ARAB BANK MENA FUND
MANAMA
KINGDOM OF BAHRAIN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2010

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

Directors	Mr. Abdul Kader A. Askalan Mr. Guy Khouri Mr. Adel Kasaji Mr. Qutaiba M. Hawamdeh Mr. Samer S. Tamimi
Registered Office	P. O. Box 2400, Manama, Kingdom of Bahrain.
Fund Company	Arab Bank MENA Fund Company B.S.C. (c)
Investment Manager	Al Arabi Investment Group
Administrator, Custodian and Registrar	Gulf Custody Company B.S.C. (c)
Principal Banker	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, 2010.

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 in the MENA region. In addition, the Fund may trade in securities listed on other stock exchanges or traded over the counter if a significant part of the operations or assets of issuers are involved in the MENA region.

REVIEW OF BUSINESS

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

APPROPRIATIONS

None.

CHANGES IN DIRECTORS

None.

AUDITOR

A resolution proposing the reappointment of Deloitte & Touche as the auditor of the Fund for the year ending September 30, 2011 and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

On behalf of the Board

Director
April 6, 2011

Deloitte.

BH 99-8- 12

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INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

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 the statement of financial position as of September 30, 2010, the statement of comprehensive income, statement of changes in net assets and the statement of cash flows 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 TO THE UNITHOLDERS (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, 2010 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion we draw attention to Note 7 (a) to the financial statements. The investments at fair value through profit or loss and the investments available for sale include investments in listed shares and bonds, which, according to the representation of the Investment Manager, provides 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 realisable value.

Report on Other Legal and Regulatory Requirements

We confirm that, in our opinion, proper accounting records have been maintained by the Fund and the financial statements, are prepared in accordance with those records. We further report that, to the best of our knowledge and belief, the financial information provided in the Board of Directors' Report is in agreement with the financial statements and based on the information and explanations provided by the management which were required for the purpose of our audit, we are not aware of any violation of Module CIU (Collective Investment Undertakings) issued by the Central Bank of Bahrain ("the CBB"), contained in Volume 6 of the CBB Rulebook, having occurred during the year ended September 30, 2010 that might have had a material effect on the business of the Fund or on its financial position.

Deloitte & Touche

Manama, Kingdom of Bahrain
April 6, 2011

Deloitte & Touche

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2010

	Notes	2010 USD	2009 USD
ASSETS:			
Cash at banks	6 & 9	16,733,221	18,880,481
Investment designated at fair value through profit or loss	7 & 9	20,491,946	18,350,102
Investments – available-for-sale	7	755,415	1,057,040
Other assets	8	29,857	376,024
Total assets		38,010,439	38,663,647
LIABILITIES:			
Accrued expenses and other payables	10	181,445	176,956
Net assets		37,828,994	38,486,691
ANALYSIS OF NET ASSETS:			
Capital	11	54,872,616	56,119,464
Net cumulative realised loss		(16,281,399)	(14,161,698)
Cumulative changes in fair value of securities designated at fair value through profit or loss	7.1	(763,379)	(3,495,683)
Fair value reserve for available-for-sale investments	7.2	1,156	24,608
Net assets		37,828,994	38,486,691
Number of shares		5,046,482	5,213,595
Net Asset value per unit	15	7.4961	7.3820

The financial statements were approved and authorised for issue by the Directors on April 6, 2011 and signed on their behalf by:

Director

Director

The accompanying notes form an integral part of these financial statements.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Notes	2010 USD	2009 USD
INVESTMENT INCOME:			
Interest income – available - for - sale investments	12	52,999	54,103
Interest income – bank accounts	12	68,620	11,635
Dividend income	12	786,268	1,322,097
Other operating income		-	2,210
		907,887	1,390,045
EXPENSES:			
Management fees	5 & 9	570,854	517,690
Custody and administration fees	5	59,688	47,175
Registrar fees	5	16,063	16,792
Professional fees		21,207	18,979
Bank charges		2,969	9,739
Other expenses		22,522	26,149
Foreign exchange loss		182,633	716,552
Total expenses		875,936	1,353,076
Investment gain – net		31,951	36,969
Realised and unrealised gain or loss on securities designated at fair value through profit or loss:			
Net realised loss		(2,151,652)	(21,262,038)
Increase in fair value		2,732,304	8,016,142
Net gain / (loss) on securities designated at fair value through profit or loss		580,652	(13,245,896)
Net increase / (decrease) in net assets from resulting operations		612,603	(13,208,927)
Other comprehensive income			
Net (loss) / gain arising on revaluation of available - for - sale investment		(23,452)	24,608
Total comprehensive income / (loss) for the year		589,151	(13,184,319)

The accompanying notes form an integral 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, 2010

	2010 USD	2009 USD
Investment gain – net	31,951	36,969
Net realised loss on investments	(2,151,652)	(21,262,038)
Increase in fair value of investments designated at fair value through profit or loss for the year	2,732,304	8,016,142
Net increase / (decrease) in net assets resulting from operations	612,603	(13,208,927)
(Decrease) / increase in fair value of available-for-sale investments	(23,452)	24,608
Decrease in net assets from capital share transactions	(1,246,848)	(794,807)
Change in net assets	(657,697)	(13,979,126)
Net assets – beginning of year	38,486,691	52,465,817
Net assets – end of year	37,828,994	38,486,691

The accompanying notes form an integral part of these financial statements.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2010 USD	2009 USD
Cash flows from operating activities		
Net increase / (decrease) in net assets resulting from operations	612,603	(13,208,927)
Adjustments for:		
Dividend income	(786,268)	(1,322,097)
Interest income	(121,619)	(65,738)
Net (gain) / loss on securities designated at fair value through profit or loss	(580,652)	13,245,896
	(875,936)	(1,350,866)
Changes in operating assets and liabilities:		
(Increase) / decrease in other assets	(135)	150,488
Increase / (decrease) in accrued expenses and other payables	4,489	(490,942)
Cash used in operations	(871,582)	(1,691,320)
Payments for purchase of securities	(24,915,752)	(8,040,812)
Proceeds from disposal of securities	23,686,231	26,422,434
Dividend received	1,082,634	1,025,731
Interest received	118,057	39,578
Net cash (used in) / from operating activities	(900,412)	17,755,611
Cash flows from financing activities		
Proceeds from issue of units	325,000	1,508,628
Payments on redemption of units	(1,571,848)	(2,303,435)
Net cash used in financing activities	(1,246,848)	(794,807)
Net (decrease) / increase in cash and cash equivalents	(2,147,260)	16,960,804
Cash and cash equivalents at the beginning of the year	18,880,481	1,919,677
Cash and cash equivalent at the end of the year	16,733,221	18,880,481
Comprising:		
Cash at banks (Note 6)	16,733,221	18,880,481

The accompanying notes form an integral part of these financial statements.

1. STATUS AND ACTIVITIES:

Arab Bank MENA Fund ("the Fund") is an open-ended investment fund established by Arab Bank MENA Fund Company B.S.C. (c) ("the Fund Company"). The Fund is an Expert Fund under the collective investment undertakings regulations issued by the Central Bank of Bahrain ("the CBB") as contained in the rule book, volume 6, Capital Market. The Fund Company has been registered at the Ministry of Industry & Commerce and is authorised and approved by the CBB.

The Fund is managed by Al Arabi Investment Group ("the Investment Manager") who manages the Fund as a fiduciary patrimony on a discretionary basis authorise to the provisions of the Fund's by-laws and the provisions of law that regulates fiduciary activities. Gulf Custody Company B.S.C (c) is the custodian and administrator (referred to as "the Custodian" or "the Administrator") 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 maximising capital growth during period of strong equity markets performance. The Fund may distribute dividends on an annual basis, upon the sole discretion of the Investment Manager.

The financial statements represent the assets, liabilities and operations of the Fund only. The Fund does not have any employees and utilises the services of the Investment Manager, Administrator and Custodian to operate the Fund.

2. ADOPTION OF NEW AND REVISED STANDARDS:

2.1 Standards affecting the disclosures and presentation in the current year

The following revised Standards have been adopted in the current year and have affected disclosures and presentations in the financial statements. Details of other Standards adopted in these financial statements but that have had no effect on the amounts reported are set out in Note 2.2.

IAS 1 (revised 2007) Presentation of Financial Statements

The revised Standard has introduced a number of terminology changes (including revised titles for the financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Fund.

2. ADOPTION OF NEW AND REVISED STANDARDS: (CONTINUED)

2.1 Standards affecting the disclosures and presentation in the current year (Continued)

Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Fund has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

		Effective for annual periods beginning on or after
New Interpretations:		
IFRIC 15	Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 17	Distributions of Non-cash Assets to Owners	July 1, 2009
New Standard:		
IFRS 8	Operating Segments	January 1, 2009
Amendments to Standards and Interpretations:		
IFRS 1	First-time Adoption of International Financial Reporting Standards-Amendment relating to cost of an investment on first time adoption	January 1, 2009
IFRS 2	Share-based Payment-Amendment relating to vesting conditions and cancellations	January 1, 2009
IAS 1	Presentation of Financial Statements-Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	January 1, 2009
IFRS 3	Business Combinations- Comprehensive revision on applying the acquisition method	July 1, 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations- Amendments resulting from May 2008 annual improvements to IFRSs	July 1, 2009
IAS 23	Borrowing Costs-Comprehensive revision to prohibit immediate expensing	January 1, 2009
IAS 27	Consolidated and Separate Financial Statements-Amendment relating to cost of an investment on first time adoption	January 1, 2009
IAS 27	Consolidated and Separate Financial Statements-Consequential amendments arising from amendments to IFRS 3	July 1, 2009

2. **ADOPTION OF NEW AND REVISED STANDARDS: (CONTINUED)**

2.2 **Standards and Interpretations adopted with no effect on the financial statements (Continued)**

Amendments to Standards and Interpretations:		**Effective for annual periods beginning on or after**
IAS 28	Investments in Associates-Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 31	Interests in Joint Ventures-Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 32	Financial Instruments: Presentation – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	January 1, 2009
Various Standards	Certain amendments resulting from May 2008 Annual Improvements to IFRS's	Various
IAS 39	Financial Instruments: Recognition and Measurement- Amendments for eligible hedged Items	July 1, 2009

2.3 **Standards and Interpretations in issue not yet effective**

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not effective:

New Interpretation:		**Effective for annual periods beginning on or after**
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010
New Standard:		
IFRS 9	Financial Instruments	January 1, 2013
Amendments to Standards and Interpretations:		
IFRS 1	First time adoption of International Financial Reporting Standards – Amendments relating to oil and gas assets and determining whether an arrangement contains a lease	January 1, 2010
IFRS 1	First time adoption of International Financial Reporting Standards- Limited exemption from comparative IFRS 7 disclosures for First time adopters	July 1, 2010
IFRS 2	Share-based Payment-Amendments relating to group cash-settled share-based payment transactions	January 1, 2010
IFRS 7	Financial instruments: Disclosures – Amendments enhancing disclosure about transfers of financial assets	July 1, 2011
IFRS 8	Operating Segments – Amendments for disclosure of segment assets	January 1, 2010
IAS 24	Related Party Disclosures -- Revised definition of related parties	January 1, 2011

2. ADOPTION OF NEW AND REVISED STANDARDS: (CONTINUED)

2.3 Standards and Interpretations in issue not yet effective (Continued)

		Effective for annual periods beginning on or after
Amendments to Standards and Interpretations: (Continued)		
IAS 32	Financial Instruments: Presentation	February 1, 2010
Various Standards	Amendments resulting from April 2009 and May 2010 Annual Improvements to IFRS's	Various
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2011

The Directors anticipate that all of the above Standards and Interpretations as applicable, will be adopted in the Fund's financial statements in future periods and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Fund in the period of initial application.

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 assets.

These financial statements are presented in US Dollars ("USD"), this being the presentation and functional currency of the Fund's business.

The significant accounting policies are as follows:

(a) **Investments in Securities**

The values of securities listed on a securities exchange are based on the last bid price on that exchange on the day of valuation. Transactions in marketable securities are accounted for on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investments within the time frame established by the market concerned.

3. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

(a) Investments in Securities (Continued)

Investments in Securities at Fair Value through Profit or Loss ("FVTPL")

Investments in listed securities are classified as securities designated at fair value through profit or loss which are initial recognised and subsequently measured at fair value. The change in fair value of these securities is recorded in the profit or loss. The net investment gain or loss recognised in the profit or loss incorporates any dividend or interest earned on the financial asset.

Available-for-Sale ("AFS") Investments

Available - for - sale investments are initially measured at cost, being the fair value of the consideration given including acquisition charges associated with investment. After initial recognition, investments which are classified as "available - for - sale" are normally remeasured at fair value, unless fair value cannot be reliably determined in which case they are measured at cost less impairment. Fair value changes are reported as a separate component of other comprehensive income until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported as "Fair value reserve" within equity, is included in the profit or loss for the period. In case of a reversal of previously recognised impairment losses for equity investments, such changes will not be recognised in the current profit or loss but will be recorded as an increase in the fair value reserve.

(b) Receivables

Receivables are non-derivative financial assets of fixed or determinable amounts that are not quoted in an active market. Receivables are recognised at fair value net of transaction costs that are directly attributable to their disposal and are carried at amortised cost using the effective interest method.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest is the rate exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

(c) Interest and Dividend Income Recognition

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

Dividend income on shares are recognised when the shareholder's right to receive such dividend is established

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 Net Asset Value ("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 amortised cost using the effective interest method with interest expenses recognised on an effective yield basis.

The effective interest method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Fund derecognises financial liabilities when, the Fund's obligations are discharged, cancelled or they expire.

(f) **Expenses**

All recurring expenses are accounted for on an accrual basis.

(g) **Foreign Currencies**

Foreign currency transactions are recognised 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 reporting date are retranslated into United States Dollars at the year end rates of exchange. Exchange differences, are reported as part of the results for the year.

(h) **Impairment of Financial Assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

(h) **Impairment of Financial Assets (Continued)**

For certain categories of financial assets that are assessed not to be impaired individually are substantially assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Fund's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

(i) **Derecognition of Financial Assets**

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset are substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collatereralised borrowing for the proceeds received.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY: (CONTINUED)

In the application of the Fund's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Fund's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Classification of investments

Management decides on the acquisition of an investment whether to classify it as held to maturity, available-for-sale or financial assets at fair value through profit or loss. For those deemed to be held to maturity, the Fund ensures that the requirement of IAS 39 are met and in particular the Fund has the positive intention and ability to hold these to maturity. The Fund classifies investments as financial assets at fair value through profit or loss if the investment is held for trading or upon initial recognition it is designated by the Fund as at fair value through profit or loss. All other investments are classified as available-for-sale.

Impairment of available-for-sale investments

Available-for-sale investments are considered impaired when there is a significant or prolonged decline in fair value of the security below its cost. Management has to make judgements to decide what is a significant and what is a prolonged decline in fair value.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of financial assets

The Fund's management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in profit or loss. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such provisions.

5. **FEES: (CONTINUED)**

5. **FEES:**

(a) **Management Fee**

Under the Investment Management agreement, the Fund has 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 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 days 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 NAV that is held under custody in these countries, subject to a minimum annual fee of USD 25,000; and
- Investments that are made in Levant and North African Countries: The Fund is charged an annual fee of 0.175% of the NAV that is held under the custody in these countries, subject to a minimum annual fee of USD 30,000.

(c) **Registrar Fee**

Under the Registrar and Transfer Agent agreement, the Registrar and Transfer Agent's fee is being paid at USD 4,000 per annum up to 50 unitholders and additional charge of USD 50 per annum for every additional unitholder. 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.

6. **CASH AT BANKS:**

Cash at banks represents balances in current accounts held at banks.

	2010 USD	2009 USD
Current accounts	14,087,174	18,880,481
Time deposits	2,646,047	-
	16,733,221	18,880,481

Time deposits carry interest between 1% and 4.75% per annum and have original maturities of less than three months.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

7. INVESTMENTS:

This caption is composed of the following:

	2010 USD	2009 USD
Investments in listed shares designated at fair value through profit or loss (Note 7.1)	20,491,946	18,350,102
Investment in listed bonds – available-for-sale (Note 7.2)	755,415	1,057,040
	21,247,361	19,407,142

7.1 Investments in Listed Shares – designated at fair value through profit or loss

	September 30, 2010		
	Cost USD	Fair Value USD	Change in Fair Value USD
Palestine	155,008	112,923	(190,258)
Egypt	965,494	1,027,275	209,954
Jordan	1,647,719	1,394,029	(253,690)
Kuwait	171,962	186,265	14,303
Bahrain	387,931	368,037	(19,894)
Qatar	4,465,620	4,463,021	(2,599)
United Arab Emirates	3,773,464	3,436,205	(337,259)
Saudi Arabia	9,453,235	9,223,834	(229,401)
Syria	234,892	280,357	45,465
	21,255,325	20,491,946	(763,379)

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7. INVESTMENTS: (CONTINUED)

7.1 Investments in Listed Shares – designated at fair value through profit or loss (Continued)

	September 30, 2009		
	Cost USD	Fair Value USD	Change in Fair Value USD
Palestine	102,024	92,800	(9,224)
Iraq	54,211	62,208	7,997
Egypt	1,103,769	1,046,210	(57,559)
Jordan	1,489,644	1,078,307	(411,337)
Kuwait	3,550,271	1,531,638	(2,018,633)
Bahrain	450,928	387,931	(62,997)
Qatar	2,892,641	2,553,825	(338,816)
United Arab Emirates	961,150	870,843	(90,307)
Saudi Arabia	11,002,443	10,502,054	(500,389)
Syria	238,704	224,286	(14,418)
	21,845,785	18,350,102	(3,495,683)

7.2 Investments in Listed Bonds – available-for-sale

			September 30, 2010		
	Maturity	Coupon rate %	Cost USD	Fair Value USD	Fair Value Reserve USD
Bank Muscat non - guaranteed bonds	June 30, 2014	6.25	594,713	595,869	1,156
AHB non _ guaranteed bonds	May 15, 2011	5.55	159,546	159,546	-
			754,259	755,415	1,156

7. INVESTMENTS: (CONTINUED)

7.2 Investments in Listed Bonds – available-for-sale (Continued)

		September 30, 2009			
	Maturity	Coupon rate %	Cost USD	Fair Value USD	Fair Value Reserve USD
Bank Muscat non - guaranteed bonds	June 30, 2014	6.25	579,750	594,667	14,917
AHB non - guaranteed bonds	May 15, 2011	5.55	156,490	159,534	3,044
ZARA Investment Holding bonds	December 12, 2009	6.25	84,626	85,773	1,147
JMRC	April 5, 2010	7.01	211,566	217,066	5,500
			1,032,432	1,057,040	24,608

(a) Investments in listed shares are classified as investments at fair value through profit or loss and investments in listed bonds are classified as available-for-sale. 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 realisable value because of market illiquidity.

8. OTHER ASSETS:

The caption is composed of the following:

	2010 USD	2009 USD
Receivables from sale of investments	-	53,498
Accrued interest receivable on bonds	29,722	26,160
Accrued dividend income	-	296,366
Others	135	-
	29,857	376,024

9. RELATED PARTY TRANSACTIONS:

Transactions with entities in which the Investment Manager and its parent company, Arab Bank Plc have substantial or controlling interest are classified as transactions with related parties since Arab Bank plc, Jordan is the principal shareholder of the Fund Company, correspondingly all branches of Arab Bank Plc are also considered as related parties. These transactions are approved by the Board of Directors.

9. RELATED PARTY TRANSACTIONS: (CONTINUED)

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

Related Party	Nature of Transaction	Amount incurred September 30, 2010 USD	2009 USD	Payable as at September 30, 2010 USD	2009 USD
Al Arabi Investment Group	Management fees	570,854	517,690	141,022	141,214

- The following related parties owned units in the Fund:

Related Party	Nature of Relationship	Number of Units Held as at September 30, 2010	2009
- Arab Bank (Switzerland)	Subsidiary of Arab Bank Plc, Jordan	1,088,058	1,132,500
- Arab Bank Plc, Wholesale Bank, Bahrain	Branch of Arab Bank Plc, Jordan	500,000	500,000
- Oman Arab Bank S.A.O.C.	Affiliate Company of Arab Bank Plc, Jordan	50,000	50,000

- The Fund has the following bank balances and has invested in equity shares of the following:

Related Party	Nature of Transaction	Nature of Relationship	September 30, 2010 USD	2009 USD
Arab Bank Plc – Wholesale Bank, Bahrain	Current account	Branch of Arab Bank Plc, Jordan	2,735	50,670
Arab Bank Plc – Retail Bank, Bahrain	Current accounts	Branch of Arab Bank Plc, Jordan	17,317	159,587
Arab Bank Plc, Jordan	Equity shares (2010: 55,200 shares) (2009: 55,200 shares)	Ultimate Parent Company of the Fund Company	818,760	1,078,307
Arab Bank Plc, Jordan	Current account	Ultimate Parent Company of the Fund Company	462,615	686,025
Arab Bank Plc, Palestine	Current account	Branch of Arab Bank Plc, Jordan	24,546	24,567

9. RELATED PARTY TRANSACTIONS: (CONTINUED)

			September 30,	
		Nature of	2010	2009
Related Party	Nature of Transaction	Relationship	USD	USD
Oman Arab Bank S.A.O.C.	Current accounts	Affiliate Company of Arab Bank Plc, Jordan	5,131,353	4,742,476
Arab Bank Syria	Current account	Affiliate Company of Arab Bank Plc, Jordan	1,219	22,811
Arab Bank Syria	Time deposit	Affiliate Company of Arab Bank Plc, Jordan	41,434	-

The time deposit with Arab Bank Syria has an original maturity of 32 days and carries interest at 4.75% per annum (2009: there were no such term deposits.)

10. ACCRUED EXPENSES AND OTHER PAYABLES :

The caption is composed of the following:

	2010 USD	2009 USD
Management fees (Note 9)	141,022	141.214
Custody and administration fees	12,761	12,904
Registrar fees	3,923	4,192
Professional fees	16,313	14,854
Sub-custody fees	226	391
Other liabilities	7,200	3,401
	181,445	176,956

11. CAPITAL:

The caption is composed of the following:

	2010		2009	
	No. of units	USD	No. of units	USD
Opening balance	5,213,595	56,119,464	5,312,659	56,914,271
Subscriptions during the year	43,944	325,000	239,944	1,508,628
Redemptions during the year	(211,057)	(1,571,848)	(339,008)	(2,303,435)
Ending balance	5,046,482	54,872,616	5,213,595	56,119,464

12. INVESTMENT INCOME:

The caption is composed of the following:

	2010 USD	2009 USD
Interest income – available-for-sale investments	52,999	54,103
Interest income - banks' accounts	68,620	11,635
Dividend income	786,268	1,322,097
Other operating income	-	2,210
	907,887	1,390,045

13. FINANCIAL INSTRUMENTS:

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Fund include cash at banks, investments and other assets.

Financial liabilities of the Fund include accrued expenses and other payables.

Significant accounting policies

Significant accounting policies and methods adopted, including the criteria for recognition, basis of measurement, and the basis on which income and expenses are recognised in respect of each class of financial assets and liabilities are set out in Note 3.

Categories of financial instruments

	2010 USD	2009 USD
Financial assets		
Securities designated at fair value through profit or loss	20,491,946	18,350,102
Available-for-sale investments	755,415	1,057,040
Receivables (including cash at banks)	16,763,078	19,256,505
Financial liabilities		
Amortised cost	181,445	176,956

The risk associated with financial instruments and the Fund's approaches to managing such risks are:

13. FINANCIAL INSTRUMENTS: (CONTINUED)

Financial risk management objectives

The Investment Manager provides services to the Fund, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Fund through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include credit risk, liquidity risk, market risk comprising interest rate risk, foreign currency risk and equity price risk.

13.1 CREDIT RISK AND CONCENTRATION OF 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 various types of counterparties and products consisting mainly of equity securities. However, where concentration is inevitable, the Fund takes precautions to reduce this additional risk to acceptable levels.

The credit risk on liquid funds is limited because the counterparties are banks and financial institutions with good credit –ratings assigned by international rating agencies.

Exposure to credit risk

The management of the Fund believes that the carrying amount of financial assets recorded in the financial statements represents the Fund's maximum exposure to credit risk. Recorded financial assets have not been provided as collateral for any facilities.

13.2 LIQUIDITY RISK

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities, it arises because of the possibility (which may often be remote) that the entity could be required to pay its liabilities earlier than expected or reimburse the unitholders as a result of market illiquidity. Liquidity risk may also result from an inability to sell a financial asset quickly at close to its fair value.

The Fund manages liquidity risk by maintaining sufficient bank balances or by obtaining credit facilities from the banks.

The liquidity profile of financial liabilities reflects the projected cash flows over the life of these financial liabilities.

The financial liabilities and assets at September 30, 2010 and 2009 have a maturity of three months or less.

13. FINANCIAL INSTRUMENTS: (CONTINUED)

13.3 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.

Market risk consists of interest rate risk, currency risk and equity price risk.

13.3.1 Interest Rate Risk:

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

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 bonds and a time deposit.

The Investment Manager reviews the market analysis and expectations for interest rate movements as the basis on which Investment Manager monitors and manages the interest rate risk aspect and its impact on the Fund performance.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the bonds and a time deposit. An increase or decrease of 25 basis point is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Fund's net assets and profit for the year would increase/decrease by USD 1,992 (2009: increase/decrease by USD 2,643)

The Fund's sensitivity to interest rates has decreased during this year mainly due to the reduction in interest bearing instruments.

13.3.2 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.

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13. FINANCIAL INSTRUMENTS: (CONTINUED)

13.3 MARKET RISK : (CONTINUED)

13.3.2 Currency Risk: (Continued)

The Fund's financial assets and liabilities are denominated in GCC currencies, Jordanian Dinars ("JOD"), Egyptian Pounds ("EGP"), Syrian Pounds ("SYP") Moroccan Dirhams ("MAD"), Libyan Dinars ("LYD), Iraqi Dinars ("IQD") and United States Dollars. As the GCC currencies (except for the Kuwaiti Dinar) and the Jordanian Dinar are effectively pegged to the United States Dollar, balances in these currencies are not considered to represent a significant currency risk. The balances in the other currencies are exposed to currency risk.

Exchange rate exposures to these currencies are managed through continuously monitoring exchange rate fluctuations.

The carrying amounts of the Fund's foreign currency denominated monetary assets and monetary liabilities at the reporting dates are as follows:

	Assets		Liabilities	
	2010 USD	2009 USD	2010 USD	2009 USD
AED	6,043,710	4,407,403	-	-
SAR	10,106,177	10,531,179	-	-
OMR	5,024,589	5,522,194	-	-
KWD	1,366,623	4,427,949	81	248
BHD	385,291	397,207	-	-
QAR	7,035,700	4,007,574	-	-
GCC Currencies	29,962,090	29,293,506	81	248
EGP	5,541,225	6,486,755	-	-
SYP	323,010	247,097	-	-
MAD	3,802	4,025	-	-
JOD	1,857,727	2,076,125	145	143
LYD	30,610	31,354	-	-
IQD	-	62,208	-	-
Other currencies	7,756,374	8,907,564	145	143
	37,718,464	38,201,070	226	391

13. FINANCIAL INSTRUMENTS: (CONTINUED)

13.3 MARKET RISK: (CONTINUED)

13.3.2 Currency Risk: (Continued)

Foreign currency sensitivity analysis

The sensitivity analysis includes only outstanding foreign currency denominated monetary items other than the items in GCC currencies (except the Kuwaiti Dinar) and the Jordanian Dinar and adjusts their translation at the period end for a 5% change in foreign currency rates with all other variables held constant. 5% represents management's assessment of the reasonably possible change in foreign currency rates. A positive number below indicates an increase in income where USD weakens 5% against the relevant currency, a negative number represents a decrease in income. For a 5% strengthening of USD against the relevant currency, there would be an equal and opposite impact on the income.

Currency	2010 Effect on Profit or Loss USD	2009 Effect on Profit or Loss USD
EGP	277,061	324,338
KWD	68,327	221,385
SYP	16,151	12,355
IQD	-	3,110
LYD	1,531	1,568
MAD	190	201

13.3.3 Equity Price Risk:

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Fund manages the risk through diversification of investments in terms of geographical distribution, to the extent permissible in the Prospectus, and industry concentration. As at the year ends, all the Fund's equity investments were in equities listed on the Securities Markets of United Arab Emirates, Egypt, Saudi Arabia, Bahrain, Palestine, Iraq, Jordan, Qatar, Syria and Kuwait.

13. FINANCIAL INSTRUMENTS: (CONTINUED)

13.3 MARKET RISK: (CONTINUED)

13.3.3 Equity Price Risk: (Continued)

The effect on the results for the year (as a result of a change in the fair value of equity instruments held as investments at fair value through profit or loss at the year ends presented) due to a reasonably possible change in market indices, with all other variables held constant, is as follows:

Market	Change in equity price %	2010 Effect on Proft or Loss USD	2009 Effect on Proft or Loss USD
Palestine	+ 5	+ 5,646	+ 4,640
Iraq	+ 5	-	+ 3,110
Egypt	+ 5	+ 51,364	+ 52,311
Jordan	+ 5	+ 69,701	+ 53,915
Kuwait	+ 5	+ 9,313	+ 76,582
Bahrain	+ 5	+ 18,402	+ 19,397
Qatar	+ 5	+ 223,151	+ 127,691
United Arab Emirates	+ 5	+ 171,810	+ 43,542
Saudi Arabia	+ 5	+ 461,192	+ 525,103
Syria	+ 5	+ 14,018	+ 11,214

The effect on other comprehensive income due to a 5% change in market indices for the listed bonds classified as available-for-sale would be USD 37,771 (2009: USD 52,852).

There would be an equal and opposite impact on the results for the year and equity (as appropriate), had there been a decrease in equity prices by 5%.

13.4 CAPITAL RISK MANAGEMENT

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide return for Unitholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Fund consists of Unitholders' capital. The Fund does not have borrowings.

14. 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 amounts included in the financial statements.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS: (CONTINUED)

14.1 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 categorised as FVTPL and available-for-sale are grouped within Level 1. Further, there were no transfers between Level 1, Level 2 and Level 3 during the year.

There are no financial liabilities at FVTPL at the reporting date.

15. NET ASSET VALUE PER UNIT:

	Net Asset Value USD	Number of Units in issue	Net Asset Value Per Unit USD
As at September 30, 2010	37,828,994	5,046,482	7.4961
As at September 30, 2009	38,486,691	5,213,595	7.3820

ANNEXURE
ADDITIONAL DISCLOSURES

Additional Disclosures

The additional disclosures as required by "Appendix E – Contents of Financial Reports" to the Rulebook on Collective Investment Undertakings (CIU) – Volume 6 on Capital Markets are as follows:

I Investment Portfolio as at September 30, 2010

Top five holdings

Description	Number of shares	Cost USD	Fair Value USD	Fair Value as % of total NAV
Qatar				
Industries Qatar	97,000	2,993,079	2,901,886	7.67%
Saudi Arabia				
Al Rajhi Bank	55,000	1,096,260	1,154,923	3.05%
Etihad Etisalat	150,000	1,731,074	2,129,858	5.63%
Savola Group	160,000	1,212,547	1,459,103	3.86%
Saudi Telecom	200,000	2,565,797	2,063,862	5.46%
Total		6,605,678	6,807,746	18.00%
		9,598,757	9,709,632	25.67%

Note: The CBB in its letter dated January 19, 2011 has granted the Fund an exemption from disclosing the entire Investment Portfolio, and to disclose the top 5 investments instead.

II Performance table

	September 30, 2006 USD	September 30, 2007 USD	September 30, 2008 USD	September 30, 2009 USD	September 30, 2010 USD
Net Asset Value	51,238,837	46,113,265	52,465,817	38,486,691	37,828,994
NAV Per Unit	9.6482	10.6125	9.8756	7.3820	7.4961
Highest Subscription Price	10.3678	10.3635	12.4425	9.8756	7.4036
Lowest Redemption Price	9.0445	9.3277	10.6125	5.3685	7.1978