



## **SHARJAH SUKUK PROGRAMME LIMITED**

*(incorporated as an exempted limited liability company in the Cayman Islands)*

### **Trust Certificate Issuance Programme**

This base prospectus supplement (the "**Supplement**") is supplemental to, forms part of, and must be read and construed in conjunction with, the base prospectus dated 21 April 2020 (the "**Base Prospectus**") prepared by Sharjah Sukuk Programme Limited (in its capacities as issuer of the Trust Certificates (as defined below) and trustee for the Certificateholders (the "**Trustee**") and the Government of the Emirate of Sharjah acting through the Sharjah Finance Department (the "**Obligor**" or the "**Government**") in connection with its Trust Certificate Issuance Programme (the "**Programme**") for the issuance of trust certificates ("**Trust Certificates**").

Terms given a defined meaning in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

This Supplement has been approved by the Central Bank of Ireland (the "**CBI**") as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The CBI only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Trustee or the Government or of the quality of the Trust Certificates that are the subject of the Base Prospectus.

Each of the Trustee and the Government is an "Exempt Offeror" for the purposes of Article 13(1) of the Markets Law, Dubai International Financial Centre Law No. 1 of 2012 (the "**Markets Law 2012**") of the Dubai Financial Services Authority (the "**DFSA**"). Accordingly, this Supplement has not been approved by the DFSA for the purposes of Articles 14 and 15 of the Markets Law 2012.

The purpose of this Supplement is to: (a) update the disclosure in the Base Prospectus to disclose certain material developments in respect of the Government; and (b) update the "No Significant Change" statement. This document constitutes a supplement for the purpose of Article 23 of the Prospectus Regulation.

## **IMPORTANT NOTICES**

Each of the Trustee and the Government accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Trustee and the Government, the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect its import.

None of the Arrangers, Dealers, the Delegate, the Agents or their affiliates have independently verified the information contained in this Supplement. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them as to the accuracy, adequacy, reasonableness or completeness of the information contained in this Supplement or any other information provided by the Trustee or the Government in connection with the Programme.

None of the Arrangers or the Dealers accepts any responsibility for any acts or omissions of the Trustee or the Government or any other person in connection with the Supplement or the issue and offering of Trust Certificates.

To the extent that there is any inconsistency between: (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement; and (b) any other statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no significant new fact, material mistake or inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the assessment of the Trust Certificates issued under the Programme has arisen or been noted, as the case may be, since publication of the Base Prospectus.

This Supplement does not constitute an offer of, or an invitation by or on behalf of the Trustee, the Government or the Dealers to subscribe for, or purchase, any Trust Certificates.

Copies of this Supplement, the Base Prospectus and the documents incorporated by reference in either: (i) will be available in electronic form on the websites of Euronext Dublin ([www.ise.ie](http://www.ise.ie)) and Nasdaq Dubai ([www.nasdaqdubai.com](http://www.nasdaqdubai.com)); and (ii) can be obtained on written request and without charge from the registered office of the Principal Paying Agent as described in the Base Prospectus.

## AMENDMENTS OR ADDITIONS TO THE BASE PROSPECTUS

With effect from the date of this Supplement, the information appearing in, or incorporated by reference into, the Base Prospectus shall be amended and/or supplemented in the manner described below.

### RISK FACTORS

*The risk factor on page 10 of the Base Prospectus headed "Risks relating to the emergence of the 2019 novel coronavirus COVID-19" shall be deemed to be deleted and replaced with the following:*

#### **Risks relating to the emergence of the 2019 novel coronavirus COVID-19**

As at the date of the Base Prospectus, the COVID-19 outbreak is having a serious adverse impact on the world economy. COVID-19 was first identified in Wuhan, Hubei Province, China in late 2019. In response to the rapid spread of COVID-19, the Chinese government imposed travel restrictions and quarantines to help limit risk of infection. However, while the spread of COVID-19 has slowed in China, it has continued to spread in a number of countries around the world, leading the World Health Organisation to declare the outbreak a global pandemic on 11 March 2020.

In March 2020, the United States, certain EU countries and countries in the Middle East, including the UAE, alongside many other countries worldwide, began imposing restrictions on travel and on the freedom of movement of people. These measures, while aiming to slow the spread of COVID-19, are expected to significantly reduce economic activity. It is currently unclear how long these restrictions will be in place and what their ultimate impact will be on global and local economies.

Whilst the direct and indirect impact of the COVID-19 outbreak remains uncertain, a number of central banks and governments, including the UAE Central Bank and the Government of the Emirate of Sharjah, have announced financial stimulus and economic support packages in anticipation of a significant negative impact on companies and households during 2020.

On 14 March 2020, the UAE Central Bank announced an AED 100 billion stimulus package to address the effects of the COVID-19 pandemic on the economy. The package includes AED 50 billion in aid for banks through collateralised, zero-interest loans and allows banks to use as much as 60 per cent. of their capital conservation buffer, making an additional AED 50 billion in liquidity available to lenders. Additionally, the UAE Central Bank raised the loan-to-value ratios related to mortgage loans for first-time home owners in an attempt to make home ownership more affordable, and has also made allowances for banks' exposure to real estate to increase to 30 per cent. from 20 per cent. as long as additional capital is available.

On 16 March 2020, the UAE Central Bank announced that it would cut the interest rate applicable to the 1-week Certificates of Deposit (CD) by 75 basis points, in line with the Federal Funds Target Rate – Upper Bound, maintain the repo rate at 50 basis points above the 1-week CD rate, and reduce rates applicable to the Interim Margin Lending Facility and the Collateralised Murabaha Facility by 50 basis points to 50 basis points above the repo rate against CDs.

On 5 April 2020, the UAE Central Bank increased its banking stimulus package to a total of AED 256 billion in response to the significant adverse effect that COVID-19 is having on the economy of the UAE. The package will include a reduction in reserve requirements for demand deposits, an allocation of AED 61 billion to support banks' lending and liquidity management, a limitation on fees that banks can charge SMEs and a stipulation that banks cannot require a minimum account balance larger than AED 10,000. The package also includes an allocation of AED 95 billion to assist banks in deferring retail and corporate debt payments until the end of 2020.

Concerns remain as to whether these policy tools will counter anticipated macroeconomic risks, avoid further bouts of volatility in the financial markets or improve investment sentiment. As at 27 May 2020, according to the UAE Ministry of Health and Prevention, the UAE had 31,969 confirmed cases, 255 deaths and 16,371 recoveries, and had conducted more than 2 million tests. A prolongation of the outbreak could significantly adversely affect economic growth, affect specific industries or countries with which the Government trades or affect the Government's employees and operations. In addition, an escalation in geopolitical tensions and increased use of protectionist measures may negatively impact the attractiveness of the UAE (and, consequently, the Emirate of Sharjah) for foreign investment and capital, its ability to engage in international trade and, consequently, its economy and its financial condition.

## MONETARY AND FINANCIAL SYSTEM

*The following shall be added as the second paragraph under the sub-heading "Recent Trends in Banking" on page 57 of the Base Prospectus:*

To support the operation of the TESS and the general flow of funds into the economy in Sharjah, the Government has initiated a programme to place unlisted short-term sukuk instruments issued by the Government with Sharjah-based banks. These sukuk instruments constitute high-quality assets which may be used by the participating banks to generate liquidity through their treasury operations. 50 per cent. of the proceeds from such issuance will be deposited back with the participating banks by the Government, further improving their liquidity position. As at the date of this Supplement, the Government has completed AED 2 billion of short-term issuance under this scheme and envisages completing up to AED 4 billion in total.

## PUBLIC FINANCE

*The table on page 65 of the Base Prospectus headed "Cash Inflows" and the table on page 66 of the Base Prospectus headed "Cash Expenditure" shall be deemed to be deleted and replaced with the following:*

	2017	2018	2019	2020**
	(AED millions)			
<b>Cash Inflows</b>				
Department of Customs .....	1,123	882	894	850
Economic Development Department .....	904	862	817	873
Sharjah Police .....	873	801	988	895
Town Planning Department .....	163	121	85	97
Directorate of Public Works .....	1	1	3	—
Roads and Transport Authority .....	329	547	874	822
Sharjah Municipality .....	1,428	1,319	1,292	1,432
Other Municipalities .....	73	64	72	—
Other departmental revenues .....	459	557	678	632
Oil, gas and LPG .....	356	412	567	182
Land sales .....	1,229	776	67	385
Bank tax .....	68	52	56	50
VAT receipts .....	—	—	2,795	1,750
Shares/Dividends .....	50	100	200	100
Transfer from GREs, and other revenues .....	1,567	2,750	1,050	1,575
Increase in Sharjah Social Security Fund .....	0	798	1,085	3,770
<b>Total Cash Inflows</b> .....	<b>8,623</b>	<b>10,042</b>	<b>11,523</b>	<b>13,413</b>
<b>Cash Expenditure</b>				
<b>Departmental expenditure</b>				
Police .....	(1,165)	(1,316)	(1,476)	(1,558)
Roads and Transport Authority .....	(249)	(252)	(320)	(437)
Social Services .....	(313)	(515)	(600)	(689)
Culture and Information .....	(171)	(200)	(201)	(228)
Media/TV .....	(353)	(414)	(447)	(458)
Customs .....	(219)	(311)	(323)	(360)
Sports Council .....	(404)	(463)	(564)	(555)
Town Planning .....	(159)	(208)	(208)	(227)
Al Diwan Al Amiri, Sharjah .....	(139)	(175)	(165)	(125)
Museums .....	(141)	(175)	(178)	(189)
Economic Development .....	(147)	(201)	(208)	(231)
Islamic Affairs and Awqaf .....	(124)	(150)	(155)	(155)
e-Government .....	(90)	(108)	(111)	(132)
Public Works .....	(74)	(94)	(101)	(117)
Police Sciences Academy .....	(88)	(101)	(107)	(120)
Sharjah Municipality .....	(1,043)	(1,256)	(1,252)	(1,585)
Other Municipalities .....	(558)	(752)	(772)	(808)
Other departmental expenditures .....	(1,428)	(2,008)	(2,353)	(2,727)
Forecast departmental underspend .....	—	—	—	500
<b>Total departmental expenditures</b> .....	<b>(6,864)</b>	<b>(8,699)</b>	<b>(9,541)</b>	<b>(10,201)</b>
<b>Central expenditure</b>				
Contractor Payments .....	(2,247)	(2,655)	(4,252)	(2,000)
Debt Interest .....	(609)	(856)	(1,282)	(1,429)
Land Compensation .....	—	—	—	—
Support to SEWA & Other Entities .....	(1,510)*	(1,760)*	(2,527)	(2,608)
<b>Total expenditures</b> .....	<b>(11,230)</b>	<b>(13,970)</b>	<b>(17,602)</b>	<b>(16,237)</b>

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Source: Sharjah Finance Department

\* This figure relates to "Support to SEWA & Other Entities" and "Makrama and other central spending" as these line items have been merged from 2017 onwards.

\*\* Source: Sharjah Finance Department budget data.

Total cash inflows increased from AED 8.6 billion in 2017 to AED 10.0 billion in 2018 and AED 11.5 billion in 2019, and are budgeted to increase further in 2020, to AED 13.4 billion. Cash inflows from oil, gas and LPG increased from AED 356 million in 2017 to AED 412 million in 2018 and AED 567 million in 2019, but are budgeted to fall back to AED 182 million in 2020. Cash inflows from land sales tend to be volatile since they consist of a small number of large payments related to release of land by the Government for project development: these inflows fell from AED 1,229 million in 2017 to AED 776 million in 2018 and AED 67 million in 2019 and are budgeted to be AED 385 million in 2020. The lower rate of inflows reflects ongoing relative weakness in the UAE real estate market. Cash from bank taxes amounted to AED 68 million in 2017, AED 52 million in 2018 and AED 56 million in 2019 and is budgeted to be AED 50 million in 2020. Finance costs (debt interest) increased from AED 609 million in 2017 to AED 856 million in 2018 and AED 1,282 million in 2019, as the Government incurred additional debt, primarily to fund capital expenditure (see "Indebtedness"). These costs are budgeted to increase further to AED 1,429 million in 2020.

### Government Revenue

Sharjah's government revenues totalled AED 11.5 billion for the year ended 31 December 2019, increasing by AED 1.5 billion from AED 10.0 billion for the year ended 31 December 2018, representing an increase of 14.7 per cent. The Government has a relatively diverse revenue base. With the exception of a levy on foreign banks and hydrocarbon extraction, there is no traditional direct tax, although the Federal Government introduced value added tax at the rate of 5 per cent. with effect from 1 January 2018 and an excise duty on certain goods in October 2017. Sharjah's allocation of revenues from these indirect taxes began to be disbursed by the UAE Federal Government in 2019, generating cash inflows of AED 2,795 million that year, with a further AED 1,750 million inflows budgeted for 2020. This beneficial tax environment provides an incentive for businesses and wage-earners to locate to the Emirate.

Licensing, fines and fees provide the majority of revenues, in particular via the Department of Customs, the Economic Development Department and Sharjah Police. Land sales to private companies and individuals can generate significant capital receipts for the Government, as well as providing a means for the Government to manage the pace and location of economic expansion. This represents an area of particular fiscal flexibility for the Government, which can choose how much land to release for sale or development in a given year, based on market conditions, development priorities and fiscal requirements. Aggregate oil, gas and LPG revenues are on a long-term declining path notwithstanding year to year fluctuations and in 2019 represented just 4.9 per cent. of total receipts. As such, the Emirate does not display high levels of hydrocarbon fiscal dependency. Falling production levels since 2009 had been broadly offset in nominal terms by rising prices until the end of 2014. The new gas field discovered in the onshore "Mahani" site is not yet commercially operational.

### Government Expenditure

The Government's expenditure totalled AED 17.6 billion in 2019, as compared to AED 14.0 billion in 2018, reflecting an increase of 26.0 per cent. The majority of this expenditure is incurred by centralised departments, with wages and other staff costs being the largest element of such expenditure. Salary enhancements and high levels of recruitment have increased departmental spending in recent years.

Growth in departmental budgets has reflected the Government's policy priorities, with a particular focus on cultural activities (such as media/TV and culture and information) and social services. Payments to contractors for major projects and other "non departmental" expenditure items are managed centrally by the Finance Department. Project expenditure has recently increased. Other discretionary expenditure, such as "makrama" (local and foreign aid), grants to private sector institutions and centrally managed policy initiatives, has also increased recently.

### Overall Budget Position

*The table on page 67 of the Base Prospectus headed " Government of Sharjah overall budget 2015 – 2018" and the table on page 67 of the Base Prospectus headed "Government of Sharjah current budget 2015 - 2018" shall be deemed to be deleted and replaced with the following:*

### Government of Sharjah overall budget 2017 - 2020

	2017	2018	2019	2020*
		(AED millions)		
Expenditure .....	(11,231)	(13,970)	(17,602)	(16,237)
Revenue .....	8,623	10,042	11,523	13,413
Surplus/(deficit) .....	(2,609)	(3,928)	(6,079)	(2,824)

\* Source: Sharjah Finance Department budget data.

### Government of Sharjah current budget 2017 - 2020

	2017	2018	2019	2020*
		(AED millions)		
Total surplus/(deficit) .....	(2,608)	(3,928)	(6,079)	(2,824)
Capital and project expenditure .....	(2,247)	(2,655)	(4,252)	(2,000)
Capital receipts .....	1,229	776	67	385
Current budget surplus/(deficit) .....	(1,591)	(2,049)	(1,894)	(1,209)

\* Source: Sharjah Finance Department budget data.

### NO SIGNIFICANT CHANGE

*The subsection headed "No Significant Change" under the section headed "General Information" on page 134 of the Base Prospectus shall be deemed to be deleted and replaced with the following:*

There has been no significant change in the financial performance or financial position, tax and budgetary systems, foreign trade and balance of payments, foreign exchange reserves, prospects and resources figures of the Government since 31 December 2018 and there has been no significant change in gross public debt and income and expenditure figures of the Government since 31 December 2019.

There has been no significant change in the financial performance or financial position of the Trustee and no material adverse change in the financial position or prospects of the Trustee, in each case, since the date of its incorporation.