

ARAB BANK MENA FUND
MANAMA
KINGDOM OF BAHRAIN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2007

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

Directors

Mr. Abdul Kader A Askalan
Mr. Lo'ai B Bataineh (Resigned on November 15, 2006)
Mr. Jawdat Halabi
Mr. Adel Kasaji
Mr. Qutaiba M. Hawamdeh (Appointed with effect from
November 15, 2006)
Mr. Samer S. Tamimi (Appointed with effect from November
15, 2006)

Registered Office

P. O. Box 2397
Manama,
Kingdom of Bahrain.

Investment Manager

Al Arabi Investment Group

Administrator, Custodian and
Registrar

Gulf Clearing Company B.S.C. (c)

Principal Bankers

Arab Bank plc

Auditor

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

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

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ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

DIRECTORS' REPORT

The Directors present the annual report and financial statements for the year ended September 30, 2007.

PRINCIPAL ACTIVITY

The Fund is an open ended collective investment scheme and its primary objective is to achieve long term capital appreciation. The Fund invests mainly in listed and unlisted equities and equity related securities to attain such objectives.

REVIEW OF BUSINESS

The results of the operations of the Fund are summarized on page 5.

APPROPRIATIONS

None

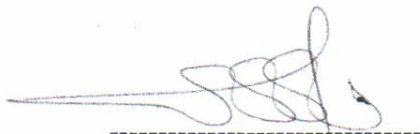
CHANGES IN DIRECTORS

Mr. Lo'ai B Bataineh (Resigned on November 15, 2006)
Mr. Qutaiba M. Hawamdeh (Appointed with effect from November 15, 2006)
Mr. Samer S. Tamimi (Appointed with effect from November 15, 2006)

AUDITOR

A resolution proposing the reappointment of Deloitte & Touche as the auditor of the Fund for the year ending September 30, 2008 and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

On behalf of the Board



Director
November 22, 2007

BH 99-8- 12

Deloitte & Touche
Office 44, 4th Floor
Al Zamil Tower
Government Avenue
P. O. Box 421
Manama
Kingdom of Bahrain

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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Arab Bank MENA Fund
Manama, Kingdom of Bahrain

Report on the Financial Statements

We have audited the accompanying financial statements of Arab Bank MENA Fund ("the Fund"), which comprise of the statement of assets and liabilities as of September 30, 2007, statement of operations, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)*Opinion*

In our opinion, the financial statements present fairly in all material respects, the financial position of Arab Bank MENA Fund as of September 30, 2007 and of its financial performance for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to Note 6.1 (a) to the financial statements. The investments at fair value through profit or loss include investments in listed shares, which according to the representation of the Fund Manager provide the Fund with the opportunity to enhance the return on investment through trading gains. The fair value of these securities is based on quoted market prices. Certain markets and securities may be illiquid and published market prices may not necessarily represent realizable value.

Manama, Kingdom of Bahrain
November 22, 2007


Deloitte & Touche

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

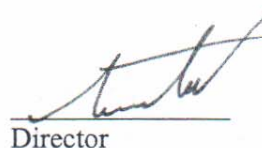
STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2007

		<u>September 30,</u> <u>2007</u> <u>USD</u>	<u>September 30,</u> <u>2006</u> <u>USD</u>
ASSETS:			
Cash at banks	5	4,420,014	27,475,559
Investments – at fair value through profit or loss	6	40,245,052	23,080,795
Investments – held to maturity	6	1,312,552	1,074,317
Other assets	7	479,218	719,547
		-----	-----
Total Assets		46,456,836	52,350,218
		-----	-----
LIABILITIES:			
Accrued expenses and other payables	9	278,009	1,111,381
Bank overdraft	5	65,562	-
		-----	-----
Total liabilities		343,571	1,111,381
		-----	-----
Net assets		46,113,265	51,238,837
		=====	=====
ANALYSIS OF NET ASSETS:			
Capital	10	44,872,766	54,359,857
Net cumulative realised loss		(631,965)	(2,507,572)
Changes in fair value of investments		1,872,464	(613,448)
		-----	-----
Net assets		46,113,265	51,238,837
		=====	=====
Net assets value per unit (4,345,164 units as at September 30, 2007) (5,310,716 units as at September 30, 2006)		10.6125	9.6482
		=====	=====

The financial statements were approved by the Directors on November 22, 2007 and signed on their behalf by:



 Director



 Director

The attached notes 1 to 15 form part of these financial statements

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

		<u>September 30,</u> <u>2007</u> <u>USD</u>	<u>Period from</u> <u>May 23, 2005</u> <u>(inception) to</u> <u>September 30,</u> <u>2006</u> <u>USD</u>
	<u>Note</u>		
INVESTMENT INCOME:			
Interest income – Investments at fair value through profit or loss	11	562,977	1,538
Interest income – Investments held to maturity	11	81,076	55,760
Other interest income	11	362,448	329,628
Dividend income	11	744,364	541,525
Other operating income		8,425	-
		-----	-----
		1,759,290	928,451
		-----	-----
EXPENSES:			
Incorporation expenses		-	95,143
Management fees	12	718,598	866,827
Custody and administration fees	12	65,259	79,472
Registrar fees	12	20,719	30,603
Professional fees		17,179	13,395
Bank charges		14,220	14,322
Other expenses		58,883	43,192
		-----	-----
Total expenses		894,858	1,142,954
		-----	-----
Investment gain/(loss) – net		864,432	(214,503)
Realised and unrealised gain/(loss) on investments:			
Net realised gain/(loss) on investments		1,011,175	(2,293,069)
Change in fair value of investments	6	2,485,912	(613,448)
		-----	-----
Net gain/(loss) on investments		3,497,087	(2,906,517)
		-----	-----
Net increase/(decrease) in net assets resulting from operations		4,361,519	(3,121,020)
		=====	=====

The attached notes 1 to 15 form part of these financial statements

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>September 30,</u> <u>2007</u> <u>USD</u>	<u>Period from May 23,</u> <u>2005 (Inception) to</u> <u>September 30, 2006</u> <u>USD</u>
Increase/(decrease) in net assets from operations:		
Investment gain/(loss) - net	864,432	(214,503)
Net realised gain/(loss) on investments	1,011,175	(2,293,069)
Change in fair value of investments for the period	2,485,912	(613,448)
	-----	-----
Net increase/(decrease) in net assets resulting from operations	4,361,519	(3,121,020)
Change in net assets from capital share transactions	(9,487,091)	54,359,857
	-----	-----
Change in net assets	(5,125,572)	51,238,837
Net assets – beginning of period	51,238,837	-
	-----	-----
Net assets – end of period	<u><u>46,113,265</u></u>	<u><u>51,238,837</u></u>

The attached notes 1 to 15 form part of these financial statements

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>September 30,</u> <u>2007</u> <u>USD</u>	<u>Period from May 23,</u> <u>2005 (Inception) to</u> <u>September 30, 2006</u> <u>USD</u>
Net increase/(decrease) in the assets from operations	4,361,519	(3,121,020)
Changes in operating assets and liabilities:		
Change in other assets	240,329	(719,547)
Change in other liabilities	(767,810)	1,111,381
Net cash from (used in) operating activities	3,834,038	(2,729,186)
Cash flows from investing activities		
Increase in investments	(17,402,492)	(24,155,112)
Net cash used in investing activities	(17,402,492)	(24,155,112)
Cash flow from financing activities		
Proceeds from issue of units	423,296	69,539,600
Payments on redemption of units	(9,910,387)	(15,179,743)
Net cash (used in) / from financing activities	(9,487,091)	54,359,857
Net (decrease) / increase in cash and cash equivalents	(23,055,545)	27,475,559
Cash and cash equivalents at the beginning of the financial year / period	27,475,559	-
Cash and cash equivalent at the end of the financial year/ period	4,420,014	27,475,559
Comprising:		
Cash at bank	1,745,930	23,053,688
Time deposits	2,674,084	4,421,871
	4,420,014	27,475,559

The attached notes 1 to 15 form part of these financial statements

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

1. **FORMATION AND OBJECTIVE OF THE FUND:**

The Arab Bank MENA Fund (“the Fund”) is an open ended investment fund registered under the Law of the Kingdom of Bahrain, established on May 23, 2005 by Arab Bank MENA Fund Company B.S.C (CLOSED) (“the Fund Company”) pursuant to the provisions of the Central Bank of Bahrain (“the CBB”) circular number OG/356/92, of November 18, 1992 and subsequent supplementary circulars and has been approved and is regulated by the Central Bank of Bahrain.

The Fund is managed by Al Arabi Investment Group (formerly known as Atlas Investment Group) (“the Investment Manager”) who disposes of and manages the Fund as a fiduciary patrimony on a discretionary basis pursuant to the provisions of the Fund's by-laws and the provisions of law that regulates fiduciary activities. Gulf Clearing Company B.S.C (c) is the custodian and administrative agent of the Fund.

The objective of the Fund is to provide income primarily from investments in equities with possible investment in bonds aiming to preserve capital during period of weak equity market performance and maximizing capital growth during period of strong equity markets performance. The Fund may distribute dividends on an annual basis, upon the sole discretion of the Fund Company. Dividend, if any, will be paid out of investment income from dividends and interest earned by the Fund after deducting expenses.

The Fund is denominated in U.S. Dollars.

2. **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS"):**

In the current year, the Fund has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for annual periods beginning on October 1, 2006. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Fund’s accounting policies.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

2. **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS"): (CONTINUED)**

At the date of authorization of these financial statements, the following applicable Standards and Interpretations were in issue but not yet effective which may be relevant to the Fund.

		Effective for annual periods beginning on or after
IFRS 7	- Financial Instruments - Disclosures	January 1, 2007
IFRS 8	- Operating Segments	January 1, 2009
Amendments to IAS 1	- Capital Disclosure	January 1, 2007
Revised guidance on Implementing IFRS 4		January 1, 2007
IFRIC 10	- Interim Financial Reporting and Impairment	November 1, 2006
IFRIC 11	- IFRS 2: Group and Treasury Share Transactions	March 1, 2007
IFRIC 12	- Service Concession Arrangements	January 1, 2008
IFRIC 13	- Customer Loyalty Programmes	July 1, 2008
IFRIC 14	- IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2008

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Fund except for the disclosures effects of IFRS 7.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

3. **SIGNIFICANT ACCOUNTING POLICIES:**

Statement of Compliance

The financial statements have been prepared in conformity with the prospectus and in accordance with International Financial Reporting Standards (“IFRS”).

Basis of Preparation

The financial statements are prepared under the historical cost convention, except for the revaluation of certain financial instruments.

These financial statements are presented in US dollars, this being the principal functional currency of the Fund’s business.

The significant accounting policies are as follows:

(a) **Investments in Securities, at Fair Value Through Profit or Loss**

Investments in securities (consisting of listed shares and bonds) are classified as fair value through profit or loss, and are stated at fair value which is determined daily on the basis of market prices or present value of the future cash flows derived therefrom. The change in fair value of these securities is recorded in the statement of operations.

(b) **Held-to-Maturity Investments**

Investments in bonds with fixed or determinable payments and fixed maturity dates that the Fund has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

(c) **Interest and Dividend Income Recognition**

Interest income on bonds or debt securities are accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable adjusted by the amortization of premiums and discounts.

Dividend income on shares are recognised when the right to receive such dividend is established.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

3. **SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

(d) **Valuation of Units**

The prices at which units may be issued and redeemed are calculated by reference to the NAV of the Fund calculated in accordance with the Fund's prospectus.

(e) **Other Payables**

Other payables are recognised for amounts to be paid in future for goods or services received, whether billed by the supplier or not. These are carried at cost which is the fair value of the consideration to be settled in future.

(f) **Expenses**

All recurring expenses are accounted for on an accrual basis. In respect of the analysis between revenue and capital items presented within the income statement, all expenses have been presented as revenue items except as follows:

Expenses which are incidental to the acquisition of an investment are included within the cost of that investment where it is classified as "fair value through profit or loss".

Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

(g) **Foreign Currencies**

Foreign currency transactions are recorded in United States Dollars at the approximate rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated at the year end rates of exchange. Exchange differences, are reported as part of the results for the year.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

4. **FEES:**

(a) **Management Fee**

Under the Investment Management agreement, the Fund has agreed to pay the Investment Manager remuneration for its on-going services a fee accruing on each Valuation Day at the annual rate of 1.5% of the Net Asset Value, (“NAV”) of the Fund, prior to the accrual of performance fees. Management fees accrue monthly and are payable quarterly in arrears by the Fund.

(b) **Administration and Custody Fee**

Under the Administration and Custody agreement, the Fund has agreed to pay the administrator and custodian as remuneration for its on-going services a fee accruing on each Valuation Day. The administration and custody fee is payable quarterly in arrears within seven (7) business day following the last day of each quarter and are calculated as follows:

- Investments that are made in the Gulf Cooperation Council (GCC) Countries: The Fund will be charged an annual custody and administration fee of 0.125% of the Net Asset Value that is held under custody in these countries, subject to a minimum annual fees of USD 25,000; and
- Investments that are made in Levant and North Africa Arab Countries: The Fund is charged an annual fee of 0.175% of the Net Asset Value that is held under the custody in these countries, subject to a minimum fee of USD 30,000.

The minimum total annual fee for providing custody and administration services will be USD 55,000.

(c) **Registrar**

The Fund is responsible for the fees and expenses of the Registrar. Currently, the Registrar and Transfer Agent’s fee is being paid at USD 4,000 per annum up to 50 unit holders and additional charge of USD 50 per annum per annum for every additional unit holders. The registrar fee will be accrued on each valuation day and will be payable quarterly in arrears within seven business day following the last revaluation day of each quarter.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

5. **CASH AT BANKS AND BANK OVERDRAFT:**

Cash at banks represents balances in current accounts and time deposits held with the Investment Manager and other Banks.

	<u>September 30,</u> <u>2007</u> <u>USD</u>	<u>September 30,</u> <u>2006</u> <u>USD</u>
Current accounts	1,745,930	23,053,688
Time deposits	2,674,084	4,421,871
	-----	-----
	<u>4,420,014</u>	<u>27,475,559</u>
	=====	=====

The time deposits with an original maturity of three months or less.

The bank overdraft relates to a current account held with a bank.

6. **INVESTMENTS:**

This caption is composed of the following:

	<u>September 30,</u> <u>2007</u> <u>USD</u>	<u>September 30,</u> <u>2006</u> <u>USD</u>
Investments in listed shares at fair value through profit or loss (note 6.1)	36,434,442	23,004,532
Investments in listed bonds – at fair value through profit or loss (note 6.2)	3,810,610	76,263
	-----	-----
	40,245,052	23,080,795
	-----	-----
Investment in listed bonds – held to maturity (Note 6.3)	1,312,552	1,074,317
	-----	-----
	1,312,552	1,074,317
	-----	-----
	<u>41,557,604</u>	<u>24,155,112</u>
	=====	=====

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

6. **INVESTMENTS: (CONTINUED)**

6.1 Investments in Listed Shares - at fair value through profit or loss

	<u>September 30, 2007</u>		
	<u>Cost</u>	<u>Fair value</u>	<u>Change in</u>
	<u>USD</u>	<u>USD</u>	<u>Fair value</u>
			<u>USD</u>
Palestine – USD	178,743	191,498	12,755
Egypt – EGP	3,768,337	3,808,627	40,290
Jordan – JOD	3,619,139	3,483,897	(135,242)
Kuwait – KWD	6,784,463	7,706,332	921,869
Kingdom of Bahrain – BHD	389,145	385,941	(3,204)
Oman – OMR	2,135,832	2,580,468	444,636
Qatar – QAR	2,681,059	2,707,841	26,782
Dubai – AED	6,895,992	6,966,933	70,941
Kingdom of Saudi Arabia – SAR	8,119,878	8,602,905	483,027
	-----	-----	-----
	34,572,588	36,434,442	1,861,854
	=====	=====	=====

	<u>September 30, 2006</u>		
	<u>Cost</u>	<u>Fair value</u>	<u>Change in</u>
	<u>USD</u>	<u>USD</u>	<u>Fair value</u>
			<u>USD</u>
Palestine – USD	69,564	68,250	(1,314)
Egypt – EGP	954,285	968,710	14,425
Jordan – JOD	3,819,890	3,775,776	(44,114)
Kuwait – KWD	9,843,681	9,680,851	(162,830)
United Kingdom – USD	564,615	558,000	(6,615)
Oman – OMR	1,582,923	1,770,704	187,781
Qatar – QAR	1,817,506	1,306,853	(510,653)
Dubai – AED	4,607,269	4,520,102	(87,167)
Kingdom of Saudi Arabia – SAR	359,429	355,286	(4,143)
	-----	-----	-----
	23,619,162	23,004,532	(614,630)
	=====	=====	=====

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

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

6. **INVESTMENTS: (CONTINUED)**

6.2 Investments in Listed Bonds – at fair value through profit or loss

	<u>Maturity</u>	<u>Coupon</u> <u>rate</u> <u>%</u>	<u>September 30, 2007</u>			
			<u>Cost</u> <u>USD</u>	<u>Carrying</u> <u>Value</u> <u>USD</u>	<u>Fair</u> <u>Value</u> <u>USD</u>	<u>Change in</u> <u>Fair value</u> <u>USD</u>
Blue City Investment Bonds B1/B2	November 7, 2013	13.75	1,950,000	1,964,875	1,954,875	4,875
Blue City Investment Bonds A3/A4	November 7, 2013	9.16	1,850,000	1,864,121	1,855,735	5,735
			<u>3,800,000</u>	<u>3,828,996</u>	<u>3,810,610</u>	<u>10,610</u>

	<u>Maturity</u>	<u>Coupon</u> <u>rate</u> <u>%</u>	<u>September 30, 2006</u>			
			<u>Cost</u> <u>USD</u>	<u>Carrying</u> <u>Value</u> <u>USD</u>	<u>Fair</u> <u>Value</u> <u>USD</u>	<u>Change in</u> <u>Fair value</u> <u>USD</u>
MEC Bonds	December 21, 2009	6.00	75,081	76,263	76,263	1,182
			<u>75,081</u>	<u>76,263</u>	<u>76,263</u>	<u>1,182</u>

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

6. **INVESTMENTS: (CONTINUED)**

6.3 Investments in Listed Bonds – Held to Maturity

		<u>September 30, 2007</u>		
	<u>Maturity</u>	<u>Coupon</u> <u>rate</u> <u>%</u>	<u>Cost</u> <u>USD</u>	<u>Amortised</u> <u>cost</u> <u>USD</u>
Bank Muscat non guaranteed bonds	June 30, 2014	6.25	586,919	580,384
Bank Dhofar Al Omani Al Faransi bonds	March 31, 2008	7.00	299,514	290,773
AHB non guaranteed bonds	May 15, 2011	5.55	156,576	156,833
ZARA Investment Holding bonds	December 12, 2009	6.00	212,014	215,936
JMCR bonds	April 5, 2010	5.40	70,671	72,548
			1,325,694	1,312,552
			1,325,694	1,312,552

		<u>September 30, 2006</u>		
	<u>Maturity</u>	<u>Coupon</u> <u>rate</u> <u>%</u>	<u>Cost</u> <u>USD</u>	<u>Amortised</u> <u>cost</u> <u>USD</u>
Bank Muscat non guaranteed bonds	June 30, 2014	6.25	560,264	554,002
Bank Dhofar Al Omani Al Faransi bonds	March 31, 2008	7.00	299,997	291,557
AHB non guaranteed bonds	May 15, 2011	5.55	159,700	156,821
ZARA bonds	December 12, 2009	6.00	70,698	71,937
			1,090,659	1,074,317
			1,090,659	1,074,317

The carrying value of these bonds as of September 30, 2007 and 2006 closely approximates their fair value as of the same date.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
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7. **OTHER ASSETS:**

The caption is composed of the following:

	<u>September 30, 2007</u>	<u>September 30, 2006</u>
	<u>USD</u>	<u>USD</u>
Receivables for sale of investments	280,564	696,747
Accrued interest receivable on bonds	198,654	22,800
	-----	-----
	<u>479,218</u>	<u>719,547</u>
	=====	=====

8. **RELATED PARTY TRANSACTIONS:**

Transactions with companies in which the Investment Manager and its parent company, Arab Bank Plc have substantial or controlling interest are classified as transactions with related parties. These transactions are undertaken on an arm's length basis.

- The following transactions occurred between the Fund and its related party:

<u>Related Party</u>	<u>Nature of Transaction</u>	<u>Amount incurred</u>		<u>Payable as at</u>	
		<u>September 30,</u>		<u>September 30,</u>	
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
		<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Al Arabi Investment Group	Management fees	718,598	866,827	177,597	192,736

- 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>2007</u>	<u>2006</u>
- Arab Bank (Switzerland)	Subsidiary of Arab Bank Plc, Jordan	615,450	888,969
- Arab Bank Plc, Wholesale Bank, Bahrain	Branch of Arab Bank Plc, Jordan	500,000	500,000
- Oman Arab Bank SAOC	Affiliate Company of Arab Bank, Plc, Jordan	50,000	50,000

Arab Bank Plc, Jordan is the ultimate Parent Company of the Fund Company.

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8. **RELATED PARTY TRANSACTIONS: (CONTINUED)**

- The Fund has invested in the following:

<u>Related Party</u>	<u>Nature of Transaction</u>	<u>Nature of Relationship</u>	<u>Fair Value</u>	
			<u>2007</u>	<u>2006</u>
			<u>USD</u>	<u>USD</u>
Arab Bank Plc – Wholesale Bank, Bahrain	Fixed time deposit	Branch of Arab Bank Plc, Jordan	-	2,273,404
Arab Bank Plc – Wholesale Bank, Bahrain	Current account	Branch of Arab Bank Plc, Jordan	51,837	8,808,467
Arab Bank Plc – Retail Bank, Bahrain	Current account	Branch of Arab Bank Plc, Jordan	923	28,055
Arab Bank Plc, Jordan	Equity shares	Ultimate Parent Company of the Fund Company	1,336,961	758,159
Arab Bank Plc, Jordan	Current account	Ultimate Parent Company of the Fund Company	571,855	86,212
Arab Bank Plc, Palestine	Current account	Branch of Arab Bank Plc, Jordan	46	931,340
Oman Arab Bank	Current account	Affiliate Company of Arab Bank Plc, Jordan	119,889	753,953

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NOTES TO THE FINANCIAL STATEMENTS
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9. **ACCRUED EXPENSES AND OTHER PAYABLES :**

The caption is composed of the following:

	<u>Year Ended</u> <u>September 30,</u> <u>2007</u> <u>USD</u>	<u>Period from May</u> <u>23, 2005 to</u> <u>September 30,</u> <u>2006</u> <u>USD</u>
Payable for investment purchases	54,560	851,859
Management fees	177,597	192,736
Custody and administration fees	16,199	17,779
Registrar fees	4,723	5,908
Professional fees	20,552	13,395
Sub-custody fees	2,634	1,592
Out-of-pocket expenses	1,744	2,646
Other liabilities	-	25,466
	----- 278,009 =====	----- 1,111,381 =====

10. **CAPITAL:**

The caption is composed of the following:

	<u>Year Ended</u> <u>September 30, 2007</u>		<u>Period from May 23, 2005 to</u> <u>September 30, 2006</u>	
	<u>No. of units</u>	<u>USD</u>	<u>No. of units</u>	<u>USD</u>
Opening balance	5,310,716	54,359,857	-	-
Subscriptions during the year/period	42,664	423,296	6,940,115	69,539,600
Redemptions during the year/period	(1,008,216)	(9,910,387)	(1,629,399)	(15,179,743)
	-----	-----	-----	-----
Ending balance	4,345,164	44,872,766	5,310,716	54,359,857
	=====	=====	=====	=====

ARAB BANK MENA FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

11. **INVESTMENT INCOME:**

The caption is composed of the following:

	<u>Year Ended</u> <u>September 30,</u> <u>2007</u> <u>USD</u>	<u>Period from May 23,</u> <u>2005 (Inception) to</u> <u>September 30, 2006</u> <u>USD</u>
Interest income on bonds at fair value	562,977	1,538
Interest income on bonds – held to maturity	81,076	55,760
	-----	-----
	644,053	57,298
	-----	-----
Interest income on bank accounts	81,761	289,952
Interest income on time deposits	280,687	39,676
	-----	-----
	362,448	329,628
	-----	-----
Dividend income on securities	744,364	541,525
	-----	-----
	1,750,865	928,451
	=====	=====

12. **MANAGEMENT AND OTHER FEES:**

	<u>Year Ended</u> <u>September 30,</u> <u>2007</u>		<u>Period from May 23, 2005</u> <u>(Inception) to September 30,</u> <u>2006</u>	
	<u>%</u>	<u>USD</u>	<u>%</u>	<u>USD</u>
Management fees	89.31	718,598	88.73	866,827
Custody and administration fees	8.11	65,259	8.14	79,472
Registrar fees	2.58	20,719	3.13	30,603
	-----	-----	-----	-----
	100.00	804,576	100.00	976,902
	=====	=====	=====	=====

13. **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 fair values of financial instruments, are not significantly different from the carrying values included in the financial statements.

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14. **PORTFOLIO RISK ASSESSMENT:**

Credit Risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentrations of credit risk arise when a number of counter-parties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location.

To mitigate this risk, the Fund spreads its investments, to the extent possible, over the various types of counterparties. However, where concentration is inevitable, the Fund takes adequate precautions to reduce this additional risk to acceptable levels.

Liquidity Risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Fund limits its liquidity risk by ensuring adequate bank facilities are available.

Market Risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Fund's market risk is managed through diversification of the investments portfolio exposure. The Fund's overall market positions are monitored on a daily basis by the Investment Manager.

Interest Rate Risk

The interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market rates.

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NOTES TO THE FINANCIAL STATEMENTS
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14. **PORTFOLIO RISK ASSESSMENT: (CONTINUED)**

The Fund is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Fund is exposed to interest rate risk in respect of the bonds.

The Investment Manager reviews the market analysis and expectations for interest rate movements as the basis on which Investment Manager will manage the investments.

Currency Risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund's assets and liabilities are denominated in GCC currencies, Jordanian Dinars, Egyptian Pounds and United States Dollars. As the GCC currencies (except for the Kuwaiti Dinar) are effectively pegged to the United States Dollar, balances in these GCC currencies are not considered to represent a significant currency risk. The balances in the other currencies may be exposed to currency risk. The Fund's overall currency positions are monitored on a daily basis by the Investment Manager. The Fund's foreign currency exchange rate risk is presented in the table below.

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14. PORTFOLIO RISK ASSESSMENT: (CONTINUED)

Currency Risk: (continued)
Figures in equivalent USD:

	USD	BHD	AED	JOD	QAR	EGP	OMR	KWD	SAR	MAD	September 30, 2007 Total
Assets											
Cash at banks	52,900	911	166,647	3,245,939	97,537	-	119,889	732,107	134	3,950	4,420,014
Investments at fair value through profit or loss	4,002,108	385,942	6,966,934	3,483,898	2,707,841	3,808,627	2,580,468	7,706,332	8,602,902	-	40,245,052
Investments held to maturity	-	-	-	284,562	-	-	1,027,990	-	-	-	1,312,552
Other assets	196,196	-	68,854	92,324	26,521	67,946	27,377	-	-	-	479,218
Total assets	4,251,204	386,853	7,202,435	7,106,723	2,831,899	3,876,573	3,755,724	8,438,439	8,603,036	3,950	46,456,836
Liabilities											
Accrued expenses and other payables	223,449	-	-	-	-	-	-	54,560	-	-	278,009
Bank overdraft	-	-	-	-	-	65,562	-	-	-	-	65,562
Total liabilities	223,449	-	-	-	-	65,562	-	54,560	-	-	343,571
Open position	4,027,755	386,853	7,202,435	7,106,723	2,831,899	3,811,011	3,755,724	8,383,879	8,603,036	3,950	

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15. **COMPARATIVE FIGURES:**

Certain of the prior year figures have been reclassified to conform to the presentation in the current year.