

MAKASEB EMIRATES EQUITY FUND
MANAMA
KINGDOM OF BAHRAIN

CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE PERIOD ENDED
JUNE 30, 2011

MAKASEB EMIRATES EQUITY FUND
MANAMA – KINGDOM OF BAHRAIN

<u>Chairman</u>	Mr. Nabeel Waheed
<u>Directors</u>	Mr. Ali Raza Khan Mr. Denis Sabourin Mr. John Iossifidis
<u>Registered Office</u>	Flat 141, Building 3, Road 365, Block 316, Manama, Kingdom of Bahrain.
<u>Bankers</u>	Mashreqbank psc. Dubai, U.A.E. HSBC Bank Middle East Limited National Bank of Abu Dhabi, U.A.E.
<u>Fund Company</u>	Makaseb Funds Company B.S.C. (c)
<u>Investment Manager</u>	Mashreqbank psc. Dubai, U.A.E.
<u>Administrator & Custodian</u>	HSBC Bank Middle East Limited
<u>Auditor</u>	Deloitte & Touche, P.O. Box 421, Manama, Kingdom of Bahrain.

MAKASEB EMIRATES EQUITY FUND
MANAMA – KINGDOM OF BAHRAIN

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REVIEW REPORT TO THE UNIT HOLDERS

Makaseb Emirates Equity Fund,
Manama,
Kingdom of Bahrain

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Introduction

We have reviewed the accompanying condensed statement of financial position of Makaseb Emirates Equity Fund, ("the Fund"), as at June 30, 2011, 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 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.

Emphasis of Matters

We draw attention to the following:

- 1) Note 5 (b) to the condensed interim financial information. The financial assets at fair value through profit or loss include investments in listed securities which, according to the representation of the Investment Manager, provide the Fund with the opportunity to enhance the return on the investments through trading gains. The fair values of these securities are based on quoted market prices. Certain markets and securities may be illiquid and published market prices may not necessarily represent realisable value.
- 2) Note 9 to the condensed interim financial information which describes that the Net Asset Value of the Fund has decreased to approximately USD 3.4 million as at the period end and that the Directors do not have the intention to wind up the Fund within the next twelve months.

Our conclusion is not qualified in respect of these matters.

Manama – Kingdom of Bahrain
August 25, 2011



Deloitte & Touche

MAKASEB EMIRATES EQUITY FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT JUNE 30, 2011

	<u>Notes</u>	<u>June 30,</u> <u>2011</u> <u>USD</u>	<u>December 31,</u> <u>2010</u> <u>USD</u> <u>(Audited)</u>
Assets			
Current assets			
Cash at banks		274,435	50,801
Financial assets at fair value through profit or loss	5	3,138,112	3,961,049
Other asset		2,674	15
		-----	-----
Total assets		3,415,221	4,011,865
		-----	-----
Liabilities			
Current liabilities			
Accrued fees and charges		14,588	16,118
Due to a related party	7.3	13,006	15,805
		-----	-----
Total liabilities		27,594	31,923
		-----	-----
Net assets attributable to holders of redeemable units		3,387,627	3,979,942
		=====	=====
Analysis of net assets			
Capital	6	(6,478,172)	(5,929,721)
Net realised income		9,754,633	9,714,277
Change in fair value of financial assets at fair value through profit or loss	5	111,166	195,386
		-----	-----
Net assets attributable to holders of redeemable units		3,387,627	3,979,942
		=====	=====
Number of units		669,139	779,671
		-----	-----
Net asset value per unit		5.06267	5.10464
		=====	=====

The condensed interim financial information was approved and authorised for issue by the Directors on August 25, 2011 and signed on their behalf by:



Director

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

MAKASEB EMIRATES EQUITY FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2011

	Note	Six-Month Period	
		Ended June 30,	
		2011	2010
		USD	USD
Revenue			
Dividend income		105,863	115,683
Net realised gain / (loss) on financial assets at fair value through profit or loss		21,513	(1,487,848)
Net unrealised (loss) / gain on financial assets at fair value through profit or loss		(84,220)	854,599
Other income		189	517
Net foreign currency loss		(1,222)	(1,184)
Total operating income / (loss)		42,123	(518,233)
Expenses			
Management fees	7.1	(26,679)	(36,822)
Administration fees		(34,712)	(34,710)
Custody fees		(4,980)	(6,873)
Transaction fees		(2,700)	(3,840)
Registrar and transfer agent fees		(5,920)	(5,920)
Professional fees		(5,201)	(4,404)
Other expenses		(5,781)	(5,621)
Total operating expenses		(85,973)	(98,190)
Operating loss		(43,850)	(616,423)
Finance cost	7.1	(14)	-
Loss for the period		(43,864)	(616,423)
Decrease in net assets attributable to holders of redeemable units		(43,864)	(616,423)

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

MAKASEB EMIRATES EQUITY FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENTS OF CHANGES IN NET ASSETS (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2011

	<u>Six-Month Period ended</u>	
	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
	<u>USD</u>	<u>USD</u>
Net assets attributable to holders of redeemable units at the beginning of period	3,979,942	5,767,336
Issue of redeemable units	-	287,080
Redemption of redeemable units	(548,451)	(1,316,209)
Decrease in net assets attributable to holders of units	(43,864)	(616,423)
Net assets attributable to holders of redeemable units at the end of period	<u>3,387,627</u>	<u>4,121,784</u>

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

MAKASEB EMIRATES EQUITY FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2011

	<u>Six-Month Period</u> <u>Ended June 30,</u>	
	<u>2011</u> <u>USD</u>	<u>2010</u> <u>USD</u>
Cash flows from operating activities		
Decrease in net assets attributable to holders of redeemable units	(43,864)	(616,423)
Adjustments for:		
Net gain on financial assets at fair value through profit or loss	62,707	633,249
Dividend income	(105,863)	(115,683)
Interest income	(189)	(517)
Interest expense	14	-
	-----	-----
	(87,195)	(99,374)
Changes in operating assets and liabilities:		
Increase in other asset	(2,659)	(2,659)
(Decrease) / increase in accrued fees and charges	(1,530)	9,862
Decrease in due to a related party	(2,799)	(8,879)
	-----	-----
	(94,183)	(101,050)
Purchase of financial assets at fair value through profit or loss	(2,094,109)	(8,380,315)
Proceeds from disposal of financial assets at fair value through profit or loss	2,854,339	10,010,720
Dividend received	105,863	115,683
Interest received	189	517
	-----	-----
Net cash from operating activities	772,099	1,645,555
Cash flows from financing activities		
Proceeds from issue of units	-	287,080
Payments on redemption of redeemable units	(548,451)	(1,316,209)
Interest paid	(14)	-
	-----	-----
Net cash used in financing activities	(548,465)	(1,029,129)
Net increase in cash and cash equivalents	223,634	616,426
Cash and cash equivalents at the beginning of the period	50,801	124,510
	-----	-----
Cash and cash equivalents at the end of the period	274,435	740,936
	=====	=====
Comprising:		
Cash at banks	274,435	740,936
	=====	=====

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

MAKASEB EMIRATES EQUITY FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2011

1. **STATUS AND ACTIVITIES:**

Makaseb Emirates Equity Fund (“the Fund”) is an open-ended investment fund established by Makaseb Funds Company B.S.C. (c) (“the Fund Company”). The Fund is a collective investment scheme established pursuant to the Central Bank of Bahrain (“CBB”) regulations for the operation and marketing of collective investment schemes issued by CBB, Circular Number OG/356/92 of November 8, 1992 and subsequent supplementary circulars. The Fund Company is registered at the Ministry of Industry & Commerce. The Fund is authorised and approved by the CBB as a Retail Collective Investment Undertaking (CIU). It is established for a period of 25 years by the Fund Company. The life of the Fund can be extended by the Fund Company at the end of the 25th year.

The Fund was launched on February 8, 2005 and is denominated in US Dollars. The objective of the Fund is to achieve long term capital growth by investing primarily in U.A.E. equities listed on the Abu Dhabi Securities Market and the Dubai Financial Market. The Fund’s investment policies are more fully defined in its Prospectus.

The Fund is managed by Mashreqbank psc (“the Investment Manager”), a bank incorporated in the United Arab Emirates. The Fund is administered by HSBC Bank Middle East Limited, Bahrain (“the Administrator”) who is also the custodian (“the Custodian”). The Fund Company is approved by the CBB and incorporated as a Bahrain Closed Joint Stock Company with Commercial Registration Number 55378 and has been established to act as an umbrella vehicle for the Fund.

The financial statements represent the assets, liabilities and operations of the Fund only.

The Fund does not have employees, however, it uses the services of an Investment Manager, an Administrator and a Custodian for the fund management, administration and custody functions.

2. **BASIS OF PREPARATION:**

The condensed interim financial information has been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”.

The condensed interim financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards. For more details, please refer to the audited financial statements for the year ended December 31, 2010.

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 December 31, 2011.

MAKASEB EMIRATES EQUITY FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2011

3. **SIGNIFICANT ACCOUNTING POLICIES:**

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

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 December 31, 2010.

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 January 1, 2011 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 December 31, 2010.

MAKASEB EMIRATES EQUITY FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2011

5. **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS:**

- (a) These consist of listed investments designated at fair value through profit or loss. The analysis of investments by industry sector is as follows:

June 30, 2011

Listed Shares:

	<u>Cost</u> <u>USD</u>	<u>Fair value</u> <u>USD</u>	<u>Change in fair</u> <u>value</u> <u>USD</u>
AED - Financials	1,330,740	1,486,728	155,988
- Industrial	1,009,861	884,142	(125,719)
- Telecommunication	500,386	599,354	98,968
	-----	-----	-----
	2,840,987	2,970,224	129,237
USD - Industrial	185,959	167,888	(18,071)
	-----	-----	-----
	<u>3,026,946</u>	<u>3,138,112</u>	<u>111,166</u>

December 31, 2010 (Audited)

Listed Shares:

	<u>Cost</u> <u>USD</u>	<u>Fair value</u> <u>USD</u>	<u>Change in fair</u> <u>value</u> <u>USD</u>
AED - Banking	1,274,313	1,407,288	132,975
- Real Estate	351,362	377,253	25,891
- Industrial	851,694	844,419	(7,275)
- Services	895,110	1,003,203	108,093
- Investments	393,184	328,886	(64,298)
	-----	-----	-----
Listed Shares	<u>3,765,663</u>	<u>3,961,049</u>	<u>195,386</u>

- (b) Investments in listed shares are classified as financial assets at fair value through profit or loss. These securities provide the Fund with the opportunity to enhance the return on investments through trading gains. The fair value of these securities is based on market prices, which may not necessarily represent realisable value because of market illiquidity.

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(UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2011

6. **CAPITAL:**

The negative capital of the Fund as at the period end is due to certain redemptions having taken place at a higher NAV per unit than the initial NAV per unit at which the units were issued.

7. **RELATED PARTY TRANSACTIONS:**

The immediate parent and ultimate controlling party is Mashreqbank psc, incorporated in United Arab Emirates.

Transactions with companies in which the Investment Manager and its ultimate parent company, Mashreqbank psc, have substantial or controlling interest and transactions with key management personnel of the Fund are classified as transaction with related parties. These transactions are approved by the Directors.

7.1 **Transactions**

During the period, the Fund entered into the following transactions with related parties:

<u>Related Party</u>	<u>Nature of Transaction</u>	<u>Amount earned / (incurred)</u>	
		<u>Six-Month Period Ended June 30,</u>	
		<u>2011</u>	<u>2010</u>
		<u>USD</u>	<u>USD</u>
Mashreqbank psc, Dubai	Management fees	(26,679)	(36,822)
Mashreqbank psc, Dubai	Interest expense	(14)	-

7.2 **Subscription**

During the prior period ended as at June 30, 2010, Mashreqbank psc, Dubai had invested USD 287,079.94 representing 58,077.54 units and had no redemptions. There were no capital transactions with related parties during the period.

7.3 **Balances with related parties**

	<u>June 30,</u>	<u>December 31,</u>
	<u>2011</u>	<u>2010</u>
	<u>USD</u>	<u>USD</u>
		<u>(Audited)</u>
<u>Amounts due to:</u>		
Mashreqbank psc, Dubai	13,006	15,805
	<u>=====</u>	<u>=====</u>
<u>Amounts due from:</u>		
Mashreqbank psc, Dubai	85	754
	<u>=====</u>	<u>=====</u>

Amount due from a related party consists of cash held in a current account with Mashreqbank psc.

MAKASEB EMIRATES EQUITY FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2011

7. RELATED PARTY TRANSACTIONS: (CONTINUED)

7.4 The following related parties owned units in the Fund:

<u>Related Party</u>	<u>Nature of Relationship</u>	<u>Number of Units Held as at</u>	
		<u>June 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u> <u>(Audited)</u>
Abdul Aziz Al Ghurair	CEO of Mashreqbank psc	28,738.12	28,738.12
Mashreqbank psc	Investment Manager of the Fund	56,114.65	56,114.65

8. 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 are not significantly different from the carrying values included in the condensed interim financial information.

8.1 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. There are no financial assets categorised as "available-for-sale" as at the reporting date.

There are no financial liabilities at FVTPL at the reporting date. Further, there were no transfers between Level 1, Level 2 and Level 3 during the period.

MAKASEB EMIRATES EQUITY FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(UNAUDITED)
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9. **GOING CONCERN:**

Under the CBB regulation pertaining to Collective Investment Undertakings (“CIU”), Rulebook Volume 6, there is no minimum size set for a CIU. The regulation specifies however that if the NAV falls below USD 5 million, the Directors have the option to apply to the CBB for winding up of the Fund. The Directors of the Fund however do not have any intention to wind up the Fund within the next twelve months.