

NBAD UAE Distribution Fund

Condensed interim financial statements

30 June 2013

NBAD UAE Distribution 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 UAE Distribution Fund
Abu Dhabi

Introduction

We have reviewed the accompanying 30 June 2013 condensed interim financial information of NBAD UAE Distribution Fund ("the Fund"), which comprises:

- the condensed interim statement of financial position as at 30 June 2013;
- the condensed interim statement of comprehensive income for the six month period ended 30 June 2013;
- the condensed interim statement of changes in net assets attributable to holders of redeemable units for the six month period ended 30 June 2013;
- the condensed interim statement of cash flows for the six month period ended 30 June 2013; and
- notes to the condensed interim financial information.

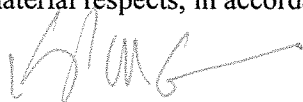
The Fund's management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

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 2013 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.


Munther Dajani
Registration No: 268

04 NOV 2013

NBAD UAE Distribution Fund

Condensed interim statement of financial position

As at

| | <i>Note</i> | (Unaudited) 30 June 13 AED'000 | (Audited) 31 Dec 12 AED'000 |
|--|-------------|--------------------------------------|-----------------------------------|
| Assets | | | |
| Investments at fair value through profit or loss | | 150,332 | 125,873 |
| Investment property | | 74,140 | 85,777 |
| Due from a related party | 5 | 406 | - |
| Other assets | | 3,086 | 1,843 |
| Total assets | | <u>227,964</u> | <u>213,493</u> |
| Liabilities | | | |
| Bank overdraft | 5 | 61,305 | 69,979 |
| Due to related parties | 5 | 215 | 219 |
| Total liabilities | | <u>61,520</u> | <u>70,198</u> |
| Net assets attributable to holders of redeemable units | | <u>166,444</u> | <u>143,295</u> |
| Number of units outstanding | | <u>47,526</u> | <u>48,338</u> |
| Net asset value per unit (AED) | | <u>3.50</u> | <u>2.96</u> |
| Represented by: | | | |
| Net assets attributable to unit holders (valued in accordance with prospectus) | | 166,916 | 143,642 |
| Adjustment from closing prices to bid prices | | (472) | (347) |
| | | <u>166,444</u> | <u>143,295</u> |



Mark Watts
Head & CIO of AMG



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 UAE Distribution Fund

Condensed interim statement of comprehensive income

For the six months ended 30 June

| | | (Unaudited) 2013 AED'000 | (Unaudited) 2012 AED'000 |
|--|-------------|--------------------------------|--------------------------------|
| | <i>Note</i> | | |
| Net gain / (loss) on investments at fair value through profit or loss | 4 | 29,084 | (12,752) |
| Changes in fair value of investment property | | (11,637) | (7,241) |
| Dividend income | | 6,791 | 7,999 |
| Rental income from investment property | | 4,471 | 3,721 |
| Other Income | | 66 | 21 |
| Net investment income / (loss) | | 28,775 | (8,252) |
| Management fee | 5 | (1,705) | (1,714) |
| Other operating expenses | | (867) | (1,361) |
| Interest expense | 5 | (1,126) | (1,569) |
| Total operating expenses | | (3,698) | (4,644) |
| Dividends paid to holders of redeemable units | | - | (3,520) |
| Increase / (decrease) in net assets attributable to holders of redeemable units | | 25,077 | (16,416) |

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

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NBAD UAE Distribution 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 2012 | 55,273,217 | 166,702 |
| Issue of units during the period | 577,716 | 1,842 |
| Redemption of units during the period | (897,258) | (2,797) |
| Changes in net assets attributable to holder of redeemable units | - | (16,416) |
| Balance at 30 June 2012 | <u><u>54,953,675</u></u> | <u><u>149,331</u></u> |
| 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 holders of redeemable units | - | 25,077 |
| Balance at 30 June 2013 | <u><u>47,525,910</u></u> | <u><u>166,444</u></u> |

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NBAD UAE Distribution Fund

Condensed interim statement of cash flows

For the six months ended 30 June

| | (Unaudited) 2013 AED'000 | (Unaudited) 2012 AED'000 |
|--|--------------------------------|--------------------------------|
| Cash flows from operating activities | | |
| Net gain / (loss) from operations | 25,077 | (16,416) |
| <i>Adjustment for:</i> | | |
| Changes in fair value of investment property | 11,637 | 7,241 |
| | <u>36,714</u> | <u>(9,175)</u> |
| <i>Changes in:</i> | | |
| Investments at fair value through profit or loss | (24,459) | 12,722 |
| Due from a related party | (406) | 673 |
| Other assets | (1,243) | 1,312 |
| Due to related parties | (4) | (576) |
| Other liabilities | - | 2 |
| | <u>10,602</u> | <u>4,958</u> |
| Cash flows from operating activities | | |
| Cash flows from financing activities | | |
| Proceeds from issue of units | 9,476 | 1,842 |
| Payments on redemption of units | (11,404) | (2,797) |
| | <u>(1,928)</u> | <u>(955)</u> |
| Cash flows used in financing activities | | |
| Net increase in cash and cash equivalents | 8,674 | 4,003 |
| Cash and cash equivalents at 1 January | (69,979) | (87,436) |
| Cash and cash equivalents at 30 June (note 5) | <u>(61,305)</u> | <u>(83,433)</u> |

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

NBAD UAE Distribution Fund

Notes to the condensed interim financial statements

1 Legal status and principal activities

NBAD UAE Distribution 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 / main objective is to invest in a portfolio of UAE and GCC equities, international fixed income securities, real estate and real estate related investment instruments, whether listed or, where appropriate, purchased through 'over the counter' arrangements and related securities, with a view to both achieving capital growth and distributing dividend income.

The applicable prospectus was revised on 1 November 2007 and the term sheet was revised on 26 July 2012. 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.

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 2012. 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 04 NOV 2013.

(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 2012.

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 2012.

NBAD UAE Distribution Fund

Notes to the condensed interim financial statements

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

| | (Unaudited) 30 June 13 AED'000 | (Unaudited) 30 June 12 AED'000 |
|--------------------------|--------------------------------------|--------------------------------------|
| Realised (loss) / gain | (1,755) | 613 |
| Unrealised gain / (loss) | 30,839 | (13,365) |
| | <u>29,084</u> | <u>(12,752)</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 | Abu Dhabi Financial Services LLC ("ADFS"), 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 provides these services at rates agreed with the Fund. |
| Others | The Fund Manager is entitled of the following fees as set out in the term sheet: <ul style="list-style-type: none">• Management fee of 2%• Performance fees of 10% is charged by the Fund Manager on increase in the Fund's NAV above the hurdle rate is calculated as an increase of 2.5% per quarter over the last highest NAV of the Fund on which performance fees have been charged . |

NBAD UAE Distribution Fund

Notes to the condensed interim financial statements

5 Related parties (continued)

Balances

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

| | (Unaudited) 30 June 2013 AED'000 | (Audited) 31 Dec 2012 AED'000 |
|--|---|-------------------------------------|
| Bank overdraft | <u>61,305</u> | <u>69,979</u> |
| Due from a related party | | |
| Balance due from ADFS | <u>406</u> | <u>-</u> |
| Due to related parties | | |
| Interest payable to the Fund Manager | 160 | 200 |
| Management fees payable to the Fund Manager | 30 | - |
| Administration fee payable to the Custody Department | <u>25</u> | <u>19</u> |
| | <u>215</u> | <u>219</u> |

Transactions

Transactions with related parties during the period included in the condensed interim statement of comprehensive income are shown below:

| | (Unaudited) 30 June 13 AED'000 | (Unaudited) 30 June 2012 AED'000 |
|--|---|--|
| Interest expense | (1,126) | (1,569) |
| Brokerage expense paid to ADFS | (20) | (42) |
| Rental income | 4,471 | 3,721 |
| Management fees | (1,705) | (1,714) |
| Property management and maintenance fees | (645) | (1,131) |
| Administration fee | <u>(167)</u> | <u>(188)</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 2% per annum of the Fund's NAV is payable monthly to the Fund Manager, calculated and accrued on a weekly basis. Management fees of AED 1,675 thousand is paid during the period then ended 30 June 2013 (30 June 2012: AED 2,307 thousand).

NBAD UAE Distribution Fund

Notes to the condensed interim financial statements

5 Related parties *(continued)*

The bank overdraft carries effective interest rate of 3.2 % per annum (31 December 2012: 3.42% per annum).

6 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 2012.

7 Fair value hierarchy of financial assets and liabilities

All financial assets and liabilities are measured at amortised cost except for held for trading investments 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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

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.

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.

NBAD UAE Distribution Fund

Notes to the condensed interim financial statements

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

| | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
|---|--------------------|--------------------|--------------------|------------------|
| 30 June 2013 (unaudited) | | | | |
| Investments at fair value through profit or loss | | | | |
| Equities | <u>150,332</u> | <u>-</u> | <u>-</u> | <u>150,332</u> |

| | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
|---|--------------------|--------------------|--------------------|------------------|
| 31 December 2012 (audited) | | | | |
| Investments at fair value through profit or loss | | | | |
| Equities | <u>107,752</u> | <u>18,121</u> | <u>-</u> | <u>125,873</u> |

8 Comparative figures

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