

**IIAB ISLAMIC MENA FUND**  
**MANAMA**  
**KINGDOM OF BAHRAIN**

**CONDENSED INTERIM**  
**FINANCIAL INFORMATION**  
**FOR THE PERIOD ENDED**  
**MARCH 31, 2014**

**IIAB ISLAMIC MENA FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

<u>Directors</u>	Mr. Mohamad Ghanameh Mr. Adel Kasaji Mr. Qutaiba Hawamdeh
<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) P. O. Box 2400, Manama, Kingdom of Bahrain.
<u>Investment Manager, Operator and Placement Agent</u>	Al Arabi Investment Group Co. P. O. Box 143156, Amman 11814, Hashemite Kingdom of Jordan.
<u>Administrator, Custodian and Registrar</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>Principal Bankers</u>	Oman Arab Bank Arab Bank Plc ABC Islamic Bank National Bank of Kuwait Mashreqbank, Dubai Commercial Bank of Qatar
<u>Auditor</u>	Deloitte & Touche, P.O. Box 421, Manama, Kingdom of Bahrain.  Engagement Partner: Mr. Rushdi Kikhia

**IIAB ISLAMIC MENA FUND**  
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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 net assets of IIAB Islamic MENA Fund, (“the Fund”), as at March 31, 2014, and the related condensed statement of operations, 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” (“IAS 34”). 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 is not prepared, in all material respects, in accordance with IAS 34.

Manama – Kingdom of Bahrain  
July 14, 2014




Deloitte & Touche


**HAB ISLAMIC MENA FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**CONDENSED STATEMENT OF NET ASSETS (UNAUDITED)**  
**AS AT MARCH 31, 2014**

	Notes	March 31, 2014 USD	September 30, 2013 USD (Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash at banks			
Investments held for trading	6	2,542,716	3,463,025
Due from brokers		6,072,510	4,585,341
Dividend receivable		146	26,029
		109,051	-
<b>Total assets</b>		<b>8,724,423</b>	<b>8,074,395</b>
<b>LIABILITIES</b>			
Due to a related party	7	31,880	30,289
Accrued fees and charges	8	51,442	45,068
<b>Total liabilities</b>		<b>83,322</b>	<b>75,357</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>8,641,101</b>	<b>7,999,038</b>
<b>ANALYSIS OF NET ASSETS</b>			
Capital	9	12,946,610	12,958,610
(Deficit) / surplus		(297,360)	(301,671)
Accumulated losses		(4,008,149)	(4,657,901)
<b>Net assets</b>		<b>8,641,101</b>	<b>7,999,038</b>
<b>Number of units outstanding</b>		<b>1,294,661</b>	<b>1,295,861</b>
<b>Net asset value per unit</b>		<b>6.6744</b>	<b>6.1728</b>

The condensed interim financial information was approved and authorised for issue by the Directors on JULY 14, 2014 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**  
**MANAMA – KINGDOM OF BAHRAIN**

**CONDENSED STATEMENT OF OPERATIONS (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2014**

	Notes	Six-Month Period Ended	
		March 31,	
		<u>2014</u>	<u>2013</u>
		<u>USD</u>	<u>USD</u>
<b>Income:</b>			
Net unrealised gain on investments held for trading	6	71,928	130,586
Net realised gain on investments held for trading	6	556,031	129,464
Dividend income		166,997	131,743
Net foreign exchange gain / (loss)		4,147	(9,960)
Other operating income		953	151
<b>Total operating income</b>		<b>800,056</b>	<b>381,984</b>
<b>Expenses:</b>			
Management fee	10	(62,851)	(50,708)
Custody and administration fees		(24,932)	(24,932)
Registrar and transfer agent fees		(1,995)	(1,995)
Representative fees		(2,493)	(2,493)
Shari'ah board fees		(5,086)	(5,086)
Broker commission		(32,822)	(7,488)
Professional fees		(9,721)	(8,399)
Bank charges		(1,007)	(545)
Other expenses		(9,397)	(7,288)
<b>Total operating expenses</b>		<b>(150,304)</b>	<b>(108,934)</b>
<b>Profit for the period</b>		<b>649,752</b>	<b>273,050</b>
<b>Increase in net assets attributable to holders of redeemable units</b>		<b>649,752</b>	<b>273,050</b>

The accompanying notes 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, 2014**

	<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, 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
Balance at October 1, 2013	1,295,861	12,958,610	(301,671)	(4,657,901)	7,999,038
Redemptions of redeemable units	(1,200)	(12,000)	4,311	-	(7,689)
Increase in net assets attributable to holders of redeemable units	-	-	-	649,752	649,752
Balance at March 31, 2014	1,294,661	12,946,610	(297,360)	(4,008,149)	8,641,101

The accompanying notes 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, 2014**

	<u>Six-Month Period Ended</u>	
	<u>March 31,</u>	
	<u>2014</u>	<u>2013</u>
	<u>USD</u>	<u>USD</u>
<b>Cash flows from operating activities</b>		
Profit for the period	649,752	273,050
Adjustments for:		
Net gain on investments held for trading	(627,959)	(260,050)
Dividend income	(166,997)	(131,743)
Murabaha profit	(953)	(151)
	-----	-----
	(146,157)	(118,894)
Changes in operating assets and liabilities:		
Decrease in due from brokers	25,883	91,858
Increase in due to a related party	1,591	155
Increase in accrued fees and charges	6,374	560
	-----	-----
	(112,309)	(26,321)
Payment for purchase of investments held for trading	(6,351,166)	(1,191,396)
Proceeds from disposal of investments held for trading	5,491,956	1,371,795
Dividend received	57,946	69,166
Murabaha profit received	953	151
	-----	-----
<b>Net cash (used in) / from operating activities</b>	(912,620)	223,395
	-----	-----
<b>Cash flows from financing activities</b>		
Subscription of redeemable units	-	1,000,000
Payment on redemption of redeemable units	(7,689)	(190,664)
	-----	-----
<b>Net cash (used in) / from financing activities</b>	(7,689)	809,336
	-----	-----
<b>Net (decrease) / increase in cash and cash equivalents</b>	(920,309)	1,032,731
Cash and cash equivalents at the beginning of the period	3,463,025	2,611,043
	-----	-----
<b>Cash and cash equivalents at the end of the period</b>	2,542,716	3,643,774
	=====	=====
Comprising:		
Cash at banks	2,542,716	3,643,774
	=====	=====

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, 2014**

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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”) 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, 2013.

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, 2014.

**IIAB ISLAMIC MENA FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2014**

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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, 2013, 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, 2013 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, 2013.

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, 2014**

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. **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>2014</u> <u>USD</u>	<u>September 30,</u> <u>2013</u> <u>USD</u> <u>(Audited)</u>
Investments held for trading at beginning of the period / year		
Purchases during the period / year	4,585,341	3,968,110
Proceeds from sales during the period / year	6,351,166	3,056,940
Net realised gain on disposal of investments held for trading	(5,491,956)	(3,054,635)
Net unrealised gain of investments held for trading	556,031	346,329
	71,928	268,597
Investments held for trading at end of the period / year	----- 6,072,510 =====	----- 4,585,341 =====

**IIAB ISLAMIC MENA FUND**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2014**

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

	<u>March 31,</u> <u>2014</u> <u>USD</u>	<u>September 30,</u> <u>2013</u> <u>USD</u> <u>(Audited)</u>
Due to:		
Al Arabi Investment Group Co.		
- Management fees	31,880	30,289
	=====	=====

8. **ACCRUED FEES AND CHARGES:**

	<u>March 31,</u> <u>2014</u> <u>USD</u>	<u>September 30,</u> <u>2013</u> <u>USD</u> <u>(Audited)</u>
Custody and administration fees	12,329	12,603
Professional fee	24,836	15,115
Shari'ah board fee	5,086	10,200
Other payables	9,191	7,150
	-----	-----
	51,442	45,068
	=====	=====

9. **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.

**IIAB ISLAMIC MENA FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2014**

10. **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</u> <u>Period</u> <u>Ended</u> <u>March 31,</u> <u>2014</u> <u>USD</u>	<u>Six-Month</u> <u>Period</u> <u>Ended</u> <u>March 31,</u> <u>2013</u> <u>USD</u>
Al Arabi Investment Group Co.	Management fees	62,851 =====	50,708 =====

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>2014</u> <u>USD</u>	<u>September 30,</u> <u>2013</u> <u>USD</u> <u>(Audited)</u>
Oman Arab Bank	Current account	652,557	1,279,404
Arab Bank Plc – Jordan	Current account	851	70,747
Arab Bank Plc – Bahrain	Current account	25,220	80,128
Arab Bank Plc – U.A.E	Current account	692	472,203
Arab Bank – Palestine	Current account	(43,744) =====	- =====

**IIAB ISLAMIC MENA FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2014**

**11. FAIR VALUE OF FINANCIAL INSTRUMENTS:**

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

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined by using prices from observable current market transactions and dealer quotes for similar instruments.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

The following table provides an analysis of financial instruments that 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).

	<u>March 31, 2014</u> (Unaudited)			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
<b>Investments designated at FVTPL</b>	6,072,510	-	-	6,072,510
	=====	=====	=====	=====
	<u>September 30, 2013</u> (Audited)			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
<b>Investments designated at FVTPL</b>	4,585,341	-	-	4,585,341
	=====	=====	=====	=====

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

**IIAB ISLAMIC MENA FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2014**

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

The Fund's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

<u>Financial assets</u>	<u>Fair value as at</u>		<u>Fair value hierarchy</u>	<u>Valuation technique and key inputs</u>
	<u>March 31, 2014</u> <u>USD</u> <u>(Unaudited)</u>	<u>September 30, 2013</u> <u>USD</u> <u>(Audited)</u>		
<b>Designated at fair value through profit or loss</b>				Quoted bid prices in an active market
- Financial Institutions	556,957	1,335,773	Level 1	
- Telecommunication	1,392,102	1,112,127	Level 1	
- Cement	1,030,867	519,354	Level 1	
- Chemicals	-	72,808	Level 1	
- Oil and Gas	-	49,797	Level 1	
- Others	3,092,584	1,495,482	Level 1	
	<u>6,072,510</u>	<u>4,585,341</u>		