

IIAB ISLAMIC MENA FUND
MANAMA
KINGDOM OF BAHRAIN

CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE PERIOD ENDED
MARCH 31, 2012

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

Directors Mr. Mohamad Ghanameh
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Registered Office P.O. Box 2400,
Manama,
Kingdom of Bahrain.

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

Investment Manager Al Arabi Investment Group Co.

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

Shari'ah 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 ABC Islamic Bank, Bahrain

Auditor Deloitte & Touche,
P.O. Box 421,
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Kingdom of Bahrain.

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

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التقرير السنوي لصندوق البنك العربي الإسلامي الدولي (مينا) الإسلامي
للعام المنتهي في 30 سبتمبر 2011

إلى السادة المساهمين والمشاركين في الصندوق الاستثماري المحترمين.
السلام عليكم ورحمة الله وبركاته،

وفقاً لتكليفنا بأعمال الرقابة الشرعية في صندوقكم الموقر، فقد ترتب علينا تقديم التقرير التالي:

لقد راقبنا المبادئ المستخدمة، والعقود المتعلقة بالمعاملات التي مارسها الصندوق، فقمنا بالمراقبة الواجبة لإبداء رأينا في مدى التزام الصندوق بأحكام ومبادئ الشريعة الإسلامية، وكذلك في الفتاوى والقرارات والإرشادات المحددة التي تم إصدارها من قبلنا.

تقع على الإدارة مسؤولية التأكد من أن الصندوق يعمل وفقاً لأحكام ومبادئ الشريعة الإسلامية، أما مسؤوليتنا فتتخصص في إبداء رأي مستقل بناءً على مراقبتنا لعمليات الصندوق، وفي إعداد تقرير لكم.

وبناء عليه فقد قمنا من خلال التدقيق الشرعي بمراقبتنا التي اشتملت على فحص العقود والإجراءات والقوائم المالية المتبعة من الصندوق.

كما قمنا بتخطيط وتنفيذ مراقبتنا من أجل الحصول على جميع المعلومات والتفسيرات التي اعتبرناها ضرورية لتزويدنا بأدلة تكفي لإعطاء تأكيد معقول بأن معاملات الصندوق لم تخالف أحكام الشريعة الإسلامية، وذلك في حدود ما أطلعنا عليه.

في رأينا:

- إن العقود والعمليات والمعاملات التي أبرمها الصندوق خلال السنة المالية المنتهية في 30 سبتمبر 2011 تمت وفقاً للضوابط الشرعية والفتاوى المعتمدة من هيئة الرقابة الشرعية.
- أما بالنسبة للفوائد النقدية للشركات التي يمتلك الصندوق أسهماً فيها فقد قمنا بتطهيرها في أوجه الخير.

نسأل الله العلي القدير أن يحقق لنا الرشاد والسداد،
والسلام عليكم ورحمة الله وبركاته.


عضو
فضيلة الشيخ سعيد حجاوي



عضو
الأستاذ الدكتور أحمد عيادي



رئيس الهيئة
سماحة الأستاذ الدكتور أحمد هليل



REVIEW REPORT TO THE UNITHOLDERS

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, 2012, 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, 2012 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”.

Manama – Kingdom of Bahrain
 June 21, 2012


 Deloitte & Touche

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2012

	<u>Notes</u>	<u>March 31,</u> <u>2012</u> <u>USD</u>	<u>September 30,</u> <u>2011</u> <u>USD</u> <u>(Audited)</u>
ASSETS			
Current assets			
Cash at banks		2,871,843	2,300,445
Financial assets at fair value through profit or loss	5	4,086,685	4,336,879
Other assets		89,306	28,133
		-----	-----
Total assets		7,047,834	6,665,457
		-----	-----
LIABILITIES			
Current liabilities			
Due to a related party	6	26,052	25,514
Accrued fees and charges		49,009	44,212
		-----	-----
Total liabilities		75,061	69,726
		-----	-----
Net assets attributable to holders of redeemable units		6,972,773	6,595,731
		=====	=====
ANALYSIS OF NET ASSETS			
Capital		12,039,173	12,143,134
Net cumulative realised loss		(5,086,409)	(5,239,087)
Changes in fair value of financial assets at fair value through profit or loss		20,009	(308,316)
		-----	-----
Net assets		6,972,773	6,595,731
		=====	=====
Number of units	7	1,192,296	1,211,103
		=====	=====
Net asset value per unit		5.8482	5.4461
		=====	=====

The condensed interim financial information were approved and authorised for issue by the Directors on June 21, 2012 and signed on their behalf by:



Director

Qubaibah Al-Hamad



Director

The accompanying notes 1 to 9 form part of this condensed interim financial information.

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IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2012

	Note	Six-Month Period Ended	
		March 31,	
		<u>2012</u>	<u>2011</u>
		USD	USD
Revenue			
Dividend income		130,407	109,310
Net unrealised gain on financial assets at fair value through profit or loss	5	328,325	1,792,098
Net realised gain / (loss) on disposal of financial assets at fair value through profit or loss	5	139,984	(1,627,088)
Net foreign currency loss		(5,253)	(9,483)
Other operating income		-	40
Total operating income		593,463	264,877
Expenses			
Management fees	8	(50,475)	(56,862)
Custody and administration fees		(25,000)	(35,274)
Registrar and transfer agent fees		(2,000)	(2,822)
Representative fees		(2,500)	(2,493)
Shari'ah board fees		(5,100)	(5,086)
Professional fees		(9,218)	(9,589)
Bank charges		(1,056)	(739)
Other expenses		(17,111)	(14,822)
Total operating expenses		(112,460)	(127,687)
Profit for the period		481,003	137,190
Increase in net assets attributable to holders of redeemable units		481,003	137,190

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, 2012

	<u>Six-Month Period Ended</u>	
	<u>March 31,</u>	
	<u>2012</u>	<u>2011</u>
	<u>USD</u>	<u>USD</u>
Net assets attributable to holders of redeemable units at the beginning of period	6,595,731	7,490,709
Redemption of redeemable units	(103,961)	(11,582)
Increase in net assets attributable to holders of redeemable units	481,003	137,190
	-----	-----
Net assets attributable to holders of redeemable units at the end of period	<u><u>6,972,773</u></u>	<u><u>7,616,317</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, 2012

	<u>Six-Month Period Ended</u>	
	<u>March 31,</u>	
	<u>2012</u>	<u>2011</u>
	<u>USD</u>	<u>USD</u>
Cash flows from operating activities		
Profit for the period	481,003	137,190
Adjustments for:		
Net gain on financial assets at fair value through profit or loss	(468,309)	(165,010)
Dividend income	(130,407)	(109,310)
Murabaha profit	-	(40)
	-----	-----
	(117,713)	(137,170)
Changes in operating assets and liabilities:		
Increase in other assets	-	(14,900)
Increase in due to a related party	538	93
Increase in accrued fees and charges	4,797	3,617
	-----	-----
	(112,378)	(148,360)
Purchase of financial assets at fair value through profit or loss	(1,305,302)	(1,179,152)
Proceeds from disposal of financial assets at fair value through profit or loss	2,023,805	867,029
Dividend received	69,234	52,752
Murabaha profit received	-	40
	-----	-----
Net cash from / (used in) operating activities	675,359	(407,691)
	-----	-----
Cash flows from financing activity		
Payment on redemption of redeemable units	(103,961)	(11,582)
	-----	-----
Net cash used in financing activity	(103,961)	(11,582)
	-----	-----
Net increase / (decrease) in cash and cash equivalents	571,398	(419,273)
Cash and cash equivalents at the beginning of the period	2,300,445	2,694,799
	-----	-----
Cash and cash equivalents at the end of the period	2,871,843	2,275,526
	=====	=====
Comprising:		
Cash at banks	2,871,843	2,275,526
	=====	=====

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, 2012

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, 2012

2. **BASIS OF PREPARATION:**

The condensed interim financial information has been prepared using accounting policies consistent with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, 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 Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and International Financial Reporting Standards. For more details, please refer to the audited financial statements for the year ended September 30, 2011.

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, 2012.

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, 2011, 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, 2011 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, 2011.

IIAB ISLAMIC MENA FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2012

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

Investments at fair value through profit or loss represent investments in securities quoted on various GCC and MENA stock exchanges.

	<u>March 31,</u> <u>2012</u> <u>USD</u> <u>(Unaudited)</u>	<u>September 30,</u> <u>2011</u> <u>USD</u> <u>(Audited)</u>
Financial assets at fair value through profit or loss at beginning	4,336,879	4,864,438
of the period / year		
Purchases during the period / year	1,305,302	1,348,441
Proceeds from sales during the period / year	(2,023,805)	(1,695,217)
Net realised gain / (loss) on disposal of financial assets at fair value through profit or loss	139,984	(1,569,029)
Increase in fair value of financial assets at fair value through profit or loss	328,325	1,388,246
	-----	-----
Financial assets at fair value through profit or loss at end of the period / year	<u>4,086,685</u>	<u>4,336,879</u>

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

	<u>March 31,</u> <u>2012</u> <u>USD</u>	<u>September 30,</u> <u>2011</u> <u>USD</u> <u>(Audited)</u>
Due to:		
Al Arabi Investment Group Co.		
- Management fees	26,052	25,514
	<u>=====</u>	<u>=====</u>

IIAB ISLAMIC MENA FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2012

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>September 30,</u>
	<u>2012</u>	<u>2011</u>
		<u>(Audited)</u>
Opening balance at the beginning of the period / year	1,211,103	1,330,080
Redemption of redeemable units	(18,807)	(118,977)
	-----	-----
Ending balance at the end of the period / year	<u>1,192,296</u>	<u>1,211,103</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
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2012

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>2012</u> <u>USD</u>	<u>Six-Month</u> <u>Period</u> <u>Ended</u> <u>March 31,</u> <u>2011</u> <u>USD</u>
Al Arabi Investment Group Co.	Management fees	50,475	56,862

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>2012</u> <u>USD</u>	<u>September</u> <u>30, 2011</u> <u>USD</u> <u>(Audited)</u>
Oman Arab Bank	Current account	1,128,796	771,898
Arab Bank Plc - Jordan	Current account	58,633	5,058
Arab Bank Plc - Bahrain	Current account	7,295	5,223

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
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2012

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

9.1 **Fair value measurements recognised 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 dates.