

IIAB ISLAMIC MENA FUND
MANAMA
KINGDOM OF BAHRAIN

CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE PERIOD ENDED
MARCH 31, 2010

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

<u>Directors</u>	Mr. Adel Kasaji Mr. Qutaiba Hawamdeh Mr. Mohammed Ghanamah
<u>Registered Office</u>	P.O. Box 2400, Manama, Kingdom of Bahrain.
<u>Fund Company</u>	IIAB Islamic MENA Fund Company B.S.C. (c)
<u>Investment Manager</u>	Al Arabi Investment Group Co.
<u>Administrator and Custodian</u>	Gulf Custody Company B.S.C. (c) P.O. Box 2400, Manama, Kingdom of Bahrain.
<u>Shari'ah Board</u>	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
<u>Bankers</u>	ABC Islamic Bank, Bahrain Arab Bank, Jordan Oman Arab Bank Commercial Bank of Qatar National Bank of Kuwait Mashreqbank, Dubai
<u>Auditor</u>	Deloitte & Touche, P.O. Box 421, Manama, Kingdom of Bahrain.

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

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REVIEW REPORT TO THE UNIT HOLDERS

IIAB Islamic MENA Fund,
Manama, Kingdom of Bahrain

Introduction

We have reviewed the accompanying condensed statement of financial position of IIAB Islamic MENA Fund, ("the Fund"), as at March 31, 2010, and the related condensed statement of comprehensive income, condensed statement of changes in net assets and condensed statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not present fairly, in all material respects, the financial position of the Fund as at March 31, 2010 and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 - "Interim Financial Reporting".

Emphasis of Matter

Without qualifying our report we draw attention to Note 5 (a) to the condensed interim financial information. The securities designated at fair value through profit or loss represent investments in listed securities, which, according to the Fund Manager, provide the Fund with the opportunity to enhance the return on the investment through trading gains. The fair value of these securities are based on quoted market prices. Certain markets and securities may be illiquid and indicative market prices may not necessarily represent realisable value.

Manama – Kingdom of Bahrain
June 13, 2010


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IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2010

	<u>Notes</u>	<u>March 31,</u> <u>2010</u> <u>USD</u>	<u>September</u> <u>30, 2009</u> <u>USD</u> <u>(Audited)</u>
ASSETS:			
Cash at banks		2,878,275	2,825,888
Securities designated at fair value through profit or loss	5	4,868,421	4,432,715
Other assets		71,227	95,924
Total Assets		<u>7,817,923</u>	<u>7,354,527</u>
LIABILITIES:			
Due to a related party	6	27,714	26,559
Accrued fees and charges		76,419	99,514
Total Liabilities		<u>104,133</u>	<u>126,073</u>
Net Assets		<u>7,713,790</u>	<u>7,228,454</u>
ANALYSIS OF NET ASSETS:			
Capital		12,848,025	12,632,669
Net cumulative realised loss		(3,575,445)	(3,277,306)
Cumulative changes in fair value of securities designated at fair value through profit or loss		(1,558,790)	(2,126,909)
Net Assets		<u>7,713,790</u>	<u>7,228,454</u>
Number of units		1,334,625	1,295,505
Net asset value per unit		5.7797	5.5796

The condensed interim financial information were approved and authorised for issue by the Directors on June 13, 2010 and signed on their behalf by:



 Director



 Director

The accompanying notes 1 to 8 form part of this condensed interim financial information.

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

	<u>Note</u>	<u>Six-Month</u> <u>Period Ended</u> <u>March 31</u> <u>2010</u> <u>USD</u>	<u>Six-Month</u> <u>Period Ended</u> <u>March 31</u> <u>2009</u> <u>USD</u>
Investment income			
Dividend income		89,778	97,623
Other operating income		174	836
		-----	-----
		89,952	98,459
		-----	-----
Expenses			
Management fees	7	55,079	45,199
Custody and administration fees		37,397	37,346
Registrar and transfer agent fees		2,992	2,988
Representative fees		2,493	2,490
Shari'ah board fees		5,086	5,086
Professional fees		9,192	9,742
Bank charges		605	1,573
Foreign exchange loss		10,332	133,918
Other expenses		37,935	6,999
		-----	-----
Total expenses		161,111	245,341
		-----	-----
Investment loss– net		(71,159)	(146,882)
		-----	-----
Realised and unrealised gain or loss on securities designated at fair value through profit or loss:			
Net realised loss		(226,980)	(3,882,153)
Change in fair value		568,119	(230,355)
		-----	-----
Net profit/(loss) on securities designated at fair value through profit or loss		341,139	(4,112,508)
		-----	-----
Net increase / (decrease) in net assets resulting from operations		269,980	(4,259,390)
		-----	-----
Total comprehensive income / (loss) for the period		269,980	(4,259,390)
		=====	=====

The accompanying notes 1 to 8 form part of this condensed interim financial information.

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

	<u>Six-Month</u> <u>Period Ended</u> <u>March 31,</u> <u>2010</u> <u>USD</u>	<u>Six-Month</u> <u>Period Ended</u> <u>March 31,</u> <u>2009</u> <u>USD</u>
Investment loss – net	(71,159)	(146,882)
Net realised loss on securities designated at fair value through profit or loss	(226,980)	(3,882,153)
Change in fair value of securities designated at fair value through profit or loss	568,119	(230,355)
	-----	-----
Total comprehensive income / (loss) for the period	269,980	(4,259,390)
Change in net assets from capital share transactions	215,356	390,812
	-----	-----
Change in net assets	485,336	(3,868,578)
Net assets – beginning of the period	7,228,454	9,563,873
	-----	-----
Net assets – end of the period	<u>7,713,790</u>	<u>5,695,295</u>

The accompanying notes 1 to 8 form part of this condensed interim financial information.

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

	<u>Six-Month</u> <u>Period Ended</u> <u>March 31,</u> <u>2010</u> <u>USD</u>	<u>Six-Month</u> <u>Period Ended</u> <u>March 31,</u> <u>2009</u> <u>USD</u>
Cash flows from operating activities		
Net increase / (decrease) in net assets resulting from operations	269,980	(4,259,390)
Adjustments for:		
Net (profit) / loss on securities designated at fair value through profit or loss	(341,139)	4,112,508
Dividend income	(89,778)	(97,623)
Murabaha profit	(174)	(836)
	-----	-----
	(161,111)	(245,341)
Changes in operating assets and liabilities:		
Decrease in other assets	95,924	25,962
Increase / (decrease) in due to a related party	1,155	(18,597)
Decrease in accrued fees and charges	(23,095)	(101,371)
	-----	-----
	(87,127)	(339,347)
Purchase of securities designated at fair value through profit or loss	(1,932,672)	(1,497,850)
Proceeds from disposal of securities designated at fair value through profit or loss	1,838,105	2,608,154
Dividend received	18,551	33,880
Murabaha profit received	174	836
	-----	-----
Net cash (used in) / from operating activities	(162,969)	805,673
	-----	-----
Cash flows from financing activities		
Proceeds from issue of units	215,356	390,812
	-----	-----
Net cash from financing activities	215,356	390,812
	-----	-----
Net increase in cash and cash equivalents	52,387	1,196,485
Cash and cash equivalents at the beginning of the Period	2,825,888	623,154
	-----	-----
Cash and cash equivalents at the end of the period	<u>2,878,275</u>	<u>1,819,639</u>
Comprising:		
Cash at banks	<u>2,878,275</u>	<u>1,819,639</u>

The accompanying notes 1 to 8 form part of this condensed interim financial information.

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

1. **STATUS AND ACTIVITIES:**

IIAB Islamic MENA Fund (“the Fund”) is an open-ended investment fund established by IIAB Islamic MENA Fund Company B.S.C. (Closed) (“the Fund Company”). The Fund is an Expert Fund under the collective investment undertakings regulations issued by the Central Bank of Bahrain (“the CBB”) under circular number EDFIS/C/020/2007. The Fund has been registered at the Ministry of Industry & Commerce and is authorised and approved by the CBB.

The Fund was launched on March 26, 2008.

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 of the Fund.

The Fund is managed by Al Arabi Investment Group Co. (“the Investment Manager”) a company incorporated in Jordan. The Fund is administered by Gulf Custody Company B.S.C. (Closed) (which also acts as the Custodian of the Fund), (“the Administrator” and “the Custodian”) a closed joint stock company incorporated under the laws of the Kingdom of Bahrain. The Fund Company is approved by the CBB and incorporated as a 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.

The condensed interim financial information represents 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.

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

2. **BASIS OF PREPARATION:**

The condensed interim financial information has been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The condensed interim financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards. For more details, please refer to the audited financial statements for the year ended September 30, 2009.

In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the period are not necessarily indicative of the results that may be expected for the financial year ending September 30, 2010.

3. **SIGNIFICANT ACCOUNTING POLICIES:**

The condensed interim financial information has been prepared under the historical cost convention except for the valuation of investment securities.

The same accounting policies, presentation and methods of computation are followed in this condensed interim financial information as were applied in the preparation of the Fund’s financial statements for the year ended September 30, 2009, except for the impact of the adoption of the Standards and Interpretations described below:

IAS 1 (revised 2007) Presentation of Financial Statements
(effective for annual periods beginning on or after January 1, 2009)

The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Fund.

Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Fund has elected not to provide comparative information for these expanded disclosures in the current period in accordance with the transitional reliefs offered in these amendments.

Improvements to IFRSs issued in May 2008

The improvements include 35 amendments across 20 different Standards that largely clarify the required accounting treatment where previous practice had varied, and have resulted in a number of changes in the detail of the Fund’s accounting policies. These amendments did not have a material impact on the reported results or financial position of the Fund.

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

4. **JUDGEMENTS AND ESTIMATES:**

The preparation of the condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements as at and for the year ended September 30, 2009.

5. **SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:**

This caption is composed of the following:

March 31, 2010

	<u>Cost</u> <u>USD</u>	<u>Fair value</u> <u>USD</u>	<u>Change in</u> <u>Fair value</u> <u>USD</u>
Investment in listed shares:			
Kuwait	993,441	484,293	(509,148)
Oman	260,885	237,867	(23,018)
Qatar	766,934	720,545	(46,389)
United Arab Emirates	1,229,717	671,596	(558,121)
Saudi Arabia	2,470,985	2,121,117	(349,868)
Egypt	445,231	408,025	(37,206)
Bahrain	90,080	63,130	(26,950)
Jordan	169,938	161,848	(8,090)
	<u>6,427,211</u>	<u>4,868,421</u>	<u>(1,558,790)</u>

September 30, 2009 (Audited)

	<u>Cost</u> <u>USD</u>	<u>Fair value</u> <u>USD</u>	<u>Change in</u> <u>Fair value</u> <u>USD</u>
Investment in listed shares:			
Kuwait	869,319	382,110	(487,209)
Oman	148,891	127,436	(21,455)
Qatar	701,385	621,121	(80,264)
United Arab Emirates	1,360,349	576,714	(783,635)
Saudi Arabia	2,762,715	2,161,568	(601,147)
Egypt	626,885	501,697	(125,188)
Bahrain	90,080	62,069	(28,011)
	<u>6,559,624</u>	<u>4,432,715</u>	<u>(2,126,909)</u>

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

5. **SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS: (CONTINUED)**

- (a) The securities designated at fair value through profit or loss represent investments in listed securities, which according to the Fund Manager provide the Fund with the opportunity to enhance the return on investment return through trading gains. The fair value of these securities are based on quoted market prices. Certain markets and securities may be illiquid and indicative market prices may not necessarily represent realisable value.

6. **DUE TO A RELATED PARTY:**

	<u>March 31,</u> <u>2010</u> <u>USD</u>	<u>September 30,</u> <u>2009</u> <u>USD</u> <u>(Audited)</u>
Due to:		
Al Arabi Investment Group Co.		
- Management fees	27,714	26,559
	<u> </u>	<u> </u>

7. **RELATED PARTY TRANSACTIONS:**

IIAB Islamic MENA Fund Company B.S.C. (Closed) 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.

Arab Bank Plc is a related party as it is the ultimate parent of the Fund Company.

Oman Arab Bank is an affiliate of Arab Bank Plc.

The following transactions occurred between the Fund and its related party:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount incurred</u>	
		<u>Six-Month</u> <u>Period</u> <u>Ended</u> <u>March 31,</u> <u>2010</u> <u>USD</u>	<u>Six-Month</u> <u>Period</u> <u>Ended</u> <u>March 31,</u> <u>2009</u> <u>USD</u>
Al Arabi Investment Group Co.	Management fees	55,079	45,199

IIAB ISLAMIC MENA FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

7. RELATED PARTY TRANSACTIONS: (CONTINUED)

The following related party own units in the Fund as at the reporting dates.

<u>Related party</u>	<u>Nature of relationship</u>	<u>Number of units</u> <u>March 31,</u> <u>2010</u>	<u>Number of units</u> <u>September</u> <u>30, 2009</u>
Islamic International Arab Bank	Subsidiary of Arab Bank plc	500,000	500,000

The Fund maintains the following bank accounts with its related parties:

<u>Related party</u>	<u>Nature of Bank balance</u>	<u>Amount outstanding as at</u> <u>March 31,</u> <u>2010</u> <u>USD</u>	<u>September 30,</u> <u>2009</u> <u>USD</u> <u>(Audited)</u>
Oman Arab Bank	Current account	826,427	649,475
Arab Bank Plc - Jordan	Current account	87,879	9,360

8. FAIR VALUE OF FINANCIAL INSTRUMENTS:

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The Directors believe that the fair values of financial instruments at the reporting dates are not significantly different from the carrying values included in the financial statements.

8.1 Fair value measurements recognized in the statement of financial position

Financial instruments are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets at FVTPL are grouped within Level 1.

There are no AFS financial assets or financial liabilities at FVTPL at the reporting date. Further, there were no transfers between Level 1, Level 2 and Level 3 during the period.