

IIAB ISLAMIC MENA FUND

**REVIEW REPORT AND CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED
MARCH 31, 2017**

IIAB ISLAMIC MENA FUND

Directors

Mr. Mohammed Al Ghanamah
Mr. Ammar Zuhair Husni Saifi
Mr. Feras Jasser Jameel Ziyed

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'a Supervisory 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

Arab Bank Plc.

Auditors

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

Engagement Partner: Irshad Mahmood

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REVIEW REPORT

To the Unitholders
IIAB Islamic MENA Fund
Kingdom of Bahrain

Introduction

We have reviewed the interim statement of net assets of IIAB Islamic MENA Fund, (the "Fund"), as at March 31, 2017 and the related interim statement of operations, interim statement of changes in net assets and interim 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 interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte & Touche,


DELOITTE & TOUCHE – MIDDLE EAST
Partner Registration No. 184


Manama, Kingdom of Bahrain
July 26, 2017

IIAB ISLAMIC MENA FUND
INTERIM STATEMENT OF NET ASSETS (UNAUDITED)
AS AT MARCH 31, 2017

	Notes	<u>March 31,</u> <u>2017</u> <u>USD</u> <u>(Unaudited)</u>	<u>September 30,</u> <u>2016</u> <u>USD</u> <u>(Audited)</u>
ASSETS			
Cash at banks		1,322,905	1,279,194
Investments held for trading	6	4,985,567	6,447,828
Due from brokers		988,164	302,018
Dividend receivable		46,585	1,148
Total assets		<u>7,343,221</u>	<u>8,030,188</u>
LIABILITIES			
Due to a related party	9	29,097	30,413
Accrued fees and other liabilities	7	32,402	47,659
Total liabilities		<u>61,499</u>	<u>78,072</u>
Net assets attributable to holders of redeemable units		<u>7,281,722</u>	<u>7,952,116</u>
Analysis of net assets			
Unit capital	8	10,950,860	12,777,910
Unit surplus / (deficit)		392,257	(227,673)
Accumulated losses		(4,061,395)	(4,598,121)
Net assets		<u>7,281,722</u>	<u>7,952,116</u>
Number of units outstanding		<u>1,095,086</u>	<u>1,277,791</u>
Net asset value per unit		<u>6.6494</u>	<u>6.2233</u>

The interim condensed financial information from page 2 to 11 was approved and authorised for issue by the Directors on July 26th, 2017 and signed by:


 Mr. Mohammed Al Ghanamah
 Director



 Mr. Ammar Zuhair Husni Saifi
 Director

The accompanying notes form part of this condensed interim financial information

IIAB ISLAMIC MENA FUND
INTERIM STATEMENT OF OPERATIONS (UNAUDITED)
SIX-MONTH PERIOD ENDED MARCH 31, 2017

	Notes	Six-Month Period Ended March 31,	
		2017 USD	2016 USD
Income:			
Net realised gain / (loss) on investments held for trading	6	480,515	(99,934)
Net unrealised gain / (loss) gain on investments held for trading	6	50,637	(327,423)
Dividend income		140,408	119,944
Net foreign exchange loss		(4,703)	(8,237)
Other operating income		-	2
Total operating income / (loss)		666,857	(315,648)
Expenses:			
Management fee	9	(59,428)	(60,568)
Custody and administration fees		(24,932)	(25,000)
Registrar and transfer agent fees		(1,995)	(2,000)
Representative fees		(2,493)	(2,500)
Shari'a board fees		(5,087)	(5,100)
Broker commission		(16,225)	(16,401)
Audit fees		(9,865)	(10,214)
Bank charges		(1,706)	(1,144)
Other expenses		(8,400)	(8,740)
Total operating expenses		(130,131)	(131,667)
Profit / (loss) for the period		536,726	(447,315)
Increase / (decrease) in net assets attributable to holders of redeemable units		536,726	(447,315)


 Mr. Mohammed Al Ghanamah
 Director


 Mr. Ammar Zuhair Husni Saifi
 Director

The accompanying notes form part of this condensed interim financial information

IJAB ISLAMIC MENA FUND
INTERIM STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)
SIX-MONTH PERIOD ENDED MARCH 31, 2017

	Number of units	Capital USD	Unit deficit USD	Accumulated losses USD	Total USD
At October 1, 2015 (Audited)	1,299,684	12,996,840	(308,713)	(4,157,583)	8,530,544
Redemptions of redeemable units	(2,025)	(20,250)	7,375	-	(12,875)
Decrease in net assets attributable to holders of redeemable units	-	-	-	(447,315)	(447,315)
At March 31, 2016	1,297,659	12,976,590	(301,338)	(4,604,898)	8,070,354
At October 1, 2016 (Audited)	1,277,791	12,777,910	(227,673)	(4,598,121)	7,952,116
Redemptions of redeemable units	(182,705)	(1,827,050)	619,930	-	(1,207,120)
Increase in net assets attributable to holders of redeemable units	-	-	-	536,726	536,726
At March 31, 2017	1,095,086	10,950,860	392,257	(4,061,395)	7,281,722

The accompanying notes form part of this condensed interim financial information

IIAB ISLAMIC MENA FUND
INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
SIX-MONTH PERIOD ENDED MARCH 31, 2017

	<u>Six-Month Period Ended</u>	
	<u>March 31,</u>	
	<u>2017</u>	<u>2016</u>
	<u>USD</u>	<u>USD</u>
Cash flows from operating activities		
Profit / (loss) for the period	536,726	(447,315)
Adjustments for:		
Net gain / (loss) on investments held for trading	(531,152)	427,357
Dividend income	(140,408)	(119,944)
Other operating income	-	(2)
	-----	-----
	(134,834)	(139,904)
Changes in operating assets and liabilities:		
Increase in due from broker	(686,146)	(928,110)
Decrease in due from a related party	-	29,122
Decrease in due to a related party	(1,316)	(4,005)
Decrease in accrued fees and other liabilities	(15,257)	(11,541)
Decrease in due to broker	-	(45,150)
	-----	-----
	(837,553)	(1,099,588)
Payment for purchase of investments held for trading	(1,952,695)	(2,857,437)
Proceeds from disposal of investments held for trading	3,946,108	4,039,952
Dividend received	94,971	77,506
Other operating income received	-	2
	-----	-----
Net cash from operating activities	1,250,831	160,435
	-----	-----
Cash flows from financing activity		
Payment on redemption of redeemable units	(1,207,120)	(12,875)
	-----	-----
Net cash used in financing activity	(1,207,120)	(12,875)
	-----	-----
Net increase in cash and cash equivalents	43,711	147,560
Cash and cash equivalents at beginning of period	1,279,194	1,638,255
	-----	-----
Cash and cash equivalents at end of period	1,322,905	1,785,815
	=====	=====

The accompanying notes form part of this condensed interim financial information

IIAB ISLAMIC MENA FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
SIX-MONTH PERIOD ENDED MARCH 31, 2017

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” and the “Investment Manager”). 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 Company has been registered at the Ministry of Industry, Commerce and Tourism on March 23, 2006. The Fund was launched on March 26, 2008. The address of the Fund’s registered office is Flat no. 23, Building no. 4521, Road no.1010, Block no. 410, Sanabis, P. O. Box 2400, Kingdom of Bahrain.

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., a company incorporated in Kingdom of Jordan. The Fund is administered by Gulf Custody Company B.S.C. (c) (the “Administrator” and the “Custodian”) (which also acts as the Custodian of the Fund), a closed joint stock company incorporated under the laws of the Kingdom of Bahrain. The Fund Company is incorporated as 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 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, 2016.

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, 2017.

IIAB ISLAMIC MENA FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
SIX-MONTH PERIOD ENDED MARCH 31, 2017

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, 2016.

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 the current period 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, 2016.

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

IIAB ISLAMIC MENA FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
SIX-MONTH PERIOD ENDED MARCH 31, 2017

(c) **Shari'a 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.

(f) **Representative Fee**

Under the Representation agreement, the Gulf Clearing Company B.S.C. (c) was appointed to be representative of the Fund Company and it is entitled to receive an annual representative fee of USD 5,000 per annum.

6. **INVESTMENTS HELD FOR TRADING:**

Investments held for trading represent investments in securities quoted on various Gulf Cooperation Council (GCC) and Middle East and North Africa (MENA) stock exchanges.

	<u>March 31,</u> <u>2017</u> <u>USD</u> <u>(Unaudited)</u>	<u>September 30,</u> <u>2016</u> <u>USD</u> <u>(Audited)</u>
Investments held for trading at beginning of period / year	6,447,828	6,989,808
Purchases during the period / year	1,952,695	5,276,427
Proceeds from sales during the period / year	(3,946,108)	(5,385,711)
Net realised gain / (loss) on disposal of investments held for trading	480,515	(133,286)
Net unrealised gain / (loss) of investments held for trading	50,637	(299,410)
	-----	-----
Investments held for trading at end of period / year	4,985,567	6,447,828
	=====	=====

IIAB ISLAMIC MENA FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
SIX-MONTH PERIOD ENDED MARCH 31, 2017

7. **ACCRUED FEES AND OTHER LIABILITIES:**

	<u>March 31,</u> <u>2017</u> <u>USD</u> <u>(Unaudited)</u>	<u>September 30,</u> <u>2016</u> <u>USD</u> <u>(Audited)</u>
Custody and administration fees	12,603	12,568
Professional fee	11,275	14,805
Shari'a board fee	5,087	10,200
Other payables	3,437	10,086
	-----	-----
	<u>32,402</u>	<u>47,659</u>
	=====	=====

8. **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.

9. **RELATED PARTIES:**

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>2017</u> <u>USD</u>	<u>Six-Month</u> <u>Period</u> <u>Ended</u> <u>March 31,</u> <u>2016</u> <u>USD</u>
Al Arabi Investment Group Co.	Management fees	59,428	60,568
		=====	=====

IIAB ISLAMIC MENA FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
SIX-MONTH PERIOD ENDED MARCH 31, 2017

The following related party owns units in the Fund as of March 31, 2017 and September 30, 2016.

<u>Related party</u>	<u>Nature of relationship</u>	<u>Number of units</u>
Islamic International Arab Bank	Subsidiary of Arab Bank Plc	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>2017</u> <u>USD</u> <u>(Unaudited)</u>	<u>September 30,</u> <u>2016</u> <u>USD</u> <u>(Audited)</u>
Arab Bank Plc – Jordan	Current account	451,000	307,519
Arab Bank Plc – Bahrain Branch	Current accounts	7,157	82,697
Arab Bank Plc – UAE	Current accounts	27,205	15
		----- 485,362 =====	----- 390,231 =====
		<u>March 31,</u> <u>2017</u> <u>USD</u> <u>(Unaudited)</u>	<u>September 30,</u> <u>2016</u> <u>USD</u> <u>(Audited)</u>
Due to a related party - Management fees		29,097 =====	30,413 =====

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

Financial assets held for trading are measured based on quoted bid prices in an active market. These are categorised within Level 1 in the fair value hierarchy.

The carrying values of financial assets and liabilities carried at amortised cost in the condensed interim financial information approximate their fair value due to their short term nature.

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

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.

IIAB ISLAMIC MENA FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
SIX-MONTH PERIOD ENDED MARCH 31, 2017

<u>Financial assets</u>	<u>Fair value as at</u>		<u>Fair value</u>	<u>Valuation</u>
	<u>March 31,</u>	<u>September 30,</u>	<u>hierarchy</u>	<u>technique and key</u>
	<u>2017</u>	<u>2016</u>		<u>inputs</u>
	<u>USD</u>	<u>USD</u>		
	<u>(Unaudited)</u>	<u>(Audited)</u>		
Designated at held for Trading				Quoted bid prices in an active market
- Financial Institutions	666,890	774,545	Level 1	
- Telecommunication	1,069,634	1,039,218	Level 1	
- Others	3,249,043	4,634,065	Level 1	
	-----	-----		
	<u>4,985,567</u>	<u>6,447,828</u>		
	=====	=====		