

ANNUAL REPORT 2019

❖ LIBRA SHARIAH LIQUIDITY FUND SERIES 2

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FUND & SERVICE DIRECTORY

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FUND DIRECTORY

MANAGER

Libra Invest Berhad (361207-D)
(A member of Kenanga Investors Group)
Ground Floor, Bangunan ECM Libra
8 Jalan Damansara Endah
Damansara Heights
50490 Kuala Lumpur
General Line: 03-2089 1888
Investor Care Line: 03-2089 1883
Fax: 03-2096 1020 & 03-2096 1662
website: www.librainvest.com
e-mail: libra.invest@kenanga.com.my

SHARIAH ADVISER

BIMB Securities Sdn Bhd (290163-X)
Level 32, Menara Multi-Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 03 - 2613 1600
Fax: 03 - 2613 1799

TRUSTEE

CIMB Islamic Trustee Berhad (167913-M)
Level 21, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel: 03-2261 8888; Fax: 03-2261 9889

AUDITOR

Ernst & Young (AF 0039)
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel: 03-7495 8000; Fax: 03-2095 5332

TAX ADVISER

PricewaterhouseCoopers Taxation
Services Sdn Bhd (464731-M)
Level 10, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
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50706 Kuala Lumpur
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SERVICE DIRECTORY

HEAD OFFICE

Ground Floor
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JOHOR BAHRU

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MARKET REVIEW: MONEY MARKET

On 7 May 2019, as widely expected, Bank Negara Malaysia (BNM) lowered the Overnight Policy Rate (OPR) by 25 basis points (bps) from 3.25% to 3.00%. The central bank highlighted that the adjustment to the OPR is a pre-emptive measure to support domestic economic growth. Following BNM's move to revise the OPR, deposit rates offered by banks have been adjusted accordingly.

In 2Q2019, Malaysia's economic growth improved from 4.5% year-on-year (y-o-y) in 1Q2019 to 4.9%, supported by domestic demand and a rebound in the mining sector. For the full year 2019, the Malaysian economy is projected to expand at a moderate pace of 4.3%-4.8% (2018: 4.7%), supported by resilient private spending alongside a stable labour market. Meanwhile, headline inflation increased from 0.2% a year ago to 1.5% in August, mainly due to the low base effect from the removal of the Goods and Services Tax (GST) in June 2018.

The amount of excess liquidity mopped up by BNM stood at around RM121.0 billion as at end of August 2019, a decrease of RM8.4 billion from RM129.4 billion a year ago.

MARKET OUTLOOK: MONEY MARKET

In the near to medium-term, the outlook for global growth remains cloudy amid continued trade tensions and geopolitical risks. Therefore, major central banks are anticipated to maintain accommodative monetary policies to support growth. On 12 September, the European Central Bank cut its benchmark interest rate by 10bps to -0.5% and pledged to restart its bond purchase programme at EUR20 billion a month, to stimulate the Eurozone economy. Meanwhile on 18 September, the US Fed lowered interest rates for the second time this year, by 25bps to 1.75%-2.00%. Similarly, the Reserve Bank of Australia lowered rates by 25bps on 1 October to a record low of 0.75%, while India slashed rates for the fifth time this year on 4 October by 25bps to 5.15%.

Locally, BNM expects inflation to edge higher for the remainder of the year and into 2020, but remain manageable given the relatively stable outlook on global oil prices and policy measures in place to contain food prices. Therefore, given expectations of moderate domestic growth and inflation, coupled with potential external risks, BNM is anticipated to keep interest rates accommodative to safeguard growth.

Note: Interest rate is a general economic indicator that will have an impact on the management of the unit trust funds regardless of whether it is an Islamic fund or otherwise. This does not in any way, suggest that Libra Shariah Liquidity Fund Series 2 will invest in conventional financial instruments. All the investments carried out for Libra Shariah Liquidity Fund Series 2 are made in accordance with Shariah requirements.

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OTHER MATTERS

1. Significant changes on the state of affairs of Libra Shariah Liquidity Fund Series 2

There are no other significant changes on the state of affairs of Libra Shariah Liquidity Fund Series 2 for the financial year ended 30 September 2019.

2. Circumstances that materially affect any interests of the unit holders

Libra Invest Berhad and Libra Shariah Liquidity Fund Series 2 have no circumstances that materially affect any interest of the unit holders.

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LIBRA SHARIAH LIQUIDITY FUND SERIES 2

FUND PROFILE

Inception Date	4 February 2015 (<i>The Fund has no predetermined fixed period or termination date</i>).
Initial Offer Price	RM1.0000 per unit during the Initial Offer Period (IOP) of One (1) calendar day commencing from 4 February 2015.
Pricing Policy	Investment and Liquidation at Net Asset Value per unit.
Fund Category/ Type	Money Market (Shariah/Income).
Benchmark	Maybank 1-month Islamic Fixed Deposit-i rate. <i>* With effect from 1 July 2016, the Fund's benchmark has been changed from Maybank 1-month GIA-i Tier 1 rate to Maybank 1-month Islamic Fixed Deposit-i rate.</i>
Investment Objective	The Fund seeks to preserve capital ¹ while providing steady income ² by investing in short-term Islamic deposits. Any material changes to the investment objective of the Fund would require Unit Holders' approval. <i>¹Unit Holders are to note that this is not a capital guaranteed nor protected Fund. Unit Holders' capital is neither guaranteed nor protected.</i> <i>²All income distribution will be automatically reinvested into additional Units.</i>
Investment Policy	The Fund will invest in Ringgit-denominated short-term Islamic deposits with Financial Institutions.
Investment Strategy	The Fund will invest up to 100% of its NAV in Ringgit-denominated short-term Islamic deposits with Financial Institutions. The Manager shall adopt an active investment strategy by monitoring short-term profit rates offered by Financial Institutions on a daily basis. The Manager seeks to maximise the Fund's returns by actively sourcing for and subsequently investing in short-term Islamic deposits that offer the highest rates available.
Distribution Policy	Subject to the availability of income, the Fund will distribute income on a monthly basis. The amount of income to be distributed will vary from period to period, depending on interest rates, market conditions, the performance and the objective of the Fund. Income distribution may be made out of net profits from Islamic deposits. It is also the Manager's policy to automatically reinvest distribution proceeds into additional Units at the NAV per unit on payment date (at ex-distribution price) with no sales charge imposed.
Rebate and Soft Commissions	It is the policy of the Manager to credit any rebates received into the account of the Fund. Soft commissions are retained by the Manager for purchasing goods and services that are of demonstrable benefit to the Unit Holders of the Fund and are in the form of research and advisory services that assist in the decision making process relating to the investment of the Fund (i.e. research materials, data and quotation services and investment advisory services). Any dealing with the broker or dealer is executed on terms which are the most favourable for the Fund.

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LIBRA SHARIAH LIQUIDITY FUND SERIES 2

FUND PROFILE

Profile of Unitholdings <i>* Excluding units held by the Management Company</i>	<i>As at 30 September 2019</i>			
	Unit Holder		Unit Holding	
Size of Holding (Units)	No.	%	No. (million)	%
5,000 and below	-	-	-	-
5,001 to 10,000	-	-	-	-
10,001 to 50,000	-	-	-	-
50,001 to 500,000	-	-	-	-
500,001 and above	2	100	3.06	100
* Total (Decimal Rounding)	2	100	3.06	100

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LIBRA SHARIAH LIQUIDITY FUND SERIES 2

FUND PERFORMANCE

	2019	2018	2017
NAV & PRICING as at 30 September			
<i>Please refer to Note 1 for further information.</i>			
Total Net Asset Value (RM million)	3.15	6.24	18.16
Units in circulation (million units)	3.06	6.07	17.77
NAV per unit (RM)	1.0280	1.0272	1.0220

HIGHEST & LOWEST NAV for the year ended 30 September			
<i>Please refer to Note 1 for further information.</i>			
Highest NAV per unit (RM)	1.0330	1.0327	1.0247
Lowest NAV per unit (RM)	1.0241	1.0175	1.0111

PORTFOLIO COMPOSITION % of NAV for the year ended 30 September			
<i>Islamic Liquid Assets including Short-term Islamic Deposits</i>			
	100.00	100.00	100.00

EXPENSE/TURNOVER for the year ended 30 September			
Management expense ratio (MER) (%)	0.14	0.11	0.21
Portfolio turnover ratio (PTR) (times)	-	-	-
Please refer to page 28 for further explanation on the difference in MER and PTR.			

RETURN (%) for the year ended 30 September			
<i>Please refer to Note 2 for further information.</i>			
• TOTAL RETURN	2019	2018	2017
Total Return	3.49	3.50	3.39
Capital Return	0.08	0.51	1.07
Income Return	3.41	2.99	2.32

• ANNUAL TOTAL RETURN	2019	2018	2017
Libra Shariah Liquidity Fund Series 2 (%) (Commencement Date: 26 May 2016)	3.49	3.50	3.39

• AVERAGE TOTAL RETURN	1-yr	3-yrs	5-yrs
Libra Shariah Liquidity Fund Series 2 (%) (Commencement Date: 26 May 2016)	3.49	3.46	N/A

Source: Libra Invest Berhad

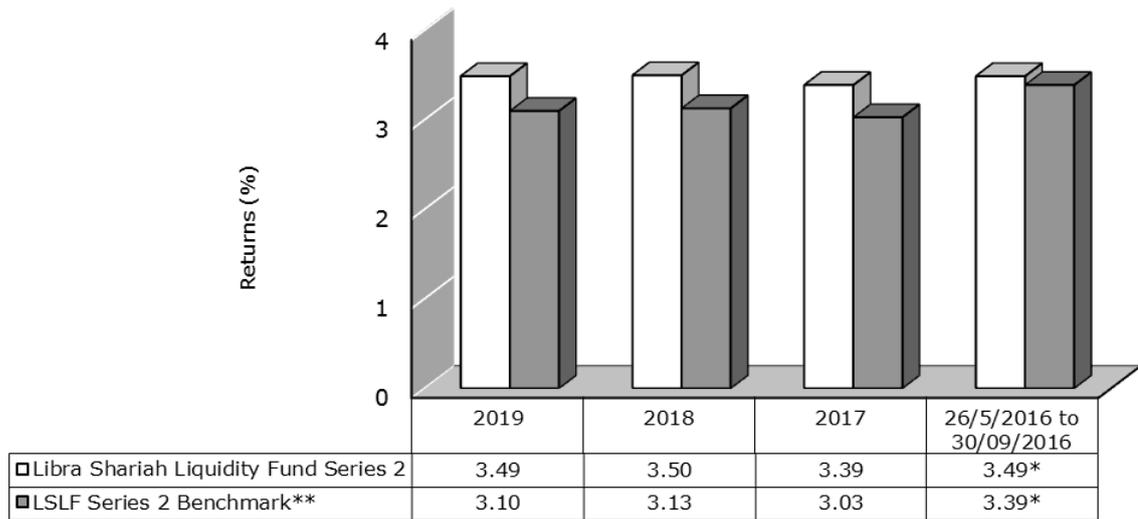
Past performance is not necessarily indicative of future performance. Unit prices and investment returns may fluctuate.

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LIBRA SHARIAH LIQUIDITY FUND SERIES 2

FUND PERFORMANCE

Annual Total Return of Libra Shariah Liquidity Fund Series 2 vs. its Benchmark for the year ended 30th September



▣ Libra Shariah Liquidity Fund Series 2

▣ LSLF Series 2 Benchmark**

Source: Libra Invest Berhad & Lipper

*Annualised

** With effect from 1 July 2016, the Fund's benchmark has been changed from Maybank 1-month GIA-i Tier 1 rate to Maybank 1-month Islamic Fixed Deposit-i rate

Note: The Fund commenced operations on 26 May 2016.

Past performance is not necessarily indicative of future performance. Unit prices and investment returns may fluctuate.

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LIBRA SHARIAH LIQUIDITY FUND SERIES 2

INCOME DISTRIBUTION AND UNIT SPLIT

For the year ended 30 September

Please refer to Note 3 for further information.

	2019		2018		2017	
Distribution date	29 Oct 28 Nov 27 Dec 29 Jan 26 Feb 26 Mar	26 Apr 29 May 26 Jun 26 Jul 28 Aug 26 Sep	31 Oct 30 Nov 19 Dec 26 Jan 26 Feb 27 Mar	26 Apr 28 May 27 Jun 28 Aug 26 Sep	31 Oct 30 Nov 30 Dec 31 Jan 28 Feb 31 Mar	28 Apr 31 May 30 Jun 31 Jul 30 Aug 29 Sep
Gross distribution (sen per unit)	0.15 (29 Oct) 0.15 (28 Nov) 0.90 (27 Dec) 0.25 (29 Jan) 0.25 (26 Feb) 0.25 (26 Mar)	0.25 (26 Apr) 0.25 (29 May) 0.25 (26 Jun) 0.25 (26 Jul) 0.25 (28 Aug) 0.25 (26 Sep)	0.15 (31 Oct) 0.15 (30 Nov) 0.90 (19 Dec) 0.15 (26 Jan) 0.15 (26 Feb) 0.45 (27 Mar)	0.05 (26 Apr) 0.05 (28 May) 0.05 (27 Jun) 0.45 (28 Aug) 0.45 (26 Sep)	0.10 (31 Oct) 0.10 (30 Nov) 0.30 (30 Dec) 0.15 (31 Jan) 0.15 (28 Feb) 0.30 (31 Mar)	0.15 (28 Apr) 0.15 (31 May) 0.30 (30 Jun) 0.15 (31 Jul) 0.15 (30 Aug) 0.30 (29 Sep)
Net distribution (sen per unit)	0.15 (29 Oct) 0.15 (28 Nov) 0.90 (27 Dec) 0.25 (29 Jan) 0.25 (26 Feb) 0.25 (26 Mar)	0.25 (26 Apr) 0.25 (29 May) 0.25 (26 Jun) 0.25 (26 Jul) 0.25 (28 Aug) 0.25 (26 Sep)	0.15 (31 Oct) 0.15 (30 Nov) 0.90 (19 Dec) 0.15 (26 Jan) 0.15 (26 Feb) 0.45 (27 Mar)	0.05 (26 Apr) 0.05 (28 May) 0.05 (27 Jun) 0.45 (28 Aug) 0.45 (26 Sep)	0.10 (31 Oct) 0.10 (30 Nov) 0.30 (30 Dec) 0.15 (31 Jan) 0.15 (28 Feb) 0.30 (31 Mar)	0.15 (28 Apr) 0.15 (31 May) 0.30 (30 Jun) 0.15 (31 Jul) 0.15 (30 Aug) 0.30 (29 Sep)
NAV before distribution (sen per unit)	102.97 (26 Oct) 103.15 (27 Nov) 103.30 (26 Dec) 102.74 (28 Jan) 102.76 (25 Feb) 102.81 (25 Mar)	102.87 (25 Apr) 102.94 (28 May) 102.95 (25 Jun) 102.97 (25 Jul) 103.01 (27 Aug) 103.01 (25 Sep)	102.49 (30 Oct) 102.64 (29 Nov) 102.65 (18 Dec) 102.06 (25 Jan) 102.21 (23 Feb) 102.33 (26 Mar)	102.18 (25 Apr) 102.46 (25 May) 102.71 (26 Jun) 103.28 (27 Aug) 103.12 (25 Sep)	101.36 (28 Oct) 101.55 (29 Nov) 101.72 (29 Dec) 101.69 (27 Jan) 101.82 (27 Feb) 101.93 (30 Mar)	101.87 (27 Apr) 102.08 (30 May) 102.21 (29 Jun) 102.19 (28 Jul) 102.34 (29 Aug) 102.47 (28 Sep)
NAV after distribution (sen per unit)	102.85 (29 Oct) 103.01 (28 Nov) 102.41 (27 Dec) 102.50 (29 Jan) 102.52 (26 Feb) 102.57 (26 Mar)	102.63 (26 Apr) 102.70 (29 May) 102.71 (26 Jun) 102.73 (26 Jul) 102.77 (28 Aug) 102.77 (26 Sep)	102.34 (31 Oct) 102.49 (30 Nov) 101.75 (19 Dec) 101.91 (26 Jan) 102.06 (26 Feb) 101.88 (27 Mar)	102.13 (26 Apr) 102.41 (28 May) 102.66 (27 Jun) 102.83 (28 Aug) 102.67 (26 Sep)	101.29 (31 Oct) 101.46 (30 Nov) 101.43 (30 Dec) 101.58 (31 Jan) 101.67 (28 Feb) 101.63 (31 Mar)	101.73 (28 Apr) 101.94 (31 May) 101.92 (30 Jun) 102.07 (31 Jul) 102.20 (30 Aug) 102.20 (29 Sep)
Unit Split	-		-		-	

Past performance is not necessarily indicative of future performance. Unit prices and investment returns may fluctuate.

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LIBRA SHARIAH LIQUIDITY FUND SERIES 2

FUND REVIEW

The Fund's return for the year under review was 3.49% while its benchmark return was 3.10%. Following Bank Negara Malaysia's move to reduce the Overnight Policy Rate (OPR) by 25 basis points from 3.25% to 3.00% on 7 May 2019, deposit rates offered by banks have accordingly been adjusted lower. Returns for the Fund were derived from its investments in Ringgit-denominated short-term Islamic deposits with licensed financial institutions. In line with its objective, the Fund has preserved capital while providing steady income.

NAV PER UNIT

NAV per unit as at 30 September 2018	RM 1.0272
NAV per unit as at 30 September 2019	RM 1.0280

ASSET ALLOCATION *as at 30 September 2019*



1	Short-term Islamic deposits	100%
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NOTES

Note 1: *Selling of units by the Management Company (i.e. when you purchase units and invest in the funds) and redemption of units by the Management Company (i.e. when you redeem your units and liquidate your investments) will be carried out at NAV per unit (the actual value of a unit). The entry/exit fee (if any) would be computed separately based on your net investment/liquidation amount.*

Note 2: *Fund performance figures are calculated based on NAV to NAV and assume the reinvestment of distributions (if any) at NAV. The performance figures for the Fund and its Benchmark are sourced from Libra Invest Berhad and Lipper respectively.*

Note 3: *Distribution of 3.45 sen per unit was declared for the period ended 30 September 2019. All distributions were automatically reinvested into additional units on the same day at NAV after distribution with no entry fee. Below is an illustration of the net income distribution which was distributed on a monthly basis.*

Date	Distribution (sen)	Date	Distribution (sen)
29 October 2018	0.15	26 April 2019	0.25
28 November 2018	0.15	29 May 2019	0.25
27 December 2018	0.90	26 June 2019	0.25
29 January 2019	0.25	26 July 2019	0.25
26 February 2019	0.25	28 August 2019	0.25
26 March 2019	0.25	26 September 2019	0.25

- *There was no unit split exercise for the period ended 30 September 2019.*

Past performance is not necessarily indicative of future performance. Unit prices and investment returns may fluctuate.

TRUSTEE'S REPORT**TO THE UNIT HOLDERS OF
LIBRA SHARIAH LIQUIDITY FUND SERIES 2**

We, **CIMB Islamic Trustee Berhad** being the trustee of **Libra Shariah Liquidity Fund Series 2** ("the Fund") are of the opinion that **Libra Invest Berhad** ("the Manager") acting in the capacity as the Manager of the Fund, has fulfilled its duties in the following manner for the financial year ended 30 September 2019.

- (a) The Fund has been managed in accordance with the limitations imposed on the investment powers of the Manager under the Deeds, the Securities Commission Malaysia's Guidelines on Unit Trust Funds, the Capital Markets and Services Act 2007 (as amended from time to time), and other applicable laws;
- (b) Valuation and pricing of units for the Fund has been carried out in accordance with the Deeds and any relevant regulatory requirements;
- (c) Creation and cancellation of units have been carried out in accordance with the Deeds and any relevant regulatory requirements; and
- (d) The distribution of income by the Fund is appropriate and reflects the investment objective of the Fund.

For and on behalf of
CIMB Islamic Trustee Berhad

Lee Kooi Yoke
Chief Executive Officer

Kuala Lumpur, Malaysia
20 November 2019

**SHARIAH ADVISER'S REPORT
TO THE UNIT HOLDERS OF LIBRA SHARIAH LIQUIDITY FUND SERIES 2**

We have acted as the Shariah Adviser of **Libra Invest Berhad**, the Manager of **Libra Shariah Liquidity Fund Series 2** (“the Fund”) for the financial year ended 30 September 2019.

Our responsibility is to ensure that the procedures and processes employed by the Manager as well as the provisions of the Fund’s Deed dated 8 September 2014 are all in accordance with Shariah principles.

In our opinion, based on the periodic reports submitted to us, the Manager has managed and administered the Fund in accordance with Shariah principles and has complied with applicable guidelines, rulings and decisions issued by the Shariah Advisory Council (“SAC”) of the Securities Commission for the financial year ended 30 September 2019.

We confirm that the investment portfolio of the Fund comprises instruments which have been classified as Shariah-compliant by the SAC of Bank Negara Malaysia (“BNM”). As for instruments which have not been classified by the SAC of BNM, we have reviewed and determined the Shariah status of the said instruments.

For and on behalf of the Shariah Adviser,
BIMB SECURITIES SDN BHD

IR. DR. MUHAMAD FUAD ABDULLAH
Designated Shariah Person

Kuala Lumpur, Malaysia
20 November 2019

Libra Shariah Liquidity Fund Series 2

**STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

	Note	2019 RM	2018 RM
ASSETS			
Islamic deposits with financial institutions	3	3,133,000	6,207,000
Other receivables	4	13,375	31,809
Cash at bank		1,721	1,599
TOTAL ASSETS		<u>3,148,096</u>	<u>6,240,408</u>
LIABILITIES			
Trade and other payables	6	2,040	2,344
TOTAL LIABILITIES		<u>2,040</u>	<u>2,344</u>
EQUITY			
Unit holders' capital		2,321,255	5,410,069
Realised reserves		824,801	827,995
TOTAL EQUITY	7	<u>3,146,056</u>	<u>6,238,064</u>
TOTAL EQUITY AND LIABILITIES		<u>3,148,096</u>	<u>6,240,408</u>
UNITS IN CIRCULATION	7(a)	<u>3,060,252</u>	<u>6,073,075</u>
Net Asset Value ("NAV") Per Unit	8	<u>1.0280</u>	<u>1.0272</u>

The accompanying notes form an integral part of the financial statements.

Libra Shariah Liquidity Fund Series 2

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019**

	Note	2019 RM	2018 RM
INVESTMENT INCOME			
Income from Islamic money market deposits		160,960	1,067,511
		<u>160,960</u>	<u>1,067,511</u>
EXPENSES			
Manager's fee	9	4,449	24,872
Trustee's fee	10	890	5,987
Other expenses		830	2,315
		<u>6,169</u>	<u>33,174</u>
Net income before tax		154,791	1,034,337
Income tax expense	11	-	-
Net income after tax, representing total comprehensive income for the financial year		<u>154,791</u>	<u>1,034,337</u>
Net income after tax is made up of the following:			
Net realised income		154,791	1,034,337
		<u>154,791</u>	<u>1,034,337</u>
Net distribution amount	12	157,985	444,903
Gross distribution per unit (sen)	12	3.45	3.00
Net distribution per unit (sen)	12	<u>3.45</u>	<u>3.00</u>

The accompanying notes form an integral part of the financial statements.

Libra Shariah Liquidity Fund Series 2
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	Unit holders' capital Note 7(a) RM	Realised reserves Note 7(b) RM	Total equity RM
As at 1 October 2017	17,919,560	238,561	18,158,121
Total comprehensive income for the year	-	1,034,337	1,034,337
Creation of units	89,533,672	-	89,533,672
Cancellation of units	(102,043,163)	-	(102,043,163)
Distributions	-	(444,903)	(444,903)
As at 30 September 2018	<u>5,410,069</u>	<u>827,995</u>	<u>6,238,064</u>
As at 1 October 2018	5,410,069	827,995	6,238,064
Total comprehensive income for the year	-	154,791	154,791
Creation of units	957,985	-	957,985
Cancellation of units	(4,046,799)	-	(4,046,799)
Distributions	-	(157,985)	(157,985)
As at 30 September 2019	<u>2,321,255</u>	<u>824,801</u>	<u>3,146,056</u>

The accompanying notes form an integral part of the financial statements.

Libra Shariah Liquidity Fund Series 2

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019**

	2019	2018
	RM	RM
Cash flows from operating and investing activities		
Placement of Islamic deposits	(600,000)	(1,000,000)
Proceeds from maturity of Islamic deposits	1,000,000	1,095,000
Income received from Islamic money market deposits	179,394	1,097,438
Manager's fee paid	(4,703)	(26,576)
Trustee's fee paid	(940)	(6,202)
Payment for other fees and expenses	(830)	(4,085)
Net cash generated from operating and investing activities	<u>572,921</u>	<u>1,155,575</u>
Cash flows from financing activities		
Cash received from units created	957,985	89,533,672
Cash paid on units cancelled	(4,046,799)	(102,081,553)
Distribution paid	(157,985)	(444,903)
Net cash used in financing activities	<u>(3,246,799)</u>	<u>(12,992,784)</u>
Net decrease in cash and cash equivalents	(2,673,878)	(11,837,209)
Cash and cash equivalents at the beginning of the year	<u>5,208,599</u>	<u>17,045,808</u>
Cash and cash equivalents at the end of the year	<u>2,534,721</u>	<u>5,208,599</u>
Cash and cash equivalents comprise:		
Cash at bank	1,721	1,599
Islamic deposits with licensed financial institutions with original maturity of less than 3 months	<u>2,533,000</u>	<u>5,207,000</u>
	<u>2,534,721</u>	<u>5,208,599</u>

The accompanying notes form an integral part of the financial statements.

Libra Shariah Liquidity Fund Series 2

NOTES TO THE FINANCIAL STATEMENTS – 30 SEPTEMBER 2019

1. GENERAL INFORMATION

Libra Shariah Liquidity Fund Series 2 (“the Fund”) was established pursuant to a Deed dated 8 September 2014 between Libra Invest Berhad (“LIB”) as the Manager, CIMB Islamic Trustee Berhad as the Trustee and the registered Unit holders of the Fund. The Fund commenced operations on 27 May 2016 and will continue its operations until terminated in accordance with Part 12 of the Deed.

With effect from 8 July 2019, Libra Invest Berhad is a wholly-owned subsidiary of Kenanga Investors Berhad, which is in turn a wholly-owned subsidiary of Kenanga Investment Bank Berhad that is listed on the Main Market of Bursa Malaysia Securities Berhad. Prior to 8 July 2019, Libra Invest Berhad was the wholly-owned subsidiary of ECM Libra Financial Group Berhad that is listed on the Main Market of Bursa Malaysia Securities Berhad. All of these companies are incorporated in Malaysia.

The principle place of business of the Manager is Ground Floor, Bangunan ECM Libra, 8, Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur.

The Fund seeks to preserve capital while providing steady income by investing primarily in short-term Islamic deposits. The principal activity of the Fund as defined of the Deed is to invest in short-term Islamic deposits.

The financial statements were authorised for issue by the Board of Directors of the Manager on 20 November 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) as issued by the Malaysian Accounting Standards Board (“MASB”) and International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended MFRS and Interpretation Committee’s (“IC”) Interpretation, which became effective for the Fund on 1 October 2018.

Libra Shariah Liquidity Fund Series 2

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of accounting (cont'd.)

Description	Effective for financial period beginning on or after
<i>Amendments to MFRS contained in the document entitled "Annual Improvements to MFRS Standards 2014 - 2016 Cycle"</i>	1 January 2018
<i>Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards contained in the document entitled "Annual Improvements to MFRS Standards 2014 - 2016 Cycle"</i>	1 January 2018
<i>Amendments to MFRS 128: Investments in Associates and Joint Ventures contained in the document entitled "Annual Improvements to MFRS Standards 2014 - 2016 Cycle"</i>	1 January 2018
<i>MFRS 9: Financial Instruments</i>	1 January 2018
<i>MFRS 15: Revenue from Contracts with Customers</i>	1 January 2018
<i>Clarifications to MFRS 15: Revenue from Contracts with Customers</i>	1 January 2018
<i>Amendments to MFRS 2: Classification and Measurement of Shared-Based Payment Transactions</i>	1 January 2018
	Temporary exemption from MFRS 9 subject to certain criteria being met for annual periods beginning on or after
<i>Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
<i>Amendments to MFRS 140: Transfers of Investment Property</i>	1 January 2018
<i>IC Interpretation 22: Foreign Currency Transactions and Advance Consideration</i>	1 January 2018

The adoption of the new and amended MFRS and IC Interpretation did not have any significant impact on the financial position or performance of the Fund other than the impacts as discussed below:

MFRS 9 Financial Instruments

MFRS 9 *Financial Instruments* replaces MFRS 139 *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9 for annual periods on or after 1 January 2018. MFRS 9 requires financial assets to be classified on the basis of the business model within which they are held and their contractual cash flow characteristics. The requirements related to the fair value option for financial liabilities were also changed to address own credit risk. The adoption of MFRS 9 has no effect on the classification and measurement of the Fund's financial assets and financial liabilities.

Libra Shariah Liquidity Fund Series 2

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of accounting (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

MFRS 9 also requires impairment assessments to be based on an expected credit loss model, replacing the MFRS 139 incurred loss model. Finally, MFRS 9 aligns hedge accounting more closely with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the previous model.

The Fund did not change the classification of its investments nor were there any material financial impact arising from the adoption of this standard.

2.2 Standards, amendments and interpretations issued but not yet effective

As at the reporting date, the following Standards, Amendments and IC Interpretations that have been issued by MASB will be effective for the Fund in future financial periods. The Fund intends to adopt the relevant standards and interpretations when they become effective.

Description	Effective for financial period beginning on or after
<i>Amendments to MFRS contained in the document entitled "Annual Improvements to MFRS Standards document 2015 - 2017 Cycle"</i>	1 January 2019
<i>Amendments to MFRS 3 and MFRS 11: Previously Held Interest in a Joint Operation contained in the document entitled "Annual Improvements to MFRS Standards 2015 - 2017 Cycle"</i>	1 January 2019
<i>Amendments to MFRS 112: Income Tax Consequences of Payments on Financial Instruments Classified as Equity contained in the document entitled "Annual Improvements to MFRS Standards 2015 - 2017 Cycle"</i>	1 January 2019
<i>Amendments to MFRS 123: Borrowing Costs Eligible for Capitalisation contained in the document entitled "Annual Improvements to MFRS Standards 2015 - 2017 Cycle"</i>	1 January 2019
<i>MFRS 16: Leases</i>	1 January 2019
<i>Amendments to MFRS 9: Prepayment Features with Negative Compensation</i>	1 January 2019
<i>Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement</i>	1 January 2019
<i>Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
<i>IC Interpretation 23: Uncertainty over Income Tax Treatments</i>	1 January 2019
<i>Amendments to MFRS 2: Share-Based Payment</i>	1 January 2020
<i>Amendments to MFRS 3: Business Combinations</i>	1 January 2020

Libra Shariah Liquidity Fund Series 2

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Standards, amendments and interpretations issued but not yet effective (cont'd.)

Description	Effective for financial period beginning on or after
Amendments to MFRS 3: <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 6: <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2020
Amendments to MFRS 14: <i>Regulatory Deferral Accounts</i>	1 January 2020
Amendments to MFRS 101: <i>Presentation of Financial Statements</i>	1 January 2020
Amendments to MFRS 108: <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
Amendments to MFRS 101 & MFRS 108: <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 134: <i>Interim Financial Reporting</i>	1 January 2020
Amendment to MFRS 137: <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
Amendment to MFRS 138: <i>Intangible Assets</i>	1 January 2020
Amendments to IC Interpretation 12: <i>Service Concession Arrangements</i>	1 January 2020
Amendments to IC Interpretation 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2020
Amendment to IC Interpretation 20: <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2020
Amendments to IC Interpretation 22: <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2020
Amendments to IC Interpretation 132: <i>Intangible Assets - Web Site Costs</i>	1 January 2020
MFRS 17: <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be announced by MASB

The Fund will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any significant impact to the financial statements of the Fund upon their initial application.

Libra Shariah Liquidity Fund Series 2

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Financial instruments

Financial assets are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instruments.

(a) Measurement categories of financial assets and liabilities

From 1 October 2018, the Fund classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- Fair value through other comprehensive income; and
- Fair value through profit or loss.

The Fund may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

The Fund's other financial assets include cash at bank balances, short term Islamic deposits and other receivables. Prior to 1 October 2018, the Fund classified its other financial assets as receivables (amortised cost), as explained in Note 2(2.3)(c).

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

The Fund's other financial liabilities include trade payables and other payables.

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective yield rate ("EYR"). Gains or losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(b) Initial recognition and subsequent measurement

The classification of financial assets at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2(2.3)(c). Financial assets are initially measured at their fair value, except in the case of financial assets recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Fund accounts for the Day 1 profit or loss, as described below.

Libra Shariah Liquidity Fund Series 2

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Financial instruments (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

After initial measurement, debt instruments are measured at amortised cost, using the EYR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EYR. Expected credit losses ("ECLs") are recognised in the statement of comprehensive income when the investments are impaired. For the purpose of the investments made by the Fund, debt instruments refer to sukuk.

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss.

(c) Due from banks, short term Islamic deposits, trade and other receivables at amortised cost

Prior to 1 October 2018, included in the financial assets are cash at bank balances, short term Islamic deposits and other receivables including receivables which are those non-derivative financial assets with fixed or determinable payments that were not quoted in an active market.

From 1 October 2018, the Fund only measures the amount due from banks, short term Islamic deposits and other receivables at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit ("SPPP") on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Fund determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Fund's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

Libra Shariah Liquidity Fund Series 2

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Financial instruments (cont'd.)

(c) Due from banks, short term Islamic deposits, trade and other receivables at amortised cost (cont'd.)

Business model assessment (cont'd.)

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Fund's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward, unless it has been determined that there has been a change in the original business model.

The SPPP test

As a second step of its classification process, the Fund assesses the contractual terms of financial assets to identify whether they meet the SPPP test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are payments of principal or amortisation/accretion of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPP assessment, the Fund applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Libra Shariah Liquidity Fund Series 2

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Financial instruments (cont'd.)

(d) Financial investments

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under MFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPP criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. For the purpose of the investments made by the Fund, debt instruments refer to sukuk.

2.4 Reclassification of financial assets and liabilities

The Fund has not reclassified its financial assets and financial liabilities subsequent to their initial recognition and upon adoption of MFRS 9.

2.5 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Fund also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Fund has transferred the financial asset if, and only if, either:

- The Fund has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Fund retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Fund has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued profit at market rates;
- The Fund cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Fund has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Fund is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including profit earned, during the period between the collection date and the date of required remittance to the eventual recipients.

Libra Shariah Liquidity Fund Series 2

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Derecognition of financial assets (cont'd.)

A transfer only qualifies for derecognition if either:

- The Fund has transferred substantially all the risks and rewards of the asset; or
- The Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Fund considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Fund has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Fund's continuing involvement, in which case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Fund could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Fund would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.6 Impairment of financial assets (Policy applicable from 1 October 2018)

(a) Overview of the expected credit loss ("ECL") principles

As described in Note 2(2.1), the adoption of MFRS 9 has fundamentally changed the Fund's receivables impairment method by replacing MFRS 139's incurred loss approach with a forward-looking ECL approach.

(b) Write-offs

The Fund's accounting policy under MFRS 9 remains the same as it was under MFRS 139. Financial assets are written off either partially or in their entirety only when the Fund has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Libra Shariah Liquidity Fund Series 2

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and Islamic deposits with financial institutions which have an insignificant risk of changes in value.

2.8 Revenue recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be relatively measured. Income is measured at the fair value of the consideration received or receivable. Profit income from Islamic deposits and sukuk is recognised on an accrual basis using effective profit or effective yield method.

Realised gain and loss on disposal of financial instruments classified as part of “at FVTPL” are calculated using the weighted average method. They represent the difference between an instrument’s carrying amount based on the weighted average method and disposal amount of the investment.

2.9 Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

No deferred tax is recognised as there are no material temporary differences.

2.10 Unit holders’ capital

The unit holders’ contributions to the Fund meet the definition of puttable instruments and are classified as equity instruments. Distributions to unit holders are recorded in equity when declared.

2.11 Statement of cash flows

The Fund adopts the direct method in the preparation of cash flow statement. Cash and cash equivalents include cash and bank balances and highly liquid Shariah-compliant investments (excludes Shariah-compliant equity investments) with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

Libra Shariah Liquidity Fund Series 2

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Functional and presentation currency

The financial statements of the Fund are measured using the currency of the primary economic environment in which it operates (“the functional currency”). The financial statements are presented in Ringgit Malaysia (“RM”), which is also the Fund’s functional currency.

2.13 Distributions

Distributions are at the discretion of the Manager. A distribution to the Fund’s unit holders is accounted for as a deduction from retained earnings.

2.14 Significant accounting estimates and judgements

The preparation of financial statements in accordance with MFRSs requires the use of certain accounting estimates and exercise of judgements. Estimates and judgements are continually evaluated and are based on past experience, reasonable expectations of future events and other factors.

No major judgements have been made by the Manager in applying the Fund’s accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. ISLAMIC DEPOSITS WITH FINANCIAL INSTITUTIONS

	2019	2018
	RM	RM
Islamic deposits with licensed financial institutions with original maturity of less than 3 months	2,533,000	5,207,000
Islamic deposits with licensed financial institutions with original maturity of more than 3 months	600,000	1,000,000
	<u>3,133,000</u>	<u>6,207,000</u>

The effective average rate of return per annum is as follows:

	2019	2018
	RM	RM
	%	%
Islamic deposits with licensed financial institutions	<u>3.25</u>	<u>3.69</u>

The average maturity of these Islamic deposits as at 30 September 2019 is 16 (35 in 2018) days.

Libra Shariah Liquidity Fund Series 2**4. OTHER RECEIVABLES**

	2019	2018
	RM	RM
Income receivable from Islamic money market deposits	<u>13,375</u>	<u>31,809</u>

5. SHARIAH INFORMATION OF THE FUND

The Shariah Adviser confirmed that the investment portfolio of the Fund is Shariah-compliant, which comprises of liquid assets in the local market, which are placed in Shariah-compliant investments and/or instruments.

6. TRADE AND OTHER PAYABLES

	2019	2018
	RM	RM
Amount due to Manager	258	512
Amount due to Trustee	52	102
Accruals :		
Auditors' remuneration*	730	730
Tax agent's fee	<u>1,000</u>	<u>1,000</u>
	<u>2,040</u>	<u>2,344</u>

*Total auditor remuneration for the financial year ended 30 September 2019 is RM2,500 (RM2,500 in 2018). The remaining auditor remuneration of RM1,770 for the current year, not borne by the Fund, is borne by the Manager of the Fund.

7. TOTAL EQUITY

	Note	2019	2018
		RM	RM
Unit holders' capital	(a)	2,321,255	5,410,069
Realised reserves	(b)	<u>824,801</u>	<u>827,995</u>
Total equity		<u>3,146,056</u>	<u>6,238,064</u>

(a) Unit holders' Capital

	2019	2019	2018	2018
	Units	RM	Units	RM
At beginning of the year	6,073,075	5,410,069	17,766,554	17,919,560
Creation of units	931,077	957,985	87,505,433	89,533,672
Cancellation of units	<u>(3,943,900)</u>	<u>(4,046,799)</u>	<u>(99,198,912)</u>	<u>(102,043,163)</u>
At end of the year	<u>3,060,252</u>	<u>2,321,255</u>	<u>6,073,075</u>	<u>5,410,069</u>

Included in the units created during the financial year are 154,001 (435,664 in 2018) units from reinvestment of distribution.

Libra Shariah Liquidity Fund Series 2**7. TOTAL EQUITY (CONT'D.)****(b) Realised Reserves**

	2019	2018
	RM	RM
At beginning of the year	827,995	238,561
Net income after tax	154,791	1,034,337
Distribution for the year	(157,985)	(444,903)
At end of the year	<u>824,801</u>	<u>827,995</u>

8. NAV PER UNIT

The net asset value per unit is calculated by dividing the net assets of RM3,146,056 as at 30 September 2019 (RM6,238,064 in 2018) by 3,060,252 units in issue as at 30 September 2019 (6,073,075 in 2018).

9. MANAGER'S FEE

Part 13.1.2 and The Eight Schedule of the Deed provides that the Manager is entitled to a management fee computed daily on the net asset value of the Fund at a rate not exceeding 0.30% per annum. The management fee provided for the financial statements amounted to 0.10% (0.12% in 2018) per annum for the year.

10. TRUSTEE'S FEE

Part 13.2.2 and The Ninth Schedule of the Deed provides that the Trustee is entitled to a fee not exceeding 0.02% of net asset value of the Fund. The Trustee's fee calculated on a daily basis for the year is 0.02% (0.02% in 2018) per annum of the net asset value of the Fund.

11. INCOME TAX EXPENSE

	2019	2018
	RM	RM
Current tax expense	<u>-</u>	<u>-</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% (24% in 2018) of the estimated assessable income for the financial year.

There is no tax charge as profit from Islamic money market instruments derived by the Fund is exempted pursuant to Paragraph 35 and 35A, Schedule 6 of the Income Tax Act, 1967. Gains arising from realisation of investments are not treated as income pursuant to Paragraph 61(1)(b) of the Income Tax Act, 1967.

Libra Shariah Liquidity Fund Series 2

11. INCOME TAX EXPENSE (CONT'D.)

A reconciliation of income tax expense applicable to net income before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Fund is as follow:

	2019	2018
	RM	RM
Net income before tax	154,791	1,034,337
Tax at Malaysian statutory rate of 24% (24% in 2018)	37,150	248,241
Tax effect of:		
Income not subject to tax	(38,631)	(256,203)
Permitted expenses not used not available for future year	107	612
Expenses not deductible for tax purposes	1,374	7,350
Tax expense for the year	-	-

12. DISTRIBUTIONS

	2019	2018
	RM	RM
Distributions to unit holders is from the following sources:		
Income from Islamic money market	160,960	478,077
Previous year's realised gain	3,194	-
	164,154	478,077
Less : Expenses	(6,169)	(33,174)
Net distribution amount	157,985	444,903
Gross distribution per unit (sen)	3.45	3.00
Net distribution per unit (sen)	3.45	3.00

The above distribution has been made during the year.

13. MANAGEMENT EXPENSE RATIO ("MER")

Management expense ratio for the Fund is 0.14% (0.11% in 2018) for the year ended 30 September 2019.

The management expense ratio includes manager's fee, trustee's fee, auditor's remuneration, tax agent's fee and other expenses which are calculated as follows:

Libra Shariah Liquidity Fund Series 2

13. MANAGEMENT EXPENSE RATIO (“MER”) (CONT’D.)

$$\text{MER} = (A + B + C + D + E) \div F \times 100$$

A	=	Manager’s fee	D	=	Tax agent’s fee
B	=	Trustee’s fee	E	=	Other expenses
C	=	Auditor’s remuneration	F	=	Average net asset value of fund

The average net asset value of the Fund for the year is RM4,449,280 (RM29,075,226 in 2018).

14. UNITS HELD BY THE MANAGER AND RELATED PARTIES

The Manager and related parties do not hold any units as at reporting date.

15. TRANSACTIONS WITH RELATED PARTIES AND OTHER STOCKBROKING COMPANIES/ INVESTMENT BANKS

There were no transactions with related parties and other stockbroking companies/investment banks for the financial year ended 30 September 2019.

16. SEGMENTAL REPORTING

In accordance with the objective of the Fund, all of the Fund’s investments are substantially in the form of Islamic deposit with financial institution in Malaysia. Hence, the Fund does not have any other separately identifiable business or geographical segments.

17. RISK AND CAPITAL MANAGEMENT POLICIES AND PROCESSES

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund’s objective in managing risk is the creation and protection of Unit holders’ value. In order to meet this objective, the Fund utilised risk management for both defensive and proactive purposes. As investments are only in Shariah-compliant instruments, the key risks faced by the Fund are market risk, interest rate risk, liquidity risk and credit risk.

(i) *Market risk*

This is a class of risk that inherently exists in an economy and cannot be avoided by any business or company. It is usually due to changes in the economic outlook and affects broad market confidence. Market risk is managed through portfolio diversification and asset allocation whereby the Shariah-compliant securities exposure is monitored/reduced in the event of anticipated market weakness. Therefore, the performance of the Fund might go up or down in accordance with the prevailing market risk.

Libra Shariah Liquidity Fund Series 2

17. RISK AND CAPITAL MANAGEMENT POLICIES AND PROCESSES (CONT'D.)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(ii) *Interest rate risk*

Interest rate risks are uncertainties resulting from the effects of fluctuations in the prevailing level of market interest rates on the Fund's investments and financial position.

Movements in interest rate will affect the valuation of unquoted sukuk. The Fund seeks to manage this risk by constructing a sukuk portfolio in accordance to the interest rate strategies developed after thorough evaluation of macroeconomic variables. Profit rate on Islamic deposits are determined based on prevailing market rates. The Fund seeks to obtain rates that are competitive.

The above interest rate is a general economic indicator that will have an impact on the management of the Fund regardless whether it is an Islamic unit trust fund or otherwise. It does not in any way suggest that the Fund will invest in conventional financial instruments. All the investments carried out for the Fund are in accordance with Shariah requirements.

Interest rate risk sensitivity

The following table demonstrates the sensitivity of the Fund's net income and equity for the year to a possible change in interest rates, with all other variables held constant. The sensitivity is the effect of the assumed changes in interest rates on:

- The net profit income for one year, based on the floating rate financial assets held at the end of the reporting year; and
- Changes in fair value of Shariah-compliant investments for the year based on revaluing fixed rate financial assets at the end of the reporting year.

	Changes in basis points*	Sensitivity of profit income RM	Sensitivity of changes in fair value of investments RM	Net combined sensitivity Changes to net income and equity RM
2019	+25/-25	7,833/(7,833)	Nil	7,833/(7,833)
2018	+25/ -25	15,518/(15,518)	Nil	15,518/(15,518)

*The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Libra Shariah Liquidity Fund Series 2**17. RISK AND CAPITAL MANAGEMENT POLICIES AND PROCESSES (CONT'D.)****FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)****(ii) Interest rate risk (cont'd.)****Interest rate risk exposure**

The following table analyses the Fund's interest rate risk exposure. The Fund's financial assets and financial liabilities are included at fair value and categorised by the earlier of contractual re-pricing or maturity dates.

	Up to 1 month RM	1 - 3 months RM	Non- exposure to interest rate movement RM	Total RM
2019				
Assets				
Cash at bank	-	-	1,721	1,721
Islamic deposits with financial institutions	2,533,000	600,000	-	3,133,000
Other assets	-	-	13,375	13,375
Total assets	2,533,000	600,000	15,096	3,148,096
Liabilities				
Other liabilities	-	-	310	310
Total liabilities	-	-	310	310
Net interest rate sensitivity gap	2,533,000	600,000	14,786	3,147,786
2018				
Assets				
Cash at bank	-	-	1,599	1,599
Islamic deposits with financial institutions	1,000,000	5,207,000	-	6,207,000
Other assets	-	-	31,809	31,809
Total assets	1,000,000	5,207,000	33,408	6,240,408
Liabilities				
Other liabilities	-	-	614	614
Total liabilities	-	-	614	614
Net interest rate sensitivity gap	1,000,000	5,207,000	32,794	6,239,794

Libra Shariah Liquidity Fund Series 2

17. RISK AND CAPITAL MANAGEMENT POLICIES AND PROCESSES (CONT'D.)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(iii) *Liquidity risk*

In a weak and thinly traded market where the transactions volume is low, the investments in the Fund may not be liquidated in the desired amounts without causing the market price of the Shariah-compliant securities to fall sharply. The Fund Manager aims to reduce liquidity risk by investing mainly in Shariah-compliant securities with relatively large market capitalisation, and are fairly liquid.

The following table summarises the Fund's remaining contractual maturity for its financial liabilities:

	Up to 1 month RM	Total RM
2019		
Financial liabilities		
Other liabilities	310	310
Total liabilities	<u>310</u>	<u>310</u>
2018		
Financial liabilities		
Other liabilities	614	614
Total liabilities	<u>614</u>	<u>614</u>

(iv) *Credit risk*

For Islamic deposits in financial institutions, the Fund minimises credit risk by adopting an investment policy which allows dealing with counterparties with good credit rating only. Receivables are monitored to ensure that exposure to bad debts is minimised.

(v) *Regulatory reportings*

It is the Manager's responsibility to ensure full compliance of all requirements under the Guidelines on Unit Trust Funds issued by Securities Commission Malaysia. Any breach of any such requirement has been reported in the mandatory reporting to Securities Commission Malaysia on a monthly basis.

Libra Shariah Liquidity Fund Series 2

17. RISK AND CAPITAL MANAGEMENT POLICIES AND PROCESSES (CONT'D.)

CAPITAL MANAGEMENT

The capital of the Fund can vary depending on the demand for creation and cancellation of units to the Fund.

The Fund's objectives for managing capital are:

- a. To invest in Shariah-compliant investments meeting the description, risk exposure and expected return indicated in its information memorandum;
- b. To maintain sufficient liquidity to meet the expenses of the Fund, and to meet cancellation requests as they arise; and
- c. To maintain sufficient fund size to make the operations of the Fund cost-efficient.

No changes were made to the capital management objectives, policies or processes during the current and previous financial years.

18. FINANCIAL INSTRUMENTS

a. Classification of financial instruments

The Fund's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and financial liabilities of the Fund in the statement of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis.

	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Other financial liabilities RM	Total RM
2019				
Assets				
Islamic deposits with financial institutions	-	3,133,000	-	3,133,00
Other receivables	-	13,375	-	13,375
Cash at bank	-	1,721	-	1,721
	-	3,148,096	-	3,148,096

Libra Shariah Liquidity Fund Series 2
18. FINANCIAL INSTRUMENTS (CONT'D.)
a. Classification of financial instruments (cont'd.)

	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Other financial liabilities RM	Total RM
2019				
Liabilities				
Amount due to Manager	-	-	258	258
Amount due to Trustee	-	-	52	52
	-	-	310	310
2018				
Assets				
Islamic deposits with financial institutions	-	6,207,000	-	6,207,000
Other receivables	-	31,809	-	31,809
Cash at bank	-	1,599	-	1,599
	-	6,240,408	-	6,240,408
Liabilities				
Amount due to Manager	-	-	512	512
Amount due to Trustee	-	-	102	102
	-	-	614	614

b. Financial instruments not carried at fair value and which their carrying amounts are reasonable approximations of fair value

For Islamic deposits and placements with financial institutions with maturities of less than twelve months, the carrying value is a reasonable estimate of fair value. The carrying amounts of the financial assets (other than the investments) and financial liabilities as at reporting date approximate their fair values because of the short term to maturity of these instruments.

Libra Shariah Liquidity Fund Series 2**STATEMENT BY MANAGER****To the Unit holders of Libra Shariah Liquidity Fund Series 2**

I, Ismitz Matthew De Alwis, being a director of Libra Invest Berhad, do hereby state that in the opinion of the Manager, the accompanying financial statements are drawn up in accordance with the provisions of the Deeds and give a true and fair view of the statement of financial position of the Fund as at 30 September 2019 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Fund together with the notes thereto for the year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission Malaysia's Guidelines on Unit Trust Funds in Malaysia.

For and on behalf of the Manager,

LIBRA INVEST BERHAD

ISMITZ MATTHEW DE ALWIS

Director

Kuala Lumpur, Malaysia

20 November 2019

Independent auditors' report to the unit holders of Libra Shariah Liquidity Fund Series 2

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Libra Shariah Liquidity Fund Series 2 (“the Fund”), which comprise the statement of financial position as at 30 September 2019, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows of the Fund for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 34.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 September 2019 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Manager of the Fund (“the Manager”) is responsible for the other information. The other information comprises the information included in the annual report of the Fund, but does not include the financial statements of the Fund and our auditors' report thereon.

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

**Independent auditors' report to the unit holders of
Libra Shariah Liquidity Fund Series 2 (cont'd.)***Information other than the financial statements and auditors' report thereon (cont'd.)*

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund 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 the Manager and the Trustee for the financial statements

The Manager is responsible for the preparation of financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process. The Trustee is also responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund 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 approved standards on auditing in Malaysia and International Standards on Auditing 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.

**Independent auditors' report to the unit holders of
Libra Shariah Liquidity Fund Series 2 (cont'd.)***Auditors' responsibilities for the audit of the financial statement (cont'd.)*

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund 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 of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager 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.

**Independent auditors' report to the unit holders of
Libra Shariah Liquidity Fund Series 2 (cont'd.)**

Other matters

This report is made solely to the unit holders of the Fund, as a body, in accordance with the Guidelines on Unit Trust Funds issued by the Securities Commission Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Ng Sue Ean
No. 03276/07/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
20 November 2019

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