

NBAD MENA Income & Growth Fund
(formerly known as NBAD UAE Distribution Fund)

Condensed interim financial statements

30 June 2015

NBAD MENA Income & Growth Fund

Condensed interim financial statements

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KPMG Lower Gulf Limited
Abu Dhabi Branch
P. O. Box 7613
Abu Dhabi
United Arab Emirates

Telephone +971 (2) 4014 800
Telefax +971 (2) 6327 612
Website www.ae-kpmg.com

Independent Auditor's Report on Review of Condensed Interim Financial Information

The Unit holders
NBAD MENA Income & Growth Fund
Abu Dhabi

Introduction

We have reviewed the accompanying 30 June 2015 condensed interim financial information of the NBAD MENA Income & Growth Fund ("the Fund"), which comprises:

- the condensed interim statement of financial position as at 30 June 2015;
- the condensed interim statement of profit or loss and other comprehensive income for the six month period ended 30 June 2015;
- the condensed interim statements of changes in net assets attributable to holders of redeemable units for the six month period ended 30 June 2015;
- the condensed interim statement of cash flows for the six month period ended 30 June 2015; and
- notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 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 the 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 30 June 2015 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited
Munther Dajani
Registration No: 268

01 NOV 2015

NBAD MENA Income & Growth Fund

Condensed interim statement of financial position

		(Unaudited) 30 June 15 AED'000	(Audited) 31 Dec 14 AED'000
Assets			
Cash at bank	5	3,832	6,232
Investments at fair value through profit or loss		190,815	106,121
Investment property	6	-	75,900
Due from a related party	5	1,447	663
Other assets		78	47
Total assets		<u>196,172</u>	<u>188,963</u>
Liabilities			
Due to related parties	5	281	295
Total liabilities		<u>281</u>	<u>295</u>
Net assets attributable to holders of redeemable units		<u>195,891</u>	<u>188,668</u>
Number of units outstanding		<u>47,739</u>	<u>46,314</u>
Net asset value per unit (AED)		<u>4.10</u>	<u>4.07</u>
Represented by:			
Net assets attributable to unit holders (valued in accordance with prospectus)		196,687	189,082
Adjustment from closing prices to bid prices		(796)	(414)
		<u>195,891</u>	<u>188,668</u>


 Claude-Henri Chavanon
 Managing Director and Head of Global
 Asset Management


 Saleem Khokhar
 Executive Director and Head of
 Fund Management

The notes on pages 6 to 10 are an integral part of these condensed interim financial statements.

The Independent Auditor's report on review of condensed interim financial information is set out on page 1.

NBAD MENA Income & Growth Fund

Condensed interim statement of profit or loss and other comprehensive income

For the six months ended 30 June

		(Unaudited) 2015 AED'000	(Unaudited) 2014 AED'000
	<i>Note</i>		
Net gain on investments at fair value through profit or loss	4	4,134	15,027
Dividend income		4,475	3,850
Rental income from investment property	5	3,936	3,328
Other income		18	8
Net investment income		<u>12,563</u>	<u>22,213</u>
Management fee	5	(1,465)	(1,932)
Other operating expenses		(5,875)	(1,313)
Interest expense	5	-	(2)
Total operating expenses		<u>(7,340)</u>	<u>(3,247)</u>
Operating profit before finance cost		5,223	18,966
Dividends paid to holders of redeemable units		(3,846)	(4,596)
Increase in net assets attributable to holders of redeemable units		<u>1,377</u>	<u>14,370</u>

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NBAD MENA Income & Growth Fund

Condensed interim statement of changes in net assets attributable to holders of redeemable units

For the six months ended 30 June (unaudited)

	Number of units	Net assets attributable to unit holders AED'000
Balance at 1 January 2014	48,209,079	191,681
Issue of units during the period	528,804	2,736
Dividends reinvested in units	601,324	2,032
Redemption of units during the period	(653,861)	(2,796)
Changes in net assets attributable to holders of redeemable units	-	14,370
Balance at 30 June 2014	48,685,346	208,023
Balance at 1 January 2015	46,313,518	188,668
Issue of units during the period	2,742,667	11,343
Dividends reinvested in units	390,794	1,601
Redemption of units during the period	(1,708,024)	(7,098)
Changes in net assets attributable to holders of redeemable units	-	1,377
Balance at 30 June 2015	47,738,955	195,891

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NBAD MENA Income & Growth Fund

Condensed interim statement of cash flows

For the six months ended 30 June

	(Unaudited) 2015 AED'000	(Unaudited) 2014 AED'000
Cash flows from operating activities		
Net gain from operations	5,223	18,966
<i>Adjustment for:</i>		
Gain on sale of investment property	(100)	-
	<u>5,123</u>	<u>18,966</u>
<i>Changes in:</i>		
Investments at fair value through profit or loss	(84,694)	(15,192)
Due from a related party	5 (784)	(4)
Other assets	(31)	2,056
Due to related parties	5 (14)	(92)
	<u>(80,400)</u>	<u>5,734</u>
Cash flows from investing activities		
Proceeds from sale of investment properties	76,000	-
	<u>76,000</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issue of units	11,343	2,736
Payments on redemption of units	(7,098)	(2,796)
Cash dividend paid net of reinvestment amount	(2,245)	(2,564)
	<u>2,000</u>	<u>(2,624)</u>
Net increase in cash and cash equivalents	(2,400)	3,110
Cash and cash equivalents at 1 January	6,232	74
Cash and cash equivalents at 30 June (note 5)	<u>3,832</u>	<u>3,184</u>

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The Independent Auditor's report on review of condensed interim financial information is set out on page 1.

NBAD MENA Income & Growth Fund

Notes to the condensed interim financial statements

1 Legal status and principal activities

NBAD MENA Income & Growth Fund (the "Fund") is an open ended investment fund established in the United Arab Emirates (the "UAE") by National Bank of Abu Dhabi PJSC (the "Fund Manager") and is licensed by the Central Bank of the UAE approval reference number 13/2415/2005 dated 7 December 2005. The Fund is not a separately incorporated entity and its activities are managed by the Fund Manager.

The Fund's primary objective is to invest in a portfolio of MENA equities and/or equity related securities (such as convertible bonds, ADRs and GDRs) listed or traded on recognised exchanges worldwide or 'over the counter' arrangements, MENA income producing assets such as fixed income securities and real estate and real estate related investment instruments and related securities including third party collective investment schemes, with a view to both achieving capital growth and distributing dividend income.

The applicable prospectus and term sheet were revised on 30 Nov 2014. These revisions are approved by the Central Bank of UAE. The revised prospectus and term sheet are available upon request from the Fund Manager's registered office at P.O. Box 4, Abu Dhabi, United Arab Emirates.

The Fund was formerly known as NBAD UAE Distribution Fund. The name change was effective from 15 May 2014.

2 Statement of compliance

(a) *Statement of compliance*

These condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Fund since the last annual financial statements as at and for the year ended 31 December 2014. They do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of fund as at and for the year ended 31 December 2014, which have been prepared in accordance with IFRS.

These condensed interim financial statements were approved on behalf of the Fund Manager on 01 NOV 2015.

(b) *Estimates*

The preparation of interim financial statements requires the Fund Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by the Fund Manager in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those applied to financial statements as at and for the year ended 31 December 2014.

NBAD MENA Income & Growth Fund

Notes to the condensed interim financial statements

3 Significant accounting policies

The accounting policies applied by the Fund in these condensed interim financial statements are the same as those applied by the Fund in its audited financial statements as at and for the year ended 31 December 2014, except for the adoption of new IFRSs which became effective as of 1 January 2015.

The adoption of the new and amended standards and interpretations have been reflected in these condensed interim financial statements as appropriate in terms of disclosures but do not have an impact on the financial position or performance of the Fund during the period.

A number of new standards, amendments to standards and interpretations have been issued but are not effective for the current accounting period commencing 1 January 2015, and have therefore not been early adopted by the Fund in the preparation of these condensed interim financial statements. The Fund does not plan to early adopt these standards and the extent of the impact has not been determined.

4 Net gain on investment at fair value through profit or loss

	(Unaudited) 30 June 15 AED'000	(Unaudited) 30 June 14 AED'000
Realised loss	56	(7,314)
Unrealised gain	4,078	22,341
	<u>4,134</u>	<u>15,027</u>

As at the reporting date, the Fund's investments at fair value through profit or loss comprise listed equity securities.

All of the Fund's unrated investments are from reputable issuers.

5 Related parties

Identity of related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise members of the Advisory Board and Investment Committee and the Fund Manager and the entities controlled by them. In the ordinary course of business, the Fund renders and receives services from such related parties at agreed rates, terms and conditions set out by the Fund Manager.

NBAD MENA Income & Growth Fund

Notes to the condensed interim financial statements

5 Related parties (continued)

Terms and conditions

Key terms and conditions are shown below:

Brokerage	NBAD Securities LLC (“NBADS”), a wholly owned subsidiary of the Fund Manager, provides brokerage services to the Fund at prevailing market rates.
Property management and banking services	The Fund Manager and Abu Dhabi National Properties PJS (“ADNP”), a wholly owned subsidiary, provide these services at rates agreed with the Fund.
Others	The Fund Manager is entitled to the following fees as set out in the term sheet: <ul style="list-style-type: none">• Management fee of 1.5%• Performance fees of 10% charged by the Fund Manager on the increase in the Fund’s NAV above the hurdle rate. The hurdle rate is calculated as an increase of 2.5% per quarter over the last highest NAV of the Fund on which performance fee have been charged.

Balances

Balances with related parties at the reporting dates are shown below:

	(Unaudited) 30 June 2015 AED’000	(Audited) 31 Dec 2014 AED’000
Cash in the current account	3,832	6,232
<i>Due from a related party</i>		
Interest receivable	3	5
Rent receivable	1,444	658
	1,447	663
<i>Due to related parties</i>		
Management fees payable to the Fund Manager	250	270
Administration fee payable to the Custody Department	30	24
Others	1	1
	281	295

NBAD MENA Income & Growth Fund

Notes to the condensed interim financial statements

5 Related parties *(continued)*

Transactions

Transactions with related parties during the period included in the condensed interim statement of profit or loss and other comprehensive income are shown below:

	(Unaudited) 30 June 15 AED'000	(Unaudited) 30 June 2014 AED'000
Interest expense	-	(2)
Brokerage expense paid to NBADS	(13)	(176)
Management fees	(1,465)	(1,932)
Property management and maintenance fees	(5,645)	(1,057)
Administration fee	(164)	(160)
	<u> </u>	<u> </u>

The Fund is managed by the Fund Manager and there are no key management personnel of the Fund.

In accordance with article 14.2 of the term sheet, a management fee of 1.5% per annum of the Fund's NAV is payable monthly to the Fund Manager, calculated and accrued on a daily basis. Management fees of AED 1,485 thousand was paid during the period ended 30 June 2015 (30 June 2014: AED 2,022 thousand).

No performance fee was charged during the current period (30 June 2015: nil) as the performance threshold was not met.

6 Investment property

The Fund sold its investment property during the period for AED 76 million at a gain on sale of AED 100,000.

As at 31 December 2014 the fair values of the Fund's investment property was categorised under level 3 of the fair value hierarchy. The carrying value of the investment property is based on market valuation carried out by an independent valuator during the 31 December 2014. This was based on the fair value of the property determined on the basis of weighted average of net income and discounted cash flows. Such fair value represents the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller wherein the parties had acted knowledgeably, prudently and without compulsion.

7 Financial risk management

The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2014.

NBAD MENA Income & Growth Fund

Notes to the condensed interim financial statements

8 Fair value hierarchy of financial assets and liabilities

All financial assets and liabilities are measured at amortized cost except investments at fair value through profit or loss which are measured at fair value either by reference to published price quotations in an active market or by using some valuation technique

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

All of the Fund's investments in quoted equity securities are held at fair value at the end of the reporting period and 31 December 2014, and are categorised under level 1 of the fair value hierarchy.

8 Comparative figures

Certain comparative figures have been reclassified, where necessary, to conform to the presentation and accounting policies adopted in these condensed interim financial statements.