

IIAB ISLAMIC MENA FUND
MANAMA
KINGDOM OF BAHRAIN

CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE PERIOD ENDED
MARCH 31, 2013

IIAB ISLAMIC MENA FUND
MANAMA – KINGDOM OF BAHRAIN

Directors

Mr. Mohamad Ghanameh
Mr. Adel Kasaji
Mr. Qutaiba Hawamdeh

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'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 Bankers

Arab Bank Plc, Bahrain Branch
ABC Islamic Bank
National Bank of Kuwait
Oman Arab Bank
Mashreqbank, Dubai
Commercial Bank of Qatar

Auditor

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

Engagement Partner: Mr. Rushdi Kikhia

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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, 2013, 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. 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, 2013 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 6 to the condensed interim financial information which describes the reasons for the Fund to be in non-compliance with a requirement in its Prospectus. Our conclusion is not qualified in this regard.

Manama – Kingdom of Bahrain
July 10, 2013

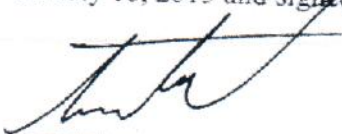

Deloitte & Touche

IIAB ISLAMIC MENA FUND
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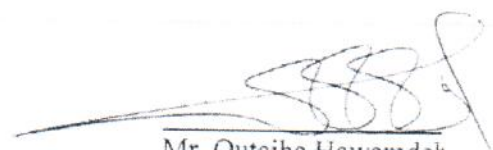
CONDENSED STATEMENT OF NET ASSETS (UNAUDITED)
AS AT MARCH 31, 2013

	Notes	March 31, 2013 USD	September 30, 2012 USD (Audited)
ASSETS			
Current assets			
Cash at banks	6	3,643,774	2,611,043
Investments held for trading	7	4,047,761	3,968,110
Due from brokers		265	92,123
Dividend receivable		74,043	11,466
Total assets		7,765,843	6,682,742
LIABILITIES			
Due to a related party	8	25,979	25,824
Accrued fees and charges	9	45,434	44,874
Total liabilities		71,413	70,698
Net assets attributable to holders of redeemable units		7,694,430	6,612,044
ANALYSIS OF NET ASSETS			
Capital	10	12,998,610	11,630,020
(Deficit) / surplus		(316,983)	242,271
Accumulated losses		(4,987,197)	(5,260,247)
Net assets		7,694,430	6,612,044
Number of units outstanding		1,299,861	1,163,002
Net asset value per unit		5.9194	5.6853

The condensed interim financial information was approved and authorised for issue by the Directors on July 10, 2013 and signed on their behalf by:



Mr. Adel Kasaji
Director



Mr. Qutaiba Hawamdeh
Director

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

IIAB ISLAMIC MENA FUND
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CONDENSED STATEMENT OF OPERATIONS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

	Notes	Six-Month Period Ended	
		March 31,	
		2013	2012
		USD	USD
Income:			
Net unrealised gain on investments held for trading	7	130,586	328,325
Net realised gain on investments held for trading	7	129,464	139,984
Dividend income		131,743	130,407
Net foreign exchange loss		(9,960)	(5,253)
Other operating income		151	-
Total operating income		381,984	593,463
Expenses:			
Management fee	11	(50,708)	(50,475)
Custody and administration fees		(24,932)	(25,000)
Registrar and transfer agent fees		(1,995)	(2,000)
Representative fees		(2,493)	(2,500)
Shari'ah board fees		(5,086)	(5,100)
Broker commission		(7,488)	(9,577)
Professional fees		(8,399)	(9,218)
Bank charges		(545)	(1,056)
Other expenses		(7,288)	(7,534)
Total operating expenses		(108,934)	(112,460)
Profit for the period		273,050	481,003
Increase in net assets attributable to holders of redeemable units		273,050	481,003

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

IIAB ISLAMIC MENA FUND
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CONDENSED STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

	<u>Number of units</u>	<u>Unit capital USD</u>	<u>Unit surplus/ (deficit) USD</u>	<u>Accumulated losses USD</u>	<u>Total USD</u>
Balance at October 1, 2011	1,211,103	12,111,030	32,104	(5,547,403)	6,595,731
Redemptions of redeemable units	(18,807)	(188,070)	84,109	-	103,961
Increase in net assets attributable to holders of redeemable units	-	-	-	481,003	481,003
Balance at March 31, 2012	1,192,296	11,922,960	116,213	(5,066,400)	6,972,773
Balance at October 1, 2012	1,163,002	11,630,020	242,271	(5,260,247)	6,612,044
Subscription of redeemable units	170,230	1,702,300	(702,300)	-	1,000,000
Redemptions of redeemable units	(33,371)	(333,710)	143,046	-	(190,664)
Increase in net assets attributable to holders of redeemable units	-	-	-	273,050	273,050
Balance at March 31, 2013	1,299,861	12,998,610	(316,983)	(4,987,197)	7,694,430

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

IIAB ISLAMIC MENA FUND
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CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

	<u>Six-Month Period Ended</u>	
	<u>March 31,</u>	
	<u>2013</u>	<u>2012</u>
	<u>USD</u>	<u>USD</u>
Cash flows from operating activities		
Profit for the period	273,050	481,003
Adjustments for:		
Net gain on investments held for trading	(260,050)	(468,309)
Dividend income	(131,743)	(130,407)
Murabaha profit	(151)	-
	-----	-----
	(118,894)	(117,713)
Changes in operating assets and liabilities:		
Decrease in due from brokers	91,858	-
Increase in due to a related party	155	538
Increase in accrued fees and charges	560	4,797
	-----	-----
	(26,321)	(112,378)
Payment for purchase of investments held for trading	(1,191,396)	(1,305,302)
Proceeds from disposal of investments held for trading	1,371,795	2,023,805
Dividend received	69,166	69,234
Murabaha profit received	151	-
	-----	-----
Net cash from operating activities	223,395	675,359
	-----	-----
Cash flows from financing activities		
Subscription of redeemable units	1,000,000	-
Payment on redemption of redeemable units	(190,664)	(103,961)
	-----	-----
Net cash from / (used in) financing activities	809,336	(103,961)
	-----	-----
Net increase in cash and cash equivalents	1,032,731	571,398
Cash and cash equivalents at the beginning of the period	2,611,043	2,300,445
	-----	-----
Cash and cash equivalents at the end of the period	3,643,774	2,871,843
	=====	=====
Comprising:		
Cash at banks (Note 6)	3,643,774	2,871,843
	=====	=====

The accompanying notes 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, 2013

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

IIAB Islamic MENA Fund (“the Fund”) is an open-ended investment fund established by Al Arabi Investment Group Co. (“the Operator”). The Fund is an Expert Fund 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 has been approved by the CBB on March 23, 2006 and it commenced its operations on March 26, 2008. 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.

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 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.

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

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.

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, 2012.

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, 2013.

IIAB ISLAMIC MENA FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

3. **SIGNIFICANT ACCOUNTING POLICIES:**

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

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, 2012, 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, 2012 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, 2012.

5. **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 (which ever is later). The Fund will pay to the Investment Manager on the last day of that financial year.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

5. **FEES AND EXPENSES: (CONTINUED)**

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

The Fund shall pay each of the members of the Shari'ah 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 Fee**

Under 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.

6. **CASH AT BANKS:**

As per the Prospectus of the Fund, the amount of cash and cash equivalents should not exceed 40% of the fund's assets and not more than 20% of its assets invested in cash and cash equivalents with a single party. As at the period end the Fund's cash and cash equivalents balance amounted to 47% of the Fund's assets. This situation arose as a result of a large subscription in the month of February 2013 amounting to USD 1,000,000. The Investment Manager has rectified this temporary deviation during the month of May 2013.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

7. **INVESTMENTS HELD FOR TRADING:**

Investments held for trading represent investments in securities quoted on various GCC and MENA stock exchanges.

	<u>March 31,</u> <u>2013</u> <u>USD</u>	<u>September 30,</u> <u>2012</u> <u>USD</u> <u>(Audited)</u>
Investments held for trading at beginning of the period / year	3,968,110	4,336,879
Purchases during the period / year	1,191,396	2,208,718
Proceeds from sales during the period / year	(1,371,795)	(2,872,469)
Net realised gain on disposal of investments held for trading	129,464	194,085
Net unrealised gain of investments held for trading	130,586	100,897
Investments held for trading at end of the period / year	<u>4,047,761</u>	<u>3,968,110</u>

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

	<u>March 31,</u> <u>2013</u> <u>USD</u>	<u>September 30,</u> <u>2012</u> <u>USD</u> <u>(Audited)</u>
Due to: Al Arabi Investment Group Co. - Management fees	<u>25,979</u>	<u>25,824</u>

9. **ACCRUED FEES AND CHARGES:**

	<u>March 31,</u> <u>2013</u> <u>USD</u>	<u>September 30,</u> <u>2012</u> <u>USD</u>
Custody and administration fees	12,329	12,841
Professional fee	23,651	15,252
Shari'ah board fee	5,086	10,200
Other payables	4,368	6,581
	<u>45,434</u>	<u>44,874</u>

IIAB ISLAMIC MENA FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

10. **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.

11. **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.

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 Period Ended March 31, 2013 USD</u>	<u>Six-Month Period Ended March 31, 2012 USD</u>
Al Arabi Investment Group Co.	Management fees	50,708	50,475
		=====	=====

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

11. RELATED PARTY DISCLOSURES: (CONTINUED)

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>2013</u> <u>USD</u>	<u>September</u> <u>30, 2012</u> <u>USD</u> <u>(Audited)</u>
Oman Arab Bank	Current account	1,210,803	926,378
Arab Bank Plc - Jordan	Current account	28,732	191,092
Arab Bank Plc - Bahrain	Current account	448,601	514,933
Arab Bank Plc – U.A.E	Current account	299,862	-
		<u> </u>	<u> </u>

12. 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.

12.1 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.