappointment of KPMG is proposed and to absolve them of their responsibility for the year ended 31 December 2020.

Alain Marckus
B 11007



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Alain Marckus

MD & Head of Investment Strategy & Investment Management

Abu Dhabi, United Arab Emirates

Date: 29 March 2021

Jason Clark
A 11035



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Jason Clark

MD & Global Head of Products & Services

Abu Dhabi, United Arab Emirates

Date: 29 March 2021



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Corniche Road, P.O. Box 7613
Abu Dhabi, United Arab Emirates
Tel. +971 (2) 401 4800, www.kpmg.com/ae

Independent Auditors' Report

To the Unit holders of NBAD Sukuk Income Fund

Opinion

We have audited the financial statements of NBAD Sukuk Income Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in net assets attributable to unit holders 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 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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.

Other information

Management is responsible for the other information. The other information comprises the Fund Manager's report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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 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.



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

- 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.
- 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

Richard Ackland
Registration No: 1015
Abu Dhabi, United Arab Emirates
Date: 29 March 2021

NBAD Sukuk Income Fund

Statement of financial position

as at

		31 December	31 December
		2020	2019
	<i>Notes</i>	USD	USD
Assets			
Investments at fair value through profit or loss	7	23,467,143	29,856,101
Other receivables		270,943	380,145
Bank balances		10,926,335	571,639
Total assets		34,664,421	30,807,885
Liabilities			
Dividend payable		377,591	516,267
Due to related parties	8	71,293	88,276
Other liabilities		38,259	17,632
Total liabilities		487,143	622,175
Net assets attributable to holders of redeemable units		34,177,278	30,185,710
Number of units outstanding		7,539,469	6,546,563
Net asset value per unit (USD)		4.53	4.61

To the best of our knowledge, the financial statements present fairly in all material respects the financial condition, financial performance and cash flow of the Fund as of and for, the periods presented therein.


Alain Marcus
B 11007



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Alain Marcus
MD & Head of Investment Strategy &
Investment Management

Jason Clark
A-11035



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Jason Clark
MD & Global Head of Products & Services

The accompanying notes set out on pages 10 to 30 form an integral part of these financial statements. The independent auditors' report is set out on pages 3 to 5.

NBAD Sukuk Income Fund

Statement of profit or loss and other comprehensive income for the year ended 31 December

	<i>Notes</i>	2020 USD	2019 USD
Net (loss)/gain on investments at fair value through profit or loss	9	(30,503)	1,609,605
Profit income		1,116,798	1,491,430
Net foreign exchange gain		107	101
Total net operating income		1,086,402	3,101,136
Investment management fees	8	(282,814)	(315,390)
Other operating expenses		(132,286)	(92,227)
Total operating expenses		(415,100)	(407,617)
Operating profit for the year		671,302	2,693,519
Other comprehensive income		-	-
Total comprehensive income		671,302	2,693,519
Dividends paid to holders of redeemable units	10	(1,146,271)	(1,510,723)
(Decrease)/increase in net assets attributable to holders of redeemable units		(474,969)	1,182,796

The accompanying notes set out on pages 10 to 30 form an integral part of these financial statements.
The independent auditors' report is set out on pages 3 to 5.

NBAD Sukuk Income Fund

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

	Number of units	Net assets attributable to unit holders USD
At 1 January 2019	7,664,142	34,113,735
Issue of units during the year	2,532,183	11,702,450
Redemption of units during the year	(3,739,178)	(17,224,034)
Profit for the year	-	1,182,796
Reinvestment of dividend	89,416	410,763
At 31 December 2019	<u>6,546,563</u>	<u>30,185,710</u>
At 1 January 2020	6,546,563	30,185,710
Issue of units during the year	2,184,539	9,894,250
Redemption of units during the year	(1,256,215)	(5,715,933)
Loss for the year	-	(474,969)
Reinvestment of dividend	64,582	288,220
At 31 December 2020	<u>7,539,469</u>	<u>34,177,278</u>

The accompanying notes set out on pages 10 to 30 form an integral part of these financial statements.
The independent auditors' report is set out on pages 3 to 5.

NBAD Sukuk Income Fund

Statement of cash flows for the year ended 31 December

	2020	2019
	USD	USD
Cash flows from operating activities		
Operating profit for the year	671,302	2,693,519
Adjustment for:		
Unrealised loss/(gain)	463,990	(1,293,252)
Changes in working capital:		
Investments at fair value through profit or loss	5,924,968	5,240,759
Other receivables	109,202	(19,565)
Due to related parties	(16,983)	(27,920)
Other liabilities	20,627	(55,137)
Cash generated from operating activities	<u>7,173,106</u>	<u>6,538,404</u>
Cash flows used in financing activities		
Proceeds from issue of redeemable units	10,182,470	12,113,213
Payments on redemption of redeemable units	(5,715,933)	(17,224,034)
Cash dividend paid	(1,284,947)	(1,666,136)
Net cash generated from/(used in) financing activities	<u>3,181,590</u>	<u>(6,776,957)</u>
Net increase/(decrease) in cash and cash equivalents	10,354,696	(238,553)
Cash and cash equivalents at the beginning of the year	<u>571,639</u>	<u>810,192</u>
Cash and cash equivalents at the end of the year	<u>10,926,335</u>	<u>571,639</u>

The accompanying notes set out on pages 10 to 30 form an integral part of these financial statements.
The independent auditors' report is set out on pages 3 to 5.

NBAD Sukuk Income Fund

Notes to the financial statements

1 Legal status and principle 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 Apex Fund Services Ltd - Abu Dhabi (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 6316, Abu Dhabi, United Arab Emirates.

2 Basis of preparation

(a) *Statement of compliance*

The financial statements of the Fund as at and for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRSs). These financial statements were approved on behalf of the Fund Manager on 29 March 2021 .

(b) *Basis of measurement*

These financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss which are measured at fair value.

(c) *Functional and presentation currency*

These financial statements are presented in United States Dollar (“USD”), which is the Fund’s functional currency. All financial information presented in USD has been rounded to the nearest USD.

(d) *Use of estimates and judgments*

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

2 Basis of preparation *(continued)*

(d) Use of estimates and judgments (continued)

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 5.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the new amendments to standards that became applicable and was adopted during the year. These amendments do not have any material impact on these financial statements.

(a) Profit income

Profit income is recognised in the statement of profit or loss and comprehensive income using the effective profit method.

(b) Dividend to holders of redeemable units

Dividends to holders of redeemable units are recognised in the statement of comprehensive income when they are authorised.

(c) Subscription fees

Subscription fees are charged to holders of redeemable units at the time of subscription of units in the Fund and are recognised in the statement of comprehensive income in the period during which such subscriptions are made.

(d) Net gain/(loss) from financial instruments at fair value through profit or loss

Net gain/(loss) from financial instruments at fair value through profit or loss includes all realised gain/(loss) and unrealised fair value changes but excludes profit income.

Net realised gain/(loss) from financial instruments at fair value through profit or loss represents the difference between the weighted average cost and their sale/settlement price.

Unrealised gain/(loss) represents the difference between the carrying amount of a financial instrument at the beginning of the period, or transaction price when purchased in the current reporting period and its fair value at the end of the period or at the last revaluation date before its sale/settlement.

(e) Expenses

All expenses, including the management fees and performance fees are recognised in the statement of comprehensive income on an accrual basis.

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

3 Significant accounting policies *(continued)*

(f) Foreign currency transactions

Transactions in foreign currencies are translated into USD at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into USD at the spot exchange rate at that date. Foreign currency exchange differences arising on translation are recognised in the statement of comprehensive income.

(g) Financial assets and financial liabilities

(i) Recognition and measurement

The Fund recognises financial assets and financial liabilities at fair value through profit or loss “FVTPL” on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

A financial asset or financial liability is measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Financial asset is classified as measured at: amortised cost; fair value through other comprehensive income “FVOCI” – debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their recognition unless the Fund changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment:

In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund’s management;

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

(ii) Classification and subsequent measurement (continued)

Business model assessment:

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the Investment Manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected ; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes cash and cash equivalents, balances due from brokers and other receivables. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt securities, equity investments. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Assessment whether contractual cash flows are SPPI:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse features);
- and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

(ii) Classification and subsequent measurement (continued)

Reclassifications

Financial assets are not reclassified subsequent to their recognition unless the Fund were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

(iii) 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 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 recognised in the statement of comprehensive 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.

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.

(iv) Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

(v) Impairment

The Fund recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

(v) Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

(vi) Derecognition

Financial assets

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

(vii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, for example, for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss.

(h) Redeemable units

Redeemable units are classified as financial liabilities and are measured at the present value of the redemption amounts. In accordance with the Fund's prospectus, the redemption amounts of the redeemable units are based on last published net asset value. The net assets value includes Fund's underlying investments, calculated using the closing prices.

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

(i) Net asset value per unit

The net asset value per unit disclosed in the statement of financial position is calculated in accordance with the Fund's prospectus by dividing the net assets attributable to holders of redeemable units included in the financial position by the number of units outstanding at the reporting date.

(j) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow comprise deposits with banks with original maturities of less than three months and bank overdraft balance that is repayable on demand and forms an integral part of the Fund's cash management. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(k) 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.

(l) Standard issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Fund has not early adopted the new or amended standards in preparing these financial statements. The following new and amended standards and interpretations are not expected to have a significant impact on the Fund's financial statements. The Fund has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

Description	Effective Date
Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform	1 January 2021
Amendments to IFRS 3, IAS 16 and 37 Business Combinations, Property, Plant and Equipment and Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
Amendments to IFRS 1, 9, Illustrative Examples accompanying 16 and IAS 41 Annual Improvements to IFRS	1 January 2022
Amendments to IFRS 17 Insurance contracts including Amendments to IFRS	1 January 2023
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2023

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

4 Financial risk management

Introduction and overview

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

The Advisory Board and Investment review Committee have the overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund is managed by the Fund Manager on the basis of the Funds investment objectives and guidelines, subject to the supervision of the Investment Committee, 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 process) and makes appropriate recommendations to the Fund 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.

Details of the nature of the Fund's investment portfolio at the reporting date are disclosed in relevant risk notes.

(a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from cash at bank and balances due from related parties. For risk management reporting purposes, the Fund considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

Credit risk is monitored on a regular basis by the Fund Manager in accordance with policies and procedures in place. Investment Committee's main objectives include: (i) to determine the investment strategies and tactics to be adopted to manage the Funds in accordance with the investment objectives and guidelines as set out in the prospectus and term sheet; and (ii) to review the Fund's performance and discuss the various strategies adopted at the sector and occasionally at the stock level.

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

4 Financial risk management (continued)

(a) Credit risk (continued)

Management of credit risk (continued)

The Funds Advisory Board's main objectives are to protect the interests of the investors. It also has a responsibility to consider the investment strategies adopted for the individual Funds and to review the performance of each Fund at a strategic level. Additionally the Advisory Board will consider events and action that may have given rise to a conflict of interest and advise the Fund Manager on possible remedies, if appropriate.

Where the credit risk is not in accordance with the investment policy or guidelines of the Fund, the Fund 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.

Exposure to credit risk

The Fund's maximum credit risk exposure at the statement of financial position date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.

Cash at bank

The Fund's bank balances are with Deutsche Securities and Services.

Investment at fair value through profit and loss

As at the year end the percentage of the Fund's investments by credit quality was as follows:

	2020	2019
A- to A+	17.40%	12.62%
BBB- to BB+	22.75%	23.10%
Non-rated	59.85%	64.28%
	<u>100.00%</u>	<u>100.00%</u>

All of the Fund's unrated investments are from reputable issuers.

Concentration of credit risk

There were no significant concentrations of credit risk to any individual issuer or group of issuers at 31 December 2020 or at 31 December 2019.

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

4 Financial risk management (continued)

(a) 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. Settlement limits form part of the credit approval and limit monitoring process.

Past due and impaired assets

No financial assets were past due or impaired at 31 December 2020 (31 December 2019: nil).

(b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

It arises principally from due to related parties and net assets attributable to Fund's equity holder.

Management of liquidity risk

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

The Fund's prospectus 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 Wednesday ("cut-off day") of each week, prior to the weekly valuation day (Thursday) and unit holders must provide notice on or before the cut-off day.

Maturity analysis for financial liabilities

Residual contractual maturities of the financial liabilities at reporting dates are as follows. Tables below show the cash flows of the Fund's financial instruments.

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

4 Financial risk management (continued)

(b) Liquidity risk (continued)

Maturity analysis for financial liabilities (continued)

	Carrying amount USD	Gross Amount USD	Less than one month USD
31 December 2020			
Financial liabilities			
Dividend payable	377,591	377,591	377,591
Due to related parties	71,293	71,293	71,293
Other liabilities	38,259	38,259	38,259
Net assets attributable to holders of redeemable units	34,177,278	34,177,278	34,177,278
	<u>34,664,421</u>	<u>34,664,421</u>	<u>34,664,421</u>
31 December 2019			
Financial liabilities			
Dividend payable	516,267	516,267	516,267
Due to related parties	88,276	88,276	88,276
Other liabilities	17,632	17,632	17,632
Net assets attributable to holders of redeemable units	30,185,710	30,185,710	30,185,710
	<u>30,807,885</u>	<u>30,807,885</u>	<u>30,807,885</u>

The previous table shows the undiscounted cash flows of the Fund's financial liabilities on the basis of their earliest possible contractual maturity. The gross amounts include interest payable where appropriate. The carrying amounts are similar to the gross amounts.

The Fund's expected cash flows on these instruments do not vary significantly from this analysis except for net assets attributable to the holders of redeemable units, which the Fund has the contractual obligation to redeem within the 2 days of the notice. Historical experience indicates that these units are held by unit holders based on medium or long term basis, however redemption levels are very difficult to predict as they vastly fluctuate with the changing market conditions and investor needs or objectives.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

4 Financial risk management (continued)

(c) Market risk (continued)

Management of market risks

The Fund's strategy on the management of the market risk is driven by its investment objectives and guidelines. The Fund aims to provide attractive levels of income with some prospect of capital gains over the medium term through actively investing in a mix of fixed income and money market instruments. The Fund's market risk is managed on a daily basis by the Fund Manager in accordance with the policies and procedures in place. The Fund's overall market positions are monitored by the Advisory Board and Investment Committee on a periodic basis.

When considered necessary or appropriate, the Fund Manager may hedge currency and/or other portfolio related risks in accordance with the investment objectives and guidelines.

Exposure to currency risk

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in United Arab Emirate Dirham (AED). Consequently, the Fund is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of that portion of the Fund's financial assets or liabilities denominated in currencies other than the USD. The exchange rate of AED is pegged against USD and hence the Fund's exposure to currency risk on AED is limited to that extent.

Exposure to profit rate risk

Profit rate risk is the risk that arises from timing difference in the maturity and re-pricing of Fund's profit bearing assets and liabilities. Floating rate profit bearing financial assets re-price in the short term, i.e. no longer than twelve months. As a result, the Fund is subject to limited exposure to fair value or cash flow profit rate risk due to fluctuations in the prevailing levels of market profit rate, hence the management estimates that any reasonable possible changes in profit rates movements would not have a significant impact on the Fund's financial statements. Except for investments in floating and fixed rate debt instruments, all other financial assets and liabilities are non-profit bearing.

The table below sets out sensitivity analysis and the effect on the Fund's statement of profit or loss and net assets attributable to holders of redeemable units of a reasonably possible increase of 100 bps in profit rates at 31 December. Management have determined that a fluctuation in profit rates by 100 basis points is reasonably possible considering the economic environment in which the Fund operates.

<i>Effect in USD, 100 basis points up</i>	2020	2019
Net impact on comprehensive income and net assets attributable to holders of redeemable units	<u>(971,549)</u>	<u>(1,388,397)</u>
<i>Effect in USD, 100 basis points down</i>	2020	2019
Net impact on comprehensive income and net assets attributable to holders of redeemable units	<u>928,451</u>	<u>1,301,697</u>

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

4 Financial risk management (continued)

c) 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 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 operating income.

Price risk is managed by the Fund 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.

Internal procedures require the Fund Manager to manage price risk on a daily basis. Internal procedures and systems help the Fund Manager to keep a check and control of any kind of price risk on an ongoing basis. Any deviation from the permitted guidelines needs to be corrected in the best possible manner within a reasonable time frame from the equity perspective. The Fund's procedures require price risk to be monitored on a monthly basis by the Advisory Board and the Investment Committee.

Where the market risk is not in accordance with the investment policy or guidelines of the Fund, the Fund 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 manager reviews credit concentration of debt securities held based on counterparties, industries and geographical locations. As at reporting date, the Fund's Sukuk exposure was concentrated in the following industries:

	2020	2019
Sector	%	%
Banks/ financial services	56	32
Real estate	-	14
Sovereign	-	16
Others	44	38
	<u>100</u>	<u>100</u>

The Fund estimates the future reasonably possible market price fluctuations for debt investments on an individual investment basis. The Fund expects minimal price fluctuations for its investments in debt instruments, other than those arising from profit rate or credit risk. As a result, the Fund is not subject to significant other price risk on these investments.

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior.

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

4 Financial risk management (continued)

c) Market risk (continued)

Other price risk (continued)

The recent COVID-19 pandemic has had serious and adverse consequences to business conditions in United Arab Emirates, the principal geographic area in which the Fund invests, and elsewhere around the globe throughout 2020, including limitations on travel, transportation, education, production of goods, provision of services and businesses operations generally. Further, the equity and other securities markets have experienced significant volatility, with substantial losses in the equity markets. Although the long-term economic fallout of COVID-19 is difficult to predict, the challenging business conditions currently faced by the Fund's investments in securities are highly likely to have adverse effects on their financial performance and, as a result, likely to adversely impact valuations of the Fund's investments for future periods. If the economic fallout is severe and/or extended, the adverse impacts may be material.

(d) Operational risk

Operational risks arise from all of the Fund's activities. 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 Head of Asset Management Group and Compliance Officer at the Fund 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; and
- risk mitigation, including insurance where this is effective.

Compliance with policies and procedures is supported by periodic reviews undertaken by the Fund 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 Fund Manager.

The directors' 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 debt instruments of the Fund are in the custody of a reputable custodian. Bankruptcy or insolvency of the custodian may cause the Fund's rights with respect to the securities held by the custodian to be delayed or limited. The Fund Manager monitors the credit ratings and financial position of its custodian on a periodic basis.

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

4 Financial risk management *(continued)*

(e) Capital management

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 achieving capital growth and provide 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 balance's portfolio as per the Fund investment guidelines while maintaining sufficient liquidity to meet unit holder's redemptions. The Fund has complied with the externally imposed requirements including SCA and UAE Central Bank rules and regulations.

5 Use of estimates and judgments

Key sources of estimation uncertainty and critical accounting judgments in applying the Fund's accounting policies:

(i) Fair values of financial instruments

The Fund's financial instruments include investments which are measured at fair value in the statement of financial position and it is usually possible to determine their fair values within a reasonable range of estimates i.e. quoted market prices are readily available. For certain other financial instruments, the carrying amounts approximate fair value due to the immediate or short term nature of the financial instruments. Availability of observable market prices reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial market.

Valuation models that employ significant inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used. The Fund has an established control framework with respect to the measurement of fair values. Specific controls include verification of observable pricing inputs; analysis and investigation of significant daily valuation movements; and reporting of significant valuation issues to the Advisory Board and Investment Committee. The Fund's accounting policies on fair value measurements for financial instruments are discussed in note 3 (g).

(ii) Contingent liability arising from litigations

Due to the nature of its operations, the Fund may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

(iii) Financial asset and liability classification

The Fund's accounting policies provide scope for financial assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

In classifying financial assets as fair value through profit or loss, the Fund has determined it meets the description as set out in note 3 (g).

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

6 Financial assets and liabilities

Accounting classifications and fair values

The table below provides reconciliation of the line items in the Fund's statement of financial position to the categories of financial instruments as at.

	At FVTPL USD	Financial assets at amortised cost USD	Other financial liabilities USD	Total USD
31 December 2020				
<i>Financial assets</i>				
Investments at fair value through profit or loss	23,467,143	-	-	23,467,143
Other receivables	-	270,943	-	270,943
Cash and cash equivalents	-	10,926,335	-	10,926,335
	<u>23,467,143</u>	<u>11,197,278</u>	<u>-</u>	<u>34,664,421</u>

	At FVTPL USD	Financial assets at amortised cost USD	Other Liabilities USD	Total USD
31 December 2020				
<i>Financial liabilities</i>				
Dividend payable	-	-	377,591	377,591
Due to related parties	-	-	71,293	71,293
Other liabilities	-	-	38,259	38,259
Net assets attributable to holders of redeemable units	-	-	34,177,278	34,177,278
	<u>-</u>	<u>-</u>	<u>34,664,421</u>	<u>34,664,421</u>

	At FVTPL USD	Financial assets at amortised cost USD	Other financial liabilities USD	Total USD
31 December 2019				
<i>Financial assets</i>				
Investments at fair value through profit or loss	29,856,101	-	-	29,856,101
Other receivables	-	380,145	-	380,145
Cash and cash equivalents	-	571,639	-	571,639
	<u>29,856,101</u>	<u>951,784</u>	<u>-</u>	<u>30,807,885</u>

<i>Financial liabilities</i>				
Dividend payable	-	-	516,267	516,267
Due to related parties	-	-	88,276	88,276
Other liabilities	-	-	17,632	17,632
Net assets attributable to holders of redeemable units	-	-	30,185,710	30,185,710
	<u>-</u>	<u>-</u>	<u>30,807,885</u>	<u>30,807,885</u>

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

6 Financial assets and liabilities (continued)

Accounting classifications and fair values (continued)

The financial instruments not accounted for at fair value through profit or loss are short-term financial assets and liabilities whose carrying amounts approximates their fair value.

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

For investment in units that are inactive as at the reporting date the Fund determines fair values using valuation techniques.

The valuation techniques include comparison to similar instruments, if any, for which market observable prices exist or marking to that index which is considered to offer the closest price. The objective of using a valuation technique is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in fair value hierarchy into which the fair value measurement is categorised.

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
As at 31 December 2020				
Investments at fair value through profit and loss	<u>23,467,143</u>	<u>-</u>	<u>-</u>	<u>23,467,143</u>
As at 31 December 2019				
Investments at fair value through profit and loss	<u>29,856,101</u>	<u>-</u>	<u>-</u>	<u>29,856,101</u>

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

6 Financial assets and liabilities (continued)

Accounting classifications and fair values (continued)

The Fund's financial assets at amortised cost and other liabilities are short term, whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties. Net assets attributable to holders of redeemable units are categorised under Level 2 in the fair value hierarchy. The Fund routinely redeems and issues the redeemable units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption.

7 Investments at fair value through profit and loss

Investments at fair value through profit or loss comprise quoted and unquoted financial instruments. The distribution of the investments on a country wise basis as at 31 December is as shown below:

	2020 USD	2019 USD
<i>Quoted financial instruments</i>		
GCC	21,836,112	29,856,101
Cayman Island	651,651	-
Malaysia	979,380	-
	<u>23,467,143</u>	<u>29,856,101</u>

8 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 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.

Terms and conditions

Key terms and conditions are shown below:

- Fees
- The Fund Manager is entitled the following fees as set out in the offering term 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 is charged by the Fund Manager. 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.

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

8 Related parties (continued)

Balances

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

	2020	2019
	USD	USD
<i>Due to related parties</i>		
Management fees payable to the Fund Manager	66,916	82,136
Registrar and transfer fees payable to the custody department	4,377	6,140
	71,293	88,276
Net asset value of units held under omnibus structure		
- NBAD Private Bank Suisse SA (under sub-registrar capacity)	2,247,722	2,287,417

Transactions

Transactions with related parties during the year included in the statement of comprehensive income are shown below:

	2020	2019
	USD	USD
Investment management fees	269,347	299,621
VAT Management fees	13,467	15,019
Registrar and transfer fees	14,053	15,770

The fund is managed by the Fund Manager and there are no key management personnel of the Fund. No performance fee was charged during the current year (31 December 2019: nil) as the performance threshold was not met. The Fund is managed by the Fund Manager who appoints the key management personnel.

9 Net gain/ (loss) on financial assets at fair value through profit or loss

	2020	2019
	USD	USD
Realised gain	433,487	316,353
Unrealised (loss)/gain	(463,990)	1,293,252
	(30,503)	1,609,605

The realised gain from financial instrument at FVTPL represents the difference between the weighted average carrying amount of a financial instrument at the date of settlement and its settlement price.

The unrealised (loss)/gain from FVTPL represents the difference between carrying amount of financial instrument at the beginning of the year, or the transaction price if it was purchased in the current reporting year, and its carrying amount at the end of the reporting year.

NBAD Sukuk Income Fund

Notes to the financial statements (continued)

10 Dividend paid to holders of redeemable units

	2020 USD	2019 USD
Dividend paid to holders of redeemable units	1,146,271	1,510,723
No of units entitled to the dividend	11,649,218	12,379,047
Dividend per units	<u>0.09840</u>	<u>0.12203</u>

11 Redeemable units

The Fund's redeemable units are subject to a minimum subscription amount. The Fund has a cut-off date which is the last day the Investment Manager can accept duly completed subscription agreements or redemption notices. Redemption notices are subject to a minimum value. Under extraordinary circumstances, the Fund also has the ability to suspend redemptions or initiate compulsory redemption if this is deemed to be in the best interest of all unit holders. The relevant movements are shown on the statement of changes in net assets attributable to holders of redeemable units. In accordance with the objectives outlined in Note 1 and the risk management policies in Note 4, the Fund endeavour to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions.

The Fund's net asset value per unit is USD 4.53 as at 31 December 2020 and USD 4.61 as at 31 December 2019.

12. Units of the Fund

The initial offering of units was at a price of USD 5 per unit (nominal value). Subsequent to the initial offering, the subscription price for units is based on the Net Asset Value (NAV) per unit on the last business day of each week.