

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

Condensed interim financial statements

**30 June 2014**

# NBAD MENA Income & Growth Fund

Condensed interim financial statements

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## 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 2014 condensed interim financial information of NBAD MENA Income & Growth Fund ("the Fund"), which comprises:

- the condensed interim statement of financial position as at 30 June 2014;
- the condensed interim statement of profit or loss and other comprehensive income for the six month period ended 30 June 2014;
- the condensed interim statement of changes in net assets attributable to holders of redeemable units for the six month period ended 30 June 2014;
- the condensed interim statement of cash flows for the six month period ended 30 June 2014;
- and
- notes to the condensed interim financial information.

The Fund's 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 2014 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

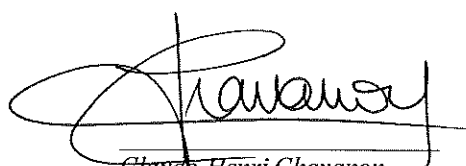
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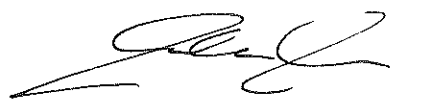
## NBAD MENA Income & Growth Fund

### Condensed interim statement of financial position

		(Unaudited) 30 June 14 AED'000	(Audited) 31 Dec 13 AED'000
<b>Assets</b>			
Cash at bank		3,184	74
Investments at fair value through profit or loss		129,097	113,905
Investment property	6	75,900	75,900
Due from a related party	5	4	-
Other assets		110	2,166
<b>Total assets</b>		<u>208,295</u>	<u>192,045</u>
<b>Liabilities</b>			
Due to related parties	5	272	364
<b>Total liabilities</b>		<u>272</u>	<u>364</u>
<b>Net assets attributable to holders of redeemable units</b>		<u>208,023</u>	<u>191,681</u>
<b>Number of units outstanding</b>		<u>48,685</u>	<u>48,209</u>
<b>Net asset value per unit (AED)</b>		<u>4.27</u>	<u>3.98</u>
Represented by:			
Net assets attributable to unit holders (valued in accordance with prospectus)		208,338	191,950
Adjustment from closing prices to bid prices		(315)	(269)
		<u>208,023</u>	<u>191,681</u>



*Claude-Henri Chavanon*  
Managing Director – Investment Group



*Saleem Khokhar*  
Head of Equities

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) 2014 AED'000	(Unaudited) 2013 AED'000
	<i>Note</i>		
Net gain on investments at fair value through profit or loss	4	15,027	29,084
Changes in fair value of investment property		-	(11,637)
Dividend income		3,850	6,791
Rental income from investment property		3,328	4,471
Other income		8	66
<b>Net investment income</b>		<u>22,213</u>	<u>28,775</u>
Management fee	5	(1,932)	(1,705)
Other operating expenses		(1,313)	(867)
Interest expense	5	(2)	(1,126)
<b>Total operating expenses</b>		<u>(3,247)</u>	<u>(3,698)</u>
Dividends paid to holders of redeemable units		(4,596)	-
<b>Increase in net assets attributable to holders of redeemable units</b>		<u>14,370</u>	<u>25,077</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

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 2013	48,337,986	143,295
Issue of units during the period	2,496,427	9,476
Redemption of units during the period	(3,308,503)	(11,404)
Changes in net assets attributable to holder of redeemable units	-	25,077
<b>Balance at 30 June 2013</b>	<b>47,525,910</b>	<b>166,444</b>
Balance at 1 January 2014	48,209,079	191,681
Issue of units during the period	1,130,128	4,768
Redemption of units during the period	(653,861)	(2,796)
Changes in net assets attributable to holders of redeemable units	-	14,370
<b>Balance at 30 June 2014</b>	<b>48,685,346</b>	<b>208,023</b>

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## NBAD MENA Income & Growth Fund

### Condensed interim statement of cash flows

For the six months ended 30 June

	(Unaudited) 2014 AED'000	(Unaudited) 2013 AED'000
<b>Cash flows from operating activities</b>		
Net gain from operations	14,370	25,077
<i>Adjustment for:</i>		
Changes in fair value of investment property	-	11,637
	<u>14,370</u>	<u>36,714</u>
<i>Changes in:</i>		
Investments at fair value through profit or loss	(15,192)	(24,459)
Due from a related party	(4)	(406)
Other assets	2,056	(1,243)
Due to related parties	(92)	(4)
	<u>1,138</u>	<u>10,602</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	4,768	9,476
Payments on redemption of units	(2,796)	(11,404)
	<u>1,972</u>	<u>(1,928)</u>
<i>Cash flows from / (used) in financing activities</i>		
<b>Net increase in cash and cash equivalents</b>	<b>3,110</b>	<b>8,674</b>
Cash and cash equivalents at 1 January	74	(69,979)
<b>Cash and cash equivalents at 30 June (note 5)</b>	<b><u>3,184</u></b>	<b><u>(61,305)</u></b>

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# 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 24 February 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 Accounting Standard ("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 for the year ended 31 December 2013. They do not include all of the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

These condensed interim financial statements were approved on behalf of the Fund Manager on 10 DEC 2014.

#### (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 2013.

### 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 financial statements as at and for the year ended 31 December 2013, except for as stated below:



## NBAD MENA Income & Growth Fund

### Notes to the condensed interim financial statements

#### 3 Significant accounting policies (continued)

##### *New standards and interpretations*

During the period, amendments to standards and interpretations have become effective and been applied in preparing these condensed interim financial statements. These are amendments to IAS 32 (Financial instruments: Presentation), IAS 36 (Impairment of Assets) and IAS 39 (Financial Instruments: Recognition and Measurement). Application of these amendments does not have a material impact on the Fund's condensed interim financial statements.

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 2014, 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 14 AED'000	(Unaudited) 30 June 13 AED'000
Realised loss	(7,314)	(1,755)
Unrealised gain	22,341	30,839
	<u>15,027</u>	<u>29,084</u>

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

#### 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.

##### *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.

## NBAD MENA Income & Growth Fund

### Notes to the condensed interim financial statements

#### 5 Related parties (continued)

##### Terms and conditions (continued)

- Others
- The Fund Manager is entitled of the following fees as set out in the term sheet:
- Management fee, accrued daily and charged monthly, of 1.5% p.a.
  - Performance fee, accrued weekly and charged quarterly, of 10% of relative outperformance of the Fund over the benchmark and the latest NAV that prompted a performance fee payment during the relevant calendar year.

##### Balances

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

	(Unaudited) 30 June 2014 AED'000	(Audited) 31 Dec 2013 AED'000
Cash in the current account	3,184	74
<i>Due from a related party</i>		
Interest receivable	4	-
<i>Due to related parties</i>		
Management fees payable to the Fund Manager	252	342
Administration fee payable to the Custody Department	20	22
	<u>272</u>	<u>364</u>

##### 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 14 AED'000	(Unaudited) 30 June 2013 AED'000
Interest expense	(2)	(1,126)
Brokerage expense paid to NBADS	(176)	(20)
Rental and other income	3,328	4,471
Management fees	(1,932)	(1,705)
Property management and maintenance fees	(1,057)	(645)
Administration fee	(160)	(167)
	<u></u>	<u></u>

# NBAD MENA Income & Growth Fund

## Notes to the condensed interim financial statements

### 5 Related parties *(continued)*

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 2,022 thousand was paid during the period ended 30 June 2014 (30 June 2013: AED 1,675 thousand).

No performance fee was charged during the current period (30 June 2013: nil) as the performance threshold was not met.

### 6 Investment property

The fair values of the Fund's investment property are 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 period.

The fair value of the property as at the statement of financial position date has been 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 2013.

### 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.

## NBAD MENA Income & Growth Fund

### Notes to the condensed interim financial statements

#### 8 Fair value hierarchy of financial assets and liabilities *(continued)*

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.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in fair value hierarchy into which the fair value measurement is categorized.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>30 June 2014 (unaudited)</b>				
Investments at fair value through profit or loss	<u>129,097</u>	<u>-</u>	<u>-</u>	<u>129,097</u>
<b>31 December 2013 (audited)</b>				
Investments at fair value through profit or loss	<u>113,905</u>	<u>-</u>	<u>-</u>	<u>113,905</u>

The fair value of financial assets and liabilities carried at amortized cost approximates their carrying amount.