

IIAB ISLAMIC MENA FUND
MANAMA
KINGDOM OF BAHRAIN

CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE PERIOD ENDED
MARCH 31, 2011

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
<u>Auditor</u>	Deloitte & Touche, P.O. Box 421, Manama, Kingdom of Bahrain.

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONTENTS

	<u>Page</u>
Review Report	1
Condensed Statement of Financial Position as at March 31, 2011	2
Condensed Statement of Comprehensive Income For the Period Ended March 31, 2011	3
Condensed Statement of Changes in Net Assets For the Period Ended March 31, 2011	4
Condensed Statement of Cash Flows For the Period Ended March 31, 2011	5
Notes to the Condensed Interim Financial Information For the Period Ended March 31, 2011	6 to 11

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, 2011, 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 information. 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, 2011 and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard 34 - "Interim Financial Reporting".

Emphasis of Matter

We draw attention to Note 5 (a) to the condensed interim financial information. The financial assets at fair value through profit or loss represent investments in listed securities, which, according to the Investment Manager, provide the Fund with the opportunity to enhance the return on the investment through trading gains. The fair values 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. Our conclusion is not qualified in respect of this matter.

Manama – Kingdom of Bahrain
June 28, 2011

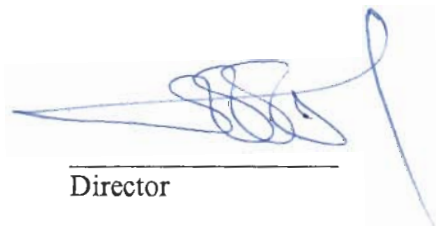
Deloitte & Touche
Deloitte & Touche

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2011

	Notes	March 31, <u>2011</u> USD	September 30, <u>2010</u> USD (Audited)
ASSETS			
Current assets			
Cash at banks		2,275,526	2,694,799
Financial assets at fair value through profit or loss	5	5,341,571	4,864,438
Other assets		82,327	10,869
Total Assets		<u>7,699,424</u>	<u>7,570,106</u>
LIABILITIES			
Current liabilities			
Due to a related party	6	28,105	28,012
Accrued fees and charges		55,002	51,385
Total Liabilities		<u>83,107</u>	<u>79,397</u>
Net Assets attributable to holders of redeemable units		<u>7,616,317</u>	<u>7,490,709</u>
ANALYSIS OF NET ASSETS			
Capital		12,813,706	12,825,288
Net cumulative realised loss		(5,292,925)	(3,638,017)
Changes in fair value of financial assets at fair value through profit or loss	5	95,536	(1,696,562)
Net Assets		<u>7,616,317</u>	<u>7,490,709</u>
Number of units	7	<u>1,328,080</u>	<u>1,330,080</u>
Net asset value per unit		<u>5.7348</u>	<u>5.6318</u>

The condensed interim financial information were approved and authorised for issue by the Directors on June 28, 2011 and signed on their behalf by:



 Director



 Director

The accompanying notes 1 to 9 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, 2011

	<u>Note</u>	<u>Six-Month Period Ended</u>	
		<u>March 31,</u>	
		<u>2011</u>	<u>2010</u>
		<u>USD</u>	<u>USD</u>
Revenue			
Dividend income		109,310	89,778
Net unrealised gain on financial assets at fair value through profit or loss		1,792,098	568,119
Net realised loss on financial assets at fair value through profit or loss		(1,627,088)	(226,980)
Net foreign currency loss		(9,483)	(10,332)
Other operating income		40	174
Total operating income		264,877	420,759
Expenses			
Management fees	8	(56,862)	(55,079)
Custody and administration fees		(35,274)	(37,397)
Registrar and transfer agent fees		(2,822)	(2,992)
Representative fees		(2,493)	(2,493)
Shari'ah board fees		(5,086)	(5,086)
Professional fees		(9,589)	(9,192)
Bank charges		(739)	(605)
Other expenses		(14,822)	(37,935)
Total operating expenses		(127,687)	(150,779)
Profit for the year		137,190	269,980
Increase in net assets attributable to holders of redeemable units		137,190	269,980

The accompanying notes 1 to 9 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, 2011

	<u>Six-Month Period Ended</u>	
	<u>March 31,</u>	
	<u>2011</u>	<u>2010</u>
	<u>USD</u>	<u>USD</u>
Net assets attributable to holders of redeemable units at the beginning of period	7,490,709	7,228,454
Issue of redeemable units	-	215,356
Redemption of redeemable units	(11,582)	-
Increase in net assets attributable to holders of redeemable units	137,190	269,980
Net assets attributable to holders of redeemable units at the end of period	<u><u>7,616,317</u></u>	<u><u>7,713,790</u></u>

The accompanying notes 1 to 9 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, 2011

	<u>Six-Month Period Ended</u>	
	<u>March 31,</u>	
	<u>2011</u>	<u>2010</u>
	<u>USD</u>	<u>USD</u>
Cash flows from operating activities		
Net increase in net assets resulting from operations	137,190	269,980
Adjustments for:		
Net gain on financial assets at fair value through profit or loss	(165,010)	(341,139)
Dividend income	(109,310)	(89,778)
Murabaha profit	(40)	(174)
	-----	-----
	(137,170)	(161,111)
Changes in operating assets and liabilities:		
(Increase) / decrease in other assets	(14,900)	95,924
Increase in due to a related party	93	1,155
Increase / (decrease) in accrued fees and charges	3,617	(23,095)
	-----	-----
	(148,360)	(87,127)
Purchase of financial assets at fair value through profit or loss	(1,179,152)	(1,932,672)
Proceeds from disposal of financial assets at fair value through profit or loss	867,029	1,838,105
Dividend received	52,752	18,551
Murabaha profit received	40	174
	-----	-----
Net cash used in operating activities	(407,691)	(162,969)
	-----	-----
Cash flows from financing activities		
Proceeds from issue of redeemable units	-	215,356
Payment on redemption of redeemable units	(11,582)	-
	-----	-----
Net cash (used in) / from financing activities	(11,582)	215,356
	-----	-----
Net (decrease) / increase in cash and cash equivalents	(419,273)	52,387
Cash and cash equivalents at the beginning of the period	2,694,799	2,825,888
	-----	-----
Cash and cash equivalents at the end of the period	2,275,526	2,878,275
	=====	=====
Comprising:		
Cash at banks	2,275,526	2,878,275
	=====	=====

The accompanying notes 1 to 9 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, 2011

1. **FORMATION AND OBJECTIVE OF THE FUND:**

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”) an entity 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, 2011

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 (IAS) 34 “Interim Financial Reporting”.

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, 2010.

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, 2011.

3. **SIGNIFICANT ACCOUNTING POLICIES:**

The condensed interim financial information has been prepared under the historical cost convention except for the valuation of securities designated at fair value through profit or loss.

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, 2010, except for the impact of the adoption of the Standards and Interpretations described below:

Standards affecting the disclosures and presentation in the current period

None of the revised Standards that have been adopted in the current period which are effective for annual periods beginning on or after October 1, 2010 have affected the disclosures and presentations in the financial information.

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, 2010.

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS:

This caption is composed of the following:

March 31, 2011

	<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	498,825	493,549	(5,276)
Oman	207,642	199,099	(8,544)
Qatar	568,277	688,073	119,796
United Arab Emirates	466,438	423,492	(42,946)
Saudi Arabia	2,576,748	2,615,198	38,450
Egypt	649,695	644,169	(5,527)
Bahrain	58,886	51,558	(7,328)
Jordan	219,523	226,434	6,911
	<u>5,246,035</u>	<u>5,341,571</u>	<u>95,536</u>

September 30, 2010 (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>
Kuwait	941,796	442,862	(498,934)
Oman	271,383	233,976	(37,407)
Qatar	850,413	801,766	(48,647)
United Arab Emirates	965,687	504,030	(461,657)
Saudi Arabia	2,688,803	2,173,010	(515,793)
Egypt	555,431	486,769	(68,662)
Bahrain	90,080	58,886	(31,194)
Jordan	197,407	163,139	(34,268)
	<u>6,561,000</u>	<u>4,864,438</u>	<u>(1,696,562)</u>

- (a) The financial assets at fair value through profit or loss represent investments in listed securities, which 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.

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011

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

	<u>March 31,</u> <u>2011</u> <u>USD</u>	<u>September 30,</u> <u>2010</u> <u>USD</u> <u>(Audited)</u>
Due to:		
Al Arabi Investment Group Co.		
- Management fees	28,105	28,012
	<u>=====</u>	<u>=====</u>

7. **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.

All issued redeemable units are fully paid. 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.

Changes in the number of redeemable units outstanding can be reconciled as follows:

	<u>Number of units</u>	
	<u>March 31,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u> <u>(Audited)</u>
Opening balance at the beginning of the period	1,330,080	1,295,505
Issue of redeemable units	-	44,344
Redemption of redeemable units	(2,000)	(9,769)
	<u>-----</u>	<u>-----</u>
Ending balance at the end of the period	1,328,080	1,330,080
	<u>=====</u>	<u>=====</u>

8. **RELATED PARTY DISCLOSURES:**

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, correspondingly all branches of Arab Bank Plc are also considered as related parties. Oman Arab Bank is an affiliate of Arab Bank Plc.

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011

8. **RELATED PARTY DISCLOSURES: (CONTINUED)**

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

<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>2011</u> <u>USD</u>	<u>Six-Month</u> <u>Period</u> <u>Ended</u> <u>March 31,</u> <u>2010</u> <u>USD</u>
Al Arabi Investment Group Co.	Management fees	56,862	55,079

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>2011</u>	<u>September</u> <u>30, 2010</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>Balance as at</u>	
		<u>March 31</u> <u>2011</u> <u>USD</u>	<u>September</u> <u>30, 2010</u> <u>USD</u> <u>(Audited)</u>
Oman Arab Bank	Current account	382,032	696,670
Arab Bank Plc - Jordan	Current account	3,750	58,881
Arab Bank Plc - Bahrain	Current account	275,698	8,057

9. **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 carried at amortised cost are not significantly different from the carrying values at the reporting dates.

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011

9. **FAIR VALUE OF FINANCIAL INSTRUMENTS: (CONTINUED)**

9.1 **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. Further, there were no transfers between Level 1, Level 2 and Level 3 during the period. There are no financial assets categorised as “available-for-sale” as at the reporting dates. There are no financial liabilities at FVTPL at the reporting date.