

NBAD Sukuk Income Fund

Condensed interim financial statements

30 June 2014

NBAD Sukuk Income Fund

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 2014 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 2014;
- the condensed interim statement of profit or loss and other comprehensive income for the six month period ended 30 June 2014;
- the condensed interim statements of changes in net assets attributable to holders of redeemable units for the six month period ended 30 June 2014;
- the condensed interim statement of cash flows for the six month period ended 30 June 2014; 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 2014 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Munther Dajani
Registration No. 268

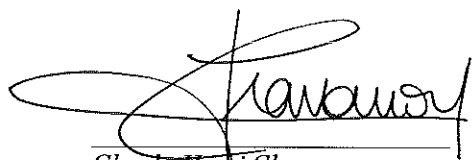
10 DEC 2014

NBAD Sukuk Income Fund

Condensed interim statement of financial position

As at

	<i>Note</i>	(Unaudited) 30 June 14 USD	(Audited) 31 Dec 13 USD
Assets			
Bank balances		1,671,158	2,835,826
Investments at fair value through profit or loss		32,309,577	34,340,990
Other assets		726,172	506,527
Total assets		<u>34,706,907</u>	<u>37,683,343</u>
Liabilities			
Other liabilities		2,665,303	2,383,729
Due to related parties	5	87,302	98,412
Total liabilities		<u>2,752,605</u>	<u>2,482,141</u>
Net assets attributable to holder of redeemable units		<u>31,954,302</u>	<u>35,201,202</u>
Number of units outstanding (thousand units)		<u>6,270,121</u>	<u>6,916,443</u>
Net asset value per unit (USD)		<u>5.10</u>	<u>5.09</u>



Claude-Henri Chavanon
Managing Director – Investment Group



Saleem Khokhar
Head of Equities

The notes on pages 6 to 9 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

		(Unaudited) 2014 USD	(Unaudited) 2013 USD
Profit income		898,302	695,539
Net gain/(loss) on investments at fair value through profit or loss	4	586,326	(1,312,881)
Net foreign exchange loss		(702)	-
Other income		15,123	20,080
Net operating income		<u>1,499,049</u>	<u>(597,262)</u>
Investment management fees	5	(158,395)	(121,567)
Other operating expenses		(333,791)	(35,760)
Total operating expenses		<u>(492,186)</u>	<u>(157,327)</u>
Net gain / (loss) from operations before finance cost		1,006,863	(754,590)
Dividends to holder of redeemable units		(926,427)	(632,029)
Increase/ (decrease) in net assets attributable to holder of redeemable units		<u>80,436</u>	<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 six months ended 30 June (unaudited)

	Number of units	Net assets attributable to unit holders USD
Balance at 1 January 2013	3,034,741	15,759,672
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)
As at 30 June 2013	<u>3,034,741</u>	<u>30,327,271</u>
Balance at 1 January 2014	6,916,443	35,201,202
Issue of units during the period	622,379	3,204,558
Dividends reinvested in units	53,742	274,764
Redemption of units during the period	(1,322,443)	(6,806,658)
Increase in net assets attributable to holder of redeemable units	-	80,436
As at 30 June 2013	<u>6,270,121</u>	<u>31,954,302</u>

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NBAD Sukuk Income Fund

Condensed interim statement of cash flows

For the six months ended 30 June

	(Unaudited) 2014 USD	(Unaudited) 2013 USD
Cash flows from operating activities		
Net gain from operations before finance cost	1,006,863	(754,590)
<i>Changes in:</i>		
Investments at fair value through profit or loss	2,031,413	(14,847,389)
Other assets	(219,645)	(799,486)
Other liabilities	281,574	38,787
Due to related parties	(11,110)	3,519
<i>Net cash from / (used in) operating activities</i>	<u>3,089,095</u>	<u>(16,359,159)</u>
Cash flows from financing activities		
Proceeds from issue of units	3,204,558	18,545,000
Payments on redemption of units	(6,806,658)	(2,855,495)
Cash dividend paid	(651,663)	(367,316)
<i>Net cash (used in) / from financing activities</i>	<u>(4,253,763)</u>	<u>15,430,025</u>
Net decrease in cash and cash equivalents	(1,164,668)	(929,134)
Cash and cash equivalents at 1 January	2,835,826	1,166,280
Cash and cash equivalents at 30 June	<u><u>1,671,158</u></u>	<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 (IFRS) 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 for the year ended 31 December 2013. They do not include all of the information required for full annual financial statements prepared in accordance with IFRS.

These condensed interim financial statements were approved on behalf of the Fund Manager on 10 DEC 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, the significant judgments made by Fund Manager in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those applied to financial statements as at and for the year ended 31 December 2013.

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 2013 except for as stated below:

New standards and interpretations adopted

During the period, amendments to standards and interpretations have become effective and been applied in preparing these condensed interim financial statements. These are amendments to IAS 32 (Financial instruments: Presentation), IAS 36 (Impairment of Assets) and IAS 39 (Financial Instruments: Recognition and Measurement). Application of these amendments does not have a material impact on the Fund's condensed interim financial statements.

A number of new standards, amendments to standards and interpretations have been issued but are not effective for the current accounting period commencing 1 January 2014, and have therefore not been early adopted by the Fund in the preparation of these condensed interim financial statements. The Fund does not plan to early adopt these standards and the extent of the impact has not been determined.

4 Net gain / (loss) on investments at fair value through profit or loss

	(Unaudited) 30 Jun 2014 USD	(Unaudited) 30 Jun 2013 USD
Net realised gain	305,101	138,585
Net unrealised gain/(loss)	281,225	(1,451,466)
	<u>586,326</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 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 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.

Balances

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

	(Unaudited) 30 Jun 2014 USD	(Audited) 31 Dec 2013 USD
<i>Due to related parties</i>		
Management fee payable to the Fund Manager	80,507	92,137
Administration fee payable to custody department of NBAD	6,795	6,275
	<u>87,302</u>	<u>98,412</u>

Transactions

Transactions with related parties during the period included in the condensed interim statement of profit or loss and other comprehensive income are shown below:

	(Unaudited) 30 June 2014 USD	(Unaudited) 30 June 2013 USD
Net realised gain on transactions with the Fund Manager	327,024	13,333
Investment management fees	158,395	121,567
Administration Fees	10,540	9,878
	<u>495,959</u>	<u>244,778</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 2013.

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.

All of the Fund's investments in quoted debt securities are held at fair value at the end of the reporting period and are categorised under level 1 of the fair value hierarchy. Derivative financial instruments, which are held at fair value, are categorised under level 2.