

# **NBAD UAE Trading Fund**

Condensed interim financial statements

**30 June 2015**

# NBAD UAE Trading Fund

## Condensed interim financial statements

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KPMG Lower Gulf Limited  
Abu Dhabi Branch  
P. O. Box 7613  
Abu Dhabi  
United Arab Emirates

Telephone +971 (2) 4014 800  
Telefax +971 (2) 6327 612  
Website www.ae-kpmg.com

## **Independent Auditor's Report on Review of Condensed Interim Financial Information**

The Unit holders  
NBAD UAE Trading Fund  
Abu Dhabi

### **Introduction**

We have reviewed the accompanying 30 June 2015 condensed interim financial information of the NBAD UAE Trading Fund ("the Fund"), which comprises:

- the condensed interim statement of financial position as at 30 June 2015;
- the condensed interim statement of profit or loss and other comprehensive income for the six month period ended 30 June 2015;
- the condensed interim statements of changes in net assets attributable to holders of redeemable units for the six month period ended 30 June 2015;
- the condensed interim statement of cash flows for the six month period ended 30 June 2015; 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 2015 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited  
Munther Dajani  
Registration No: 268

01 NOV 2015

# NBAD UAE Trading Fund

## Condensed interim statement of financial position

		(Unaudited) 30 Jun 2015 AED'000	(Audited) 31 Dec 2014 AED'000
	<i>Note</i>		
<b>Assets</b>			
Cash at bank	5	7,110	12,843
Investments at fair value through profit or loss		386,284	386,606
Due from a related party	5	10	15
Due from broker		6,855	5,996
Other receivables		145	124
<b>Total assets</b>		<b>400,404</b>	<b>405,584</b>
<b>Liabilities</b>			
Due to related parties	5	2,206	2,614
<b>Total liabilities</b>		<b>2,206</b>	<b>2,614</b>
<b>Net assets attributable to holder of redeemable units</b>		<b>398,198</b>	<b>402,970</b>
<b>Number of units outstanding (thousand units)</b>		<b>20,846</b>	<b>22,167</b>
<b>Net asset value per unit (AED)</b>		<b>19.10</b>	<b>18.18</b>
Represented by:			
Net assets attributable to unit holders (valued in accordance with prospectus)		400,415	405,343
Adjustment from closing prices to bid prices		(2,217)	(2,373)
		<b>398,198</b>	<b>402,970</b>



*Claude-Henri Chavanon*  
Managing Director and Head of Global  
Asset Management



*Saleem Khokhar*  
Executive Director and Head of  
Fund Management

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

The Independent Auditor's report on review of condensed interim financial information is set out on page 1.

## NBAD UAE Trading Fund

### Condensed interim statement of profit or loss and other comprehensive income

For the six months ended 30 June

		(Unaudited) 2015 AED'000	(Unaudited) 2014 AED'000
	<i>Note</i>		
Interest income	5	32	38
Net gain on investments at fair value through profit or loss	4	13,005	29,951
Dividend income		12,440	10,746
Other income		3	2
<b>Net investment gain</b>		<u>25,480</u>	<u>40,737</u>
Management fees	5	(4,162)	(4,506)
Other operating expenses		(514)	(580)
<b>Total operating expenses</b>		<u>(4,676)</u>	<u>(5,086)</u>
<b>Net profit from operations before interest</b>		<u>20,804</u>	<u>35,651</u>
Interest expense	5	-	(4)
<b>Increase in net assets attributable to holders of redeemable units</b>		<u>20,804</u>	<u>35,647</u>

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## NBAD UAE Trading 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 AED'000
Balance at 1 January 2014	21,550,666	379,255
Issue of units during the period	2,401,650	53,206
Redemption of units during the period	(847,941)	(18,463)
Increase in net assets attributable to holders of redeemable units		35,647
<b>Balance at 30 June 2014</b>	<b>23,104,375</b>	<b>449,645</b>
Balance at 1 January 2015	22,167,127	402,970
Issue of units during the period	61,402	1,172
Redemption of units during the period	(1,382,325)	(26,748)
Increase in net assets attributable to holders of redeemable units		20,804
<b>Balance at 30 June 2015</b>	<b>20,846,204</b>	<b>398,198</b>

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## NBAD UAE Trading Fund

### Condensed interim statement of cash flows

For the six months ended 30 June

	<i>Note</i>	<b>(Unaudited)</b> <b>2015</b> <b>'AED'000</b>	(Unaudited) 2014 AED'000
<b>Cash flows from operating activities</b>			
Profit for the period		<b>20,804</b>	35,647
<i>Changes in:</i>			
Investments at fair value through profit or loss		<b>322</b>	(41,047)
Due from related party	5	<b>5</b>	(16)
Other receivables		<b>(21)</b>	24
Due to related parties	5	<b>(408)</b>	582
Due from broker		<b>(859)</b>	-
<b>Net cash flows from/(used in) operating activities</b>		<b>19,843</b>	(4,810)
<b>Cash flows from financing activities</b>			
Proceeds from issue of units		<b>1,172</b>	53,206
Payments on redemption of units		<b>(26,748)</b>	(18,463)
<b>Net cash flows (used in)/from financing activities</b>		<b>(25,576)</b>	34,743
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,733)</b>	29,933
Cash and cash equivalents at 1 January		<b>12,843</b>	2,961
<b>Cash and cash equivalents at 30 June</b>	5	<b>7,110</b>	32,894

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# NBAD UAE Trading Fund

## Notes to the condensed interim financial statements

### 1 Legal status and principal activities

NBAD UAE Trading Fund (the “Fund”) is an open ended investment fund established in the United Arab Emirates (the “UAE”) by National Bank of Abu Dhabi PJSC (the “Fund Manager”) and is licensed by the Central Bank of the UAE approval reference number 13/2156/2003 dated 31 December 2003. The Fund is not a separately incorporated entity and its activities are managed by the Fund Manager.

The Fund aims to capture short-term trading opportunities arising primarily in UAE equities. The Fund aims to provide attractive returns over medium-term, while reducing directional downward risk in the underlying markets. The Fund invests in a portfolio of UAE and GCC equities and related securities including third party collective investment schemes, across sectors, whether listed on the Dubai or Abu Dhabi Financial Markets or, where appropriate, purchased through the ‘over the counter’ arrangements.

The applicable prospectus was revised on 30 November 2014 and the term sheet was revised on 30 November 2014. These revisions were approved by the Central Bank of the UAE. The revised prospectus and term sheet are 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 and for the year ended 31 December 2014. They do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of fund as at and for the year ended 31 December 2014, which have been prepared in accordance with IFRS.

These condensed interim financial statements were approved on behalf of the Fund Manager on 01 NOV 2015.

#### (b) *Estimates*

The preparation of condensed 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 these condensed interim financial statements, the significant judgments made by Fund Manager in applying 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 2014.



# NBAD UAE Trading 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 audited financial statements as at and for the year ended 31 December 2014, except for the adoption of new IFRSs which became effective as of 1 January 2015.

The adoption of the new and amended standards and interpretations have been reflected in these condensed interim financial statements as appropriate in terms of disclosures but do not have an impact on the financial position or performance of the Fund during the period.

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 2015, 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 on investments at fair value through profit or loss

	(Unaudited) 30 June 2014 AED'000	(Unaudited) 30 June 2013 AED'000
Realised loss	(4,270)	(2,431)
Unrealised gain	17,275	32,382
	<u>13,005</u>	<u>29,951</u>

As at the reporting date all of the Fund's investments at fair value through profit or loss comprise listed equity securities.

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

### 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 UAE Trading Fund

## Notes to the condensed interim financial statements

### 5 Related parties (continued)

#### Terms and conditions

Key terms and conditions are shown below:

Brokerage	NBAD SECURITIES (“NBADS”), a wholly owned subsidiary of the Fund Manager, provides brokerage services to the Fund at prevailing market rates.
Banking	The Fund Manager provides banking services at rates agreed with the Fund Manager.
Others	The Fund Manager is entitled to the following fees as set out in the term sheet: <ul style="list-style-type: none"><li>• Management fees of 2%;</li><li>• Performance fees of 10% charged by the Fund Manager on the increase in the Fund’s NAV above the hurdle rate. The hurdle rate is calculated as an increase of 2% per quarter over the last highest NAV of the Fund on which performance fee have been charged.</li></ul>

#### Balances

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

	(Unaudited) 30 Jun 2015 AED’000	(Audited) 31 Dec 2014 AED’000
Fair value of investments at fair value through profit or loss in securities issued by the Fund Manager 1,087 thousand shares (2014: 1,383 thousands)	11,581	18,878
Number of units held by related parties (in thousands)	97	97
Cash at bank	7,110	12,843
<b>Due to related parties</b>		
Management fee payable to Fund Manager	2,130	2,529
Administration fee payable to Custody Department	76	85
	<b>2,206</b>	<b>2,614</b>

# NBAD UAE Trading Fund

## Notes to the condensed interim financial statements

### 5 Related parties *(continued)*

#### *Balances (continued)*

	<b>(Unaudited)</b> <b>30 Jun 2015</b> <b>AED'000</b>	<b>(Audited)</b> <b>31 Dec 2014</b> <b>AED'000</b>
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#### *Due from a related party*

Interest receivable from NBAD	<u>10</u>	<u>15</u>
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#### *Transactions*

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

	<b>(Unaudited)</b> <b>30 Jun 2015</b> <b>AED'000</b>	<b>(Unaudited)</b> <b>30 June 2014</b> <b>AED'000</b>
Interest income	32	38
Interest expense	-	(4)
Dividend income	395	760
Brokerage expense to NBADS	(186)	(179)
Investment management fees	(4,162)	(4,506)
Administration fees	(457)	(515)

In accordance with article 13.2 of the term sheet, a management fee of 2% per annum of Fund's NAV is payable quarterly to the Fund Manager, calculated and accrued on a daily basis. Management fees of AED 4,562 thousand were paid during the period (30 June 2014: AED 2,018 thousand).

No performance fee was charged during the current period (30 June 2014: nil) as the performance threshold was not met.

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

### 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 2014.

# NBAD UAE Trading Fund

## Notes to the condensed interim financial statements

### **7 Fair value hierarchy of financial assets and liabilities**

All financial assets and liabilities are measured at amortized cost except for held for trading investments which are measured at fair value either by reference to published price quotations in an active market or by using some valuation technique

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

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.

All of the Fund's investments in quoted equity securities are held at fair value at the end of the reporting period and as at 31 December 2014, and are categorised under level 1 of the fair value hierarchy.

### **8 Comparative figures**

Certain comparative figures have been reclassified, where necessary, to conform to the presentation and accounting policies adopted in these condensed interim financial statements.