

IIAB ISLAMIC MENA FUND

**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT
YEAR ENDED SEPTEMBER 30, 2018**

IIAB ISLAMIC MENA FUND

Directors

Mr. Mohammed Al Ghanamah
Mr. Feras Jasser Jameel Ziyad
Mr. Ammar Zuhair Husni Saifi

Registered Office

P.O. Box 2400
Manama, Kingdom of Bahrain

Fund Company

IIAB Islamic MENA Fund Company B.S.C. (c)
P.O. Box 2400
Manama, Kingdom of Bahrain

**Investment Manager, Operator and
Placement Agent**

Al Arabi Investment Group Co.
P. O. Box 143156
Amman 11814
Hashemite Kingdom of Jordan

Administrator, Custodian and Registrar

Gulf Custody Company B.S.C. (c)
P.O. Box 2400
Manama, Kingdom of Bahrain

Shari'a Supervisory Board

His Eminence Sheikh Professor Dr. Ahmad Mohammed Helayyel
His Eminence Sheikh Said Abdul Haffeth Asa'ad Al Hijjawi
Professor Dr. Ahmad Subhi Ahmad Al Ayyadi

Principal Banker

Arab Bank Plc.

Auditors

Deloitte & Touche – Middle East
P.O. Box 421
Manama, Kingdom of Bahrain

Engagement Partner: Zahi Zeini

IIAB ISLAMIC MENA FUND

CONTENTS

	<u>Page</u>
Shari'a Supervisory Board Report	A
Directors' Report	1
Independent Auditor's Report to the Unitholders	2 to 3
Financial Statements:	
Statement of Net Assets	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 to 17
Annexure	18,19

IIAB ISLAMIC MENA FUND
DIRECTORS' REPORT

The Directors present the annual report and financial statements of IIAB Islamic MENA Fund (the "Fund") for the year ended September 30, 2018.

PRINCIPAL ACTIVITY

The Fund is an open ended collective investment scheme with primary objective to achieve long term capital appreciation whilst adhering to Islamic Shari'ah principles. The Fund invests mainly in listed and unlisted equities and equity related securities in the MENA region. In addition, the Fund may trade in securities listed on other stock exchanges or traded over-the-counter if a significant part of the operations or assets of issuers are involved in the MENA region.

REVIEW OF BUSINESS

The results of the operations of the Fund are summarised on page 5.

APPROPRIATIONS

None.

CHANGE IN DIRECTORS

None.

AUDITORS

A resolution proposing the reappointment of Deloitte & Touche - Middle East as auditors of the Fund for the year ending September 30, 2019 and authorising the Directors to determine their remuneration will be put to the Annual General Meeting.

On behalf of the Board


Mr. Ammar Zuhair Husni Saifi
Director

Jan 29, 2019

INDEPENDENT AUDITOR'S REPORT

To the Unitholders
IIAB Islamic MENA Fund
Manama, Kingdom of Bahrain

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of IIAB Islamic MENA Fund (the "Fund"), which comprise the statement of net assets as at September 30, 2018, statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and to operate in accordance with Islamic Shari'a rules and principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by Accounting and Auditing Organisation for Islamic Financial Institutions and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of IIAB Islamic MENA Fund as at September 30, 2018, and of its financial performance and cash flows for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Fund.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)**Report on Other Legal and Regulatory Requirements**

Further, as required by local regulations, we report that, the Fund has maintained proper accounting records and the financial statements, have been prepared in accordance with those records. We further report that, to the best of our knowledge and belief, the financial information provided in the Directors' Report is in agreement with the financial statements and based on the information and explanations provided by the management which were required for the purpose of our audit, we are not aware of significant violations of the regulation issued by the Central Bank of Bahrain (the "CBB"), as contained in Volume 7 of the CBB Rulebook, having occurred during the year ended September 30, 2018 that might have had a material adverse effect on the business of the Fund or on its financial position.



DELOITTE & TOUCHE – MIDDLE EAST
Partner Registration No. 184
Manama, Kingdom of Bahrain

January 29, 2019

IIAB ISLAMIC MENA FUND
STATEMENT OF NET ASSETS
AS AT SEPTEMBER 30, 2018

	Notes	2018 USD	2017 USD
ASSETS			
Current assets			
Cash at banks	5	639,650	1,017,667
Investments held for trading	6	4,986,382	4,773,960
Due from brokers		696,286	1,112,002
Dividend receivable		46,364	-
Total assets		6,368,682	6,903,629
LIABILITIES			
Current liabilities			
Due to a related party	9	24,488	26,070
Accrued fees and other liabilities	7	98,366	42,583
Total liabilities		122,854	68,653
EQUITY			
Capital	8	10,427,540	10,462,340
Unit surplus		575,334	562,329
Accumulated losses		(4,757,046)	(4,189,693)
Total equity		6,245,828	6,834,976
Total liabilities and equity		6,368,682	6,903,629
Net asset value (NAV) per unit at book value based on 1,042,754 units (2017: 1,046,234) outstanding		5.9897	6.5329

The financial statements from page 4 to 17 and annexure on page 19 were approved and authorised for issue on 29-Jan, 2019 and on behalf of the Directors by:



Mr. Ammar Zuhair Husni Seifi
Director

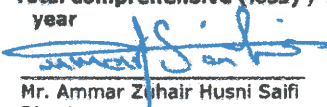



Mr. Mohammed Al Ghanamah
Director

The accompanying notes 1 to 12 form an integral part of these financial statements




IIAB ISLAMIC MENA FUND
STATEMENT OF OPERATIONS
YEAR ENDED SEPTEMBER 30, 2018

	Notes	2018 USD	2017 USD
Income			
Net realised gain on investments held for trading	6	138,439	544,603
Net unrealised loss on investments held for trading	6	(748,644)	(142,931)
Dividend income		282,713	239,418
Net foreign exchange (loss) / gain		(26,753)	3,194
Total operating (loss) / income		(354,245)	644,284
Expense			
Management fee	4 & 9	(97,952)	(111,880)
Custody and administration fees	4	(50,000)	(50,000)
Registrar and transfer agent fees	4	(4,000)	(4,000)
Representative fee	4	(5,000)	(5,000)
Shari'a Board fee	4	(10,200)	(10,200)
Broker commission		(9,464)	(19,651)
Professional fee		(19,364)	(19,652)
Bank charges		(1,378)	(2,768)
Other expenses		(15,750)	(12,705)
Total operating expenses		(213,108)	(235,856)
(Loss) / profit for the year		(567,353)	408,428
Other comprehensive income for the year		-	-
Total comprehensive (loss) / income for the year		(567,353)	408,428
 Mr. Ammar Zuhair Husni Saifi Director		 Mr. Mohammed Al Ghanamah Director	

The accompanying notes 1 to 12 form an integral part of these financial statements




IIAB ISLAMIC MENA FUND
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2018

	Number of units	Capital	Unit	Accumulated	Total
		USD	(deficit) / Surplus USD	losses USD	USD
Balance at October 1, 2016	1,277,791	12,777,910	(227,673)	(4,598,121)	7,952,116
Redemption of units	(235,390)	(2,353,900)	803,332	-	(1,550,568)
Subscription in units	3,833	38,330	(13,330)	-	25,000
Total comprehensive income for the year	-	-	-	408,428	408,428
Balance at September 30, 2017	1,046,234	10,462,340	562,329	(4,189,693)	6,834,976
Redemption of units	(3,480)	(34,800)	13,005	-	(21,795)
Total comprehensive loss for the year	-	-	-	(567,353)	(567,353)
Balance at September 30, 2018	1,042,754	10,427,540	575,334	(4,757,046)	6,245,828

The accompanying notes 1 to 12 form an integral part of these financial statements

IIAB ISLAMIC MENA FUND
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2018

	2018	2017
	USD	USD
Cash flows from operating activities		
(Loss) / profit for the year	(567,353)	408,428
Adjustments for:		
Dividend income	(282,713)	(239,418)
Net loss / (gain) on investments	610,205	(401,672)
	(239,861)	(232,662)
Change in operating assets and liabilities:		
Decrease / (increase) in due from brokers	415,716	(809,984)
Decrease in due to a related party	(1,582)	(4,343)
Increase / (decrease) in accrued fees and other liabilities	55,783	(5,076)
Cash from / (used in) operations	230,056	(1,052,065)
Payments for purchase of investments	(2,276,528)	(2,407,080)
Proceeds from disposal of investments	1,453,901	4,482,620
Dividends received	236,349	240,566
Net cash (used in) / generated from operating activities	(356,222)	1,264,041
Cash flows from financing activities		
Proceeds from issuance of units	-	25,000
Redemption of units	(21,795)	(1,550,568)
Net cash used in financing activities	(21,795)	(1,525,568)
Net decrease in cash and cash equivalents	(378,017)	(261,527)
Cash and cash equivalents, beginning of year	1,017,667	1,279,194
Cash and cash equivalents, end of year	639,650	1,017,667
Comprising:		
Cash at banks (Note 5)	639,650	1,017,667

The accompanying notes 1 to 12 form an integral part of these financial statements

IIAB ISLAMIC MENA FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

1. GENERAL INFORMATION

IIAB Islamic MENA Fund (the "Fund") is an open-ended investment fund established by Al Arabi Investment Group Co. (the "Operator" and the "Investment Manager"). The Fund operates under the collective investment undertakings regulations issued by the Central Bank of Bahrain (the "CBB") as contained in Volume 7 of the CBB Rulebook. The Fund Company is registered with the Ministry of Industry, Commerce and Tourism since March 23, 2006. The Fund was launched on March 26, 2008. The address of the Fund's registered office is Flat no. 23, Building no. 4521, Road no.1010, Block no. 410, Sanabis, P. O. Box 2400, Kingdom of Bahrain.

The Fund aims at the realisation of capital growth in the long run through the investment in companies situated in MENA region in compliance with the Islamic investment principles as detailed in the prospectus.

The Fund is managed by Al Arabi Investment Group Co., a company incorporated in Jordan. The Fund is administered by Gulf Custody Company B.S.C. (c) (the "Administrator" and the "Custodian") (which also acts as the Custodian of the Fund), a closed joint stock company incorporated under the laws of the Kingdom of Bahrain. The Fund Company is incorporated as closed joint stock company under the laws of the Kingdom of Bahrain and has been established to act as an umbrella vehicle for the Fund.

Al-Arabi Investment Group co. owns 99% shares of the Fund Company.

The financial statements represent the assets, liabilities and operations of the Fund only.

The Fund does not have any employees and utilises the services of the Investment Manager, Administrator and Custodian to operate the Fund.

The Fund has been established for an indefinite period but the Fund Company reserves the right to terminate the Fund at any time without penalty to any party involved. Such termination requires the prior written consent of the CBB and proposal to dissolve the Fund at an Extraordinary General Meeting of shareholders of the Fund Company for which three months' notice should be given to the Unitholders by the Directors of the Fund. Neither the death, bankruptcy, incapacity of a Unitholder in the Fund nor the bankruptcy or resignation of the Investment Manager will terminate the Fund or in any way affect its continuity.

The Fund must be liquidated if either:

- a- the Net Asset Value of the Fund declines for any reason to less than the Minimum Fund Size, and such decline continues for three consecutive months, or
- b- the Net Asset Value per Unit of the Fund drops below 50% of its highest recorded level, after adjustment for cash dividends if any, for a period of twenty four months without reasonable justification.
- c- Islamic International Arab Bank or Al Arabi Investment Group Co. enters into bankruptcy or if regulatory changes deem it impractical for the Fund to continue.

IIAB ISLAMIC MENA FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with Accounting Standards Issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), in conformity with the prospectus and the relevant provisions of the CBB Rulebook Volume 7. These policies have been consistently applied to all the years presented.

Basis of Preparation

The financial statements are prepared under the historical cost convention, except for the revaluation of certain financial instruments and assets and liabilities are reflected in the balance sheet in an approximate order of liquidity.

Fair value is the value representing estimate of the amount of cash or cash equivalent that would be received for an asset sold or amount of cash or cash equivalent paid for a liability extinguished or transferred in an orderly transaction between a willing buyer and a willing seller at the measurement date.

For financial reporting purposes fair value measurement is categorised into Levels 1, 2 or 3 based on the degree to which the inputs to fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described below:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

The financial statements are presented in United States Dollar ("USD") being the functional and presentation currency of the Fund.

The significant accounting policies are as follows:

(a) Investments in Securities

The values of securities listed on a securities exchange are based on the official closing price on that exchange on the day of valuation or, if no sale had occurred on such day, at the last bid price on such day if held long, and at the last asked price if held short. Transactions in marketable securities are accounted for on the trade date, the date on which the Fund commits to purchase or sell the investment.

Investments in securities are classified into investments held for trading which are initially recognised and subsequently measured at fair value. Any change in fair value is recognised in the results of the year as unrealised gains or losses. Realised gains and losses from disposal of securities are determined on an average cost basis.

(b) Receivables

Receivables including amounts due from brokers are non-derivative financial assets of fixed or determinable amounts that are not quoted in an active market. Receivables are initially recognised at fair value and are subsequently measured at amortised cost, less any impairment.

IIAB ISLAMIC MENA FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

(c) Impairment of Financial Assets

Financial assets, other than those classified for trading, are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in profit or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re- organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective profit rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(d) Derecognition of Financial Assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity, when applicable is recognised in profit or loss.

(e) Payables

Payables including amounts due from brokers are recognised for amounts to be paid in the future for goods or services received, whether billed by the provider or not. These are carried at amortised cost which is the fair value of the consideration to be settled in the future.

(f) Derecognition of Financial Liabilities

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.

The difference between the carrying amount of the financial liability derecognised and the sum of the consideration paid and payable is recognised in profit or loss.

(g) Revenue Recognition

Dividend income from investments held for trading is recognised when the Fund's right to receive payment has been established.

(h) Foreign Currencies

Foreign currency transactions are recognised in United States Dollars using the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currency are retranslated into the functional currency at the rates of exchange prevailing at the reporting date. Exchange differences arising on the settlement of transactions and on the translation of monetary items, are included in profit or loss for the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

IIAB ISLAMIC MENA FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

(i) Expense

All recurring expenses are accounted for on the accrual basis.

Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

(j) Unit Surplus/ (Deficit)

On the issue of units, the difference between the issue price and the nominal value is credited to unit surplus / deficit account. On redemption, the premium repayable is debited to the unit surplus account. For units redeemed at a discount, the difference between redemption value and par value is credited to unit surplus account.

(k) Net Asset Value Per Unit

The net asset value per unit is calculated in accordance with the prospectus of the Fund, by dividing the net assets included in the statement of net assets by the number of units outstanding at the reporting date.

(l) Shari'a Advisory Board

The Fund's Shari'a Advisory Board consists of Islamic scholars who review the Fund's compliance with general Shari'a principles and specific fatwas, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Fund to ensure that its activities are conducted in accordance with Islamic Shari'a principles.

(m) Earnings prohibited by Shari'a

The Fund is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Fund uses these funds for charitable purposes.

(n) Zakah

Payment of Zakah shall be the sole responsibility of the Investors. The Fund Company or the Fund shall not calculate or pay or be responsible for calculation or payment of Zakah on the Investor's investment in the Fund or on any other capital appreciation derived therefrom.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Fund's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Fund's accounting policies***Classification of investments***

Management has to decide upon acquisition of an investment whether it should be classified as held to maturity, available-for-sale or investments held for trading. For those deemed to be held to maturity, the Fund ensures that the requirements of FAS 17 are met and in particular the Fund has the positive intention and ability to hold these to maturity. The Fund classifies investments as held for trading if they are acquired primarily for the purpose to be held for trading or upon initial recognition they are designated by the Fund as held for trading. All other investments are classified as available-for-sale.

Key sources of estimation uncertainty

There were no significant 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.

IIAB ISLAMIC MENA FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

4. **FEES AND EXPENSES**

(a) **Management Fee**

The Investment Manager is entitled to an annual Management Fee at a maximum of 1.5% of the Net Asset Value ("NAV") of the Fund prior to the accrual of the performance fee for its services as Investment Manager. The Management Fee is calculated and accrued as at each Valuation Day and payable quarterly in arrears.

(b) **Performance Fee**

The Investment Manager is also entitled to a Performance Fee equivalent to 15% of any additional return over the Hurdle Rate (as defined in the Prospectus) of 8% per annum (after the deduction of all Fees) since the closing date or the previous year end on which the Performance Fee was paid (whichever is later). The Fund will pay to the Investment Manager on the last day of that financial year.

(c) **Shari'a Board Fee**

The Fund shall pay each of the members of the Shari'a Board USD 3,400 per annum. The Fee is calculated and accrued as at each Valuation Day and payable annually in arrears.

(d) **Custody and Administration Fees**

Under the Administration and Custody agreement, the Fund pays the Administrator and Custodian as remuneration for its on-going services a fee accruing on each Valuation Day at the annual rate of 0.2% of the NAV of the Fund on such Valuation Day (subject to a minimum fee of USD 50,000 per annum).

(e) **Registrar and Transfer Agent Fees**

Under the terms of the Registrar agreement, the Fee payable by the Fund for the provision of such service will be USD 4,000 per annum for up to 100 Unitholders and USD 40 per annum per additional Unitholder. The Registrar and Transfer Agent Fee is calculated and accrued as at each Valuation Day and payable quarterly in arrears.

(f) **Representative Fee**

Under the Representation agreement, the Gulf Clearing Company B.S.C. (c) was appointed to be representative of the Fund Company and it is entitled to receive an annual representative fee of USD 5,000 per annum.

5. **CASH AT BANKS**

Cash at banks consists of balances in current accounts with various financial institutions including related parties.

6. **INVESTMENTS HELD FOR TRADING**

6.1 The movement of investments held for trading was as follows:

	September 30, 2018	September 30, 2017
	USD	USD
Carrying value, beginning of year	4,773,960	6,447,828
Purchases during the year	2,276,528	2,407,080
Proceeds from sales during the year	(1,453,901)	(4,482,620)
Net realised gain on investments held for trading	138,439	544,603
Net unrealised loss of investments held for trading	(748,644)	(142,931)
	<u>4,986,382</u>	<u>4,773,960</u>
Carrying value, end of year		

IIAB ISLAMIC MENA FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

6. INVESTMENTS HELD FOR TRADING (CONTINUED)

6.2 Investments at year-end are allocated by geography as follows:

September 30, 2018		
	Fair value USD	Percentage to total assets
Oman		
- Telecommunications	602,727	9.46
- Other industry sectors	62,379	0.98
United Arab Emirates		
- Financial institutions	549,365	8.63
- Other industry sectors	1,094,646	17.19
Saudi Arabia	1,263,464	19.84
Jordan	692,282	10.87
Kuwait	263,328	4.13
Palestine		
- Telecommunications	333,885	5.24
United Kingdom	124,306	1.95
Total	4,986,382	78.29

September 30, 2017		
	Fair value USD	Percentage to total assets
Oman		
- Telecommunications	525,454	7.61
- Other industry sectors	96,332	1.40
United Arab Emirates		
- Financial institutions	658,966	9.55
- Other industry sectors	635,752	9.21
Saudi Arabia	1,369,199	19.83
Jordan	771,340	11.17
Palestine		
- Telecommunications	360,555	5.22
United Kingdom	356,360	5.16
Total	4,773,960	69.15

6.3 Investments held for trading represent investments in listed securities, which according to the Investment Manager provide the Fund with the opportunity to enhance the return on investments through trading gains. The fair values of these securities are based on quoted market prices. Certain markets and securities may be illiquid and published market prices may not necessarily represent realisable value. The Investment Manager manages market illiquidity by diversifying holdings across many markets and sectors and by maintaining healthy cash balances.

IIAB ISLAMIC MENA FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

7. ACCRUED FEES AND OTHER LIABILITIES

	2018	2017
	USD	USD
Custody and administration fees	12,877	12,740
Professional fee	14,950	14,949
Shari'ah board fee	10,200	10,200
Other payables	60,339	4,694
	<u>98,366</u>	<u>42,583</u>

8. CAPITAL

The capital of the Fund consists of redeemable units with a par value of USD 10 per unit, which do not carry voting rights. They are entitled to dividends and to a proportionate share of the Fund's net assets attributable to holders of redeemable units.

The Fund's capital is represented by these redeemable units. Quantitative information about the Fund's capital is provided in the statement of changes in net assets attributable to holders of redeemable units.

Each unit issued confers upon the Unitholder an equal interest in the Fund, and is of equal value. A unit does not confer any interests in any particular asset or investment of the Fund.

The Fund's redemption policy allows for units to be redeemed monthly on the valuation day. Unitholders are allowed to redeem for cash on the redemption date at the redemption price equal to the NAV per unit on the same day.

9. RELATED PARTIES

IIAB Islamic MENA Fund Company B.S.C. (c) is a related party as it was incorporated to create the Fund.

Al Arabi Investment Group Co. is a related party as it is the principal Shareholder of the Fund Company. Management fees charged by Al Arabi Investment Group amounted to USD 97,952 (2017: USD 111,880). Outstanding management fees payable amounted to USD 24,488 at September 30, 2018 (2017: USD 26,070) (Note 4A).

Arab Bank Plc is a related party as it is the ultimate parent of the Fund Company, correspondingly all branches of Arab Bank Plc are also considered as related parties.

The following related party owns units in the Fund as at September 30, 2018 and 2017:

<u>Related party</u>	<u>Nature of relationship</u>	<u>Number of units</u>
Islamic International Arab Bank	Subsidiary of Arab Bank Plc	500,000

The Fund maintains the following bank accounts with related parties as at September 30, 2018 and 2017:

<u>Related party</u>		<u>Balance at September 30,</u>	
		<u>2018</u>	<u>2017</u>
		USD	USD
Arab Bank Plc – Jordan	Current account	<u>2,021</u>	<u>325,314</u>
Arab Bank Plc – Bahrain Branch	Current account	<u>592</u>	<u>8,763</u>
Arab Bank Plc – UAE	Current account	<u>105,955</u>	<u>27,232</u>

IIAB ISLAMIC MENA FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

10. FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Fund include investments held for trading, due from brokers, dividend receivable and cash at banks.

Financial liabilities of the Fund include accrued fees and other liabilities and due to a related party.

Significant accounting policies

Significant accounting policies and methods adopted, including the criteria for recognition, basis of measurement, and the basis on which income and expenses are recognised in respect of each class of financial assets and financial liabilities are set out in Note 3.

Categories of financial instruments

	<u>2018</u>	<u>2017</u>
	USD	USD
Financial assets		
Investments held for trading (at fair value)	<u>4,986,382</u>	<u>4,773,960</u>
Receivables at amortised cost (including cash at banks)	<u>1,382,300</u>	<u>2,129,669</u>
Financial liabilities		
At amortised cost	<u>122,854</u>	<u>68,653</u>

Financial risk management objectives

The Investment Manager provides services to the Fund, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Fund through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include credit risk, liquidity risk, market risk comprising profit rate risk, foreign currency risk and equity price risk.

10.1 CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. The Fund's exposure to credit risk is primarily in respect of cash at banks and other assets.

The carrying amount of financial assets best represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>2018</u>	<u>2017</u>
	USD	USD
Cash at banks	639,650	1,017,667
Other assets	<u>742,650</u>	<u>1,112,002</u>
	<u>1,382,300</u>	<u>2,129,669</u>

Credit risk on cash at banks is limited since these are maintained with banks and financial institutions having high credit ratings.

In accordance with the Fund's policy, the Fund Manager monitors the Fund's credit position on a periodic basis. None of the credit exposures are past due or impaired as at September 30, 2018 and 2017.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is made by the custodian only on receipt of payment from the broker. Payment is made by the custodian for the purchase of securities only on receipt of security from the broker. The trade will fail if either party fails to meet its obligations.

IIAB ISLAMIC MENA FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

10.2 LIQUIDITY RISK

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities, it arises because of the possibility that the entity could be required to pay its liabilities earlier than expected or reimburse the Unitholders as a result of market illiquidity.

The Fund manages liquidity risk by maintaining sufficient funds in current accounts held with banks. Also, the Fund manages liquidity risk by diversifying holding across many markets and sectors.

The liquidity profile of financial liabilities reflects the projected cash flows over the life of these financial liabilities. The financial liabilities at September 30, 2018 and 2017 have a maturity of three months or less.

10.3 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Fund's market risk is managed through diversification of the investments portfolio exposure. The Fund's overall market positions are monitored on a daily basis by the Investment Manager.

10.3.1 Profit Rate Risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market profit rates.

The Fund is not exposed to significant profit rate risk as no investments are held with material profit bearing bonds or securities.

10.3.2 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund's financial assets and liabilities are denominated primarily in GCC currencies and Jordanian Dinar. The Fund is not exposed to significant currency risk with respect to GCC currencies (except the Kuwaiti Dinar) and Jordanian Dinar, as these currencies are effectively pegged to the US Dollar.

Exchange rate exposure to the Kuwaiti Dinars ("KWD") and Great Britain Pounds ("GBP") is managed through continuously monitoring exchange rate fluctuations.

The carrying amounts of the Fund's foreign currency denominated monetary assets and monetary liabilities equivalent to United States Dollar value at the reporting date are as follows:

	Assets		Liabilities	
	2018	2017	2018	2017
	USD	USD	USD	USD
KWD	216,496	682	579	545
OMR	718,742	636,620	77	29
AED	2,037,431	2,337,553	2,818	597
SAR	1,781,439	1,974,313	103	30
JOD	1,028,188	1,457,211	1,155	698
GBP	524,675	482,911	210	85

Foreign currency sensitivity analysis

The sensitivity analysis includes only outstanding foreign currency denominated monetary items in Kuwaiti Dinar and Great Britain Pound and adjusts their translation at the period end for a 5% change in foreign currency rates with all other variables held constant. 5% represents management's assessment of the reasonable possible change in foreign currency rates. A positive number below indicates an increase in the net assets resulting from operations and a negative number indicates a decrease in net assets resulting from operations where USD strengthens 5% against the relevant currency. For a 5% weakening of USD against the relevant currency, there would be an equal and opposite impact on the results for the year.

Currency	2018	2017
	Effect on the results for the year	Effect on the results for the year
	USD	USD
Kuwaiti Dinar	(10,796)	(7)
Great Britain Pound	(26,223)	(24,141)

IIAB ISLAMIC MENA FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

10.3.3 Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Fund manages the risk through diversification of investments in terms of geographical distribution, to the extent permissible in the Prospectus, and industry concentration. As at the year end, significant portion of the Fund's equity investment were in equities listed on the securities markets of Oman, United Arab Emirates, Saudi Arabia, Palestine, United Kingdom and Jordan.

The effect on the results for the year (as a result of a change in the fair value of equity instruments held for trading at the year-end) presented due to a reasonably possible change in market indices, with all other variables held constant, is as follows:

	Change in equity price (%)	2018	2017
		Effect on the results for the year	Effect on the results for the year
		USD	USD
Oman	+5	33,255	31,089
United Arab Emirates	+5	82,201	64,736
Saudi Arabia	+5	63,173	68,460
Jordan and Palestine	+5	51,308	56,595
United Kingdom	+5	6,215	17,818
Kuwait	+5	13,166	-

There would be an equal and opposite impact on the results for the year, had there been a decrease in equity prices by 5%.

10.4 CAPITAL RISK MANAGEMENT

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide return for Unitholders and to maintain an optimal capital structure to reduce the cost of capital. The Fund manager monitors capital structure on monthly basis.

The capital structure of the Fund consists of Unitholders' capital. The Fund does not have borrowings.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets held for trading are measured based on quoted bid prices in an active market. These are categorised within Level 1 of the fair value hierarchy. The carrying values of financial assets and liabilities at amortised cost approximate their fair value due to their short term nature.

There are no financial liabilities at FVTPL at the reporting dates.

12. FINANCIAL RATIOS DISCLOSURES

	<u>2018</u>	<u>2017</u>
a) Weighted average net asset value per unit	6.2413	6.5295
b) Ratio of expenses to weighted average net assets*	0.03	0.03
c) Annual rate of return**	(9.08%)	5.98%

* Ratio of expenses to weighted average net assets are calculated by dividing actual expenses incurred during the year in connection to operations of the Fund by the weighted average net asset value.

** Annual rate of return is calculated by dividing actual net (loss) / profit for the year by the net asset value as at the year end.

ANNEXURE
ADDITIONAL DISCLOSURES

IIAB ISLAMIC MENA FUND
ADDITIONAL DISCLOSURES
YEAR ENDED SEPTEMBER 30, 2018

1. Additional disclosures as required by the CBB

The additional disclosures as required by "Appendix E – Contents of Financial Reports" to the Rulebook on Collective Investment Undertakings (CIU) – Volume 7 are as follows:

i. Investment Portfolio as at September 30, 2018

Top ten holdings

Description	Fair Value USD	Fair value as % of NAV
NAWRAS – OOREDOO	602,727	9.65%
ARAMEX	550,046	8.81%
Dubai Islamic Bank	549,365	8.80%
SINIORA FOOD INDUSTRIES CO.	548,545	8.78%
Emaar Properties	544,600	8.72%
SAUDI AIRLINES CATERING CO	478,147	7.66%
PALESTINE TELECOMMUNICATIONS	333,885	5.35%
DALLAH HEALTHCARE HOLDING	328,984	5.27%
HUMANSOFT HOLDING CO.	263,328	4.22%
SAVOLA	241,140	3.86%
Total	4,440,767	71.10%

ii. Performance table

a) Comparative table

	September 30, 2013 USD	September 30, 2014 USD	September 30, 2015 USD	September 30, 2016 USD	September 30, 2017 USD	September 30, 2018 USD
Net Asset Value	7,999,038	9,597,503	8,530,544	7,952,116	6,834,976	6,245,828
NAV Per Unit	6.1728	7.4511	6.5635	6.2233	6.5329	5.9897

b) Performance record

	Highest Redemption Price USD	Lowest Redemption Price USD
September 30, 2018	6.3244	6.2427
September 30, 2017	6.6131	6.1660
September 30, 2016	6.3834	6.2191
September 30, 2015	7.2501	6.9248
September 30, 2014	7.2351	6.4071
September 30, 2013	6.1714	5.6840
September 30, 2012	5.7345	5.4301
September 30, 2011	5.8796	5.6700
September 30, 2010	5.5101	5.4627
September 30, 2009	4.7924	4.7924
September 30, 2008*	7.9154	7.9154

* The first financial statements cover the period from March 26, 2008 (the date of commencement of operations) to September 30, 2008.