

**ARAB BANK MENA FUND**  
**MANAMA**  
**KINGDOM OF BAHRAIN**

**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2011**

**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 of Arab Bank MENA Fund ("the Fund") for the year ended September 30, 2011.

**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.

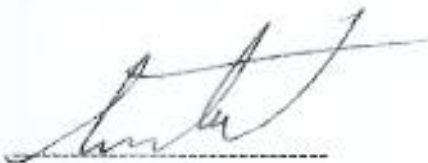
**CHANGES IN DIRECTORS**

None.

**AUDITOR**

A resolution proposing the reappointment of Deloitte & Touche as the auditor of the Fund for the year ending September 30, 2012 and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

On behalf of the Board



Mr. Adel Kasaji  
Director  
February 28, 2012

BH 99-8- 12

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

Deloitte & Touche - Middle East  
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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 the statement of financial position as of September 30, 2011, 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 information.

#### *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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *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 about 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 at September 30, 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the Fund has maintained proper accounting records and the financial statements, have been 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, 2011 that might have had a material effect on the business of the Fund or on its financial position.

Manama, Kingdom of Bahrain  
February 28, 2012

*Deloitte & Touche*  
Deloitte & Touche


**ARAB BANK MENA FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2011**

	<u>Notes</u>	<u>2011</u> <u>USD</u>	<u>2010</u> <u>USD</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash at banks	6 & 9	11,891,449	16,733,221
Investment securities	7 & 9	21,656,390	21,247,361
Other assets	8	17,949	29,857
<b>Total assets</b>		33,565,788	38,010,439
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accrued expenses and other payables	10	176,119	181,445
<b>Total liabilities</b>		176,119	181,445
<b>Net assets attributable to holders of redeemable units</b>		33,389,669	37,828,994
<b>ANALYSIS OF NET ASSETS</b>			
Capital	11	52,289,335	54,872,616
Net cumulative realised loss		(16,217,619)	(16,281,399)
Cumulative changes in fair value of investments securities at fair value through profit or loss	7.1	(2,685,716)	(763,379)
Fair value reserve for available-for-sale investments	7.2	3,669	1,156
<b>Net assets</b>		33,389,669	37,828,994
<b>Net asset value per unit</b>	15	7.1058	7.4961

The financial statements were approved and authorised for issue by the Directors on February 28, 2012 and signed on their behalf by:

  
 \_\_\_\_\_  
 Mr. Adel Kasaji  
 Director

  
 \_\_\_\_\_  
 Mr. Qutaiba M. Hawamdeh  
 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, 2011**

	Notes	2011 USD	2010 USD
<b>Revenue</b>			
Dividend income	12	938,167	786,268
Interest income – available - for - sale investments	12	100,947	52,999
Interest income – bank accounts	12	68,003	68,620
Net realised loss on investment securities at fair value through profit or loss		(210,854)	(2,024,285)
Net unrealised (loss) / gain on investment securities at fair value through profit or loss		(1,922,337)	2,732,304
Net foreign exchange loss		(115,691)	(182,633)
<b>Total operating (loss) / income</b>		<b>(1,141,765)</b>	<b>1,433,273</b>
<b>Expenses</b>			
Management fees	5 & 9	(537,384)	(570,854)
Custody and administration fees	5	(50,679)	(59,688)
Registrar fees	5	(14,935)	(16,063)
Professional fees		(20,411)	(21,207)
Broker commission		(60,867)	(127,367)
Bank charges		(3,239)	(2,969)
Other expenses		(29,277)	(22,522)
<b>Total operating expenses</b>		<b>(716,792)</b>	<b>(820,670)</b>
<b>(Loss) / profit for the year</b>		<b>(1,858,557)</b>	<b>612,603</b>
<b>Other comprehensive income</b>			
Net gain / (loss) arising on revaluation of available – for – sale investments		2,513	(23,452)
<b>Total comprehensive (loss) / income for the year</b>		<b>(1,856,044)</b>	<b>589,151</b>
<b>(Decrease) / increase in net assets attributable o holders of redeemable units</b>		<b>(1,856,044)</b>	<b>589,151</b>

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, 2011**

	<u>2011</u> <u>USD</u>	<u>2010</u> <u>USD</u>
<b>Net assets attributable to holders of redeemable units at the beginning of the year</b>	37,828,994	38,486,691
Subscription of redeemable units	319,940	325,000
Redemption of redeemable units	(2,903,221)	(1,571,848)
(Decrease) / increase in net assets attributable to holders of redeemable units	(1,856,044)	589,151
<b>Net assets attributable to holders of redeemable units at the end of the year</b>	<u>33,389,669</u>	<u>37,828,994</u>

**ARAB BANK MENA FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>2011</u> <u>USD</u>	<u>2010</u> <u>USD</u>
<b>Cash flows from operating activities</b>		
(Loss) / profit for the year	(1,858,557)	612,603
Adjustments for:		
Dividend income	(938,167)	(786,268)
Interest income	(168,950)	(121,619)
Net loss / (gain) on investment securities at fair value through profit or loss	2,133,191	(708,019)
	<u>(832,483)</u>	<u>(1,003,303)</u>
Changes in operating assets and liabilities:		
Decrease / (increase) in other assets	11,908	(135)
(Decrease) / increase in accrued expenses and other payables	(5,326)	4,489
	<u>(825,901)</u>	<u>(998,949)</u>
Cash used in operations	(825,901)	(998,949)
Payments for purchase of investment securities	(11,903,708)	(24,788,385)
Proceeds from disposal of investment securities	9,352,228	23,686,231
Dividend received	936,217	1,082,634
Interest received	182,673	118,057
	<u>(2,258,491)</u>	<u>(900,412)</u>
<b>Net cash used in operating activities</b>	<b>(2,258,491)</b>	<b>(900,412)</b>
<b>Cash flows from financing activities</b>		
Proceeds from subscription of redeemable units	319,940	325,000
Payments on redemption of redeemable units	(2,903,221)	(1,571,848)
	<u>(2,583,281)</u>	<u>(1,246,848)</u>
<b>Net cash used in financing activities</b>	<b>(2,583,281)</b>	<b>(1,246,848)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,841,772)</b>	<b>(2,147,260)</b>
Cash and cash equivalents at the beginning of the year	16,733,221	18,880,481
	<u>11,891,449</u>	<u>16,733,221</u>
<b>Cash and cash equivalent at the end of the year</b>	<b>11,891,449</b>	<b>16,733,221</b>
Comprising:		
Cash at banks (Note 6)	<u>11,891,449</u>	<u>16,733,221</u>

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

**ARAB BANK MENA FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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**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 Volume 6 of the CBB Rulebook. The Fund Company has been registered at the Ministry of Industry & Commerce and is authorised and approved by the CBB. The Fund was launched on May 23, 2005.

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**

None of the revised Standards that have been adopted in the current year, which were effective for annual periods beginning on or after October 1, 2010, have affected the disclosures and presentations in the financial statements. Details of those Standards adopted in these financial statements but that have had no effect on the amounts reported are set out in Note 2.2.



**ARAB BANK MENA FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

**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.

	<b>Effective for annual periods beginning on or after</b>
<i>New Interpretation:</i>	
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010
<i>Amendments to Standards and interpretations:</i>	
IFRS 1 First-time Adoption of International Financial Reporting Standards- Limited exemption from comparative IFRS 7 disclosures for First-time adopters	July 1, 2010
IAS 24 Related Party Disclosures	January 1, 2011
IAS 32 Financial Instruments: Presentation – Classification of Right Issues	February 1, 2010
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2011
Various Standards Amendments resulting from April 2009 Annual Improvements to IFRS's	Various

**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:

	<b>Effective for annual periods beginning on or after</b>
<i>New Standards:</i>	
IFRS 9 Financial Instruments	January 1, 2015
IFRS 10 Consolidated Financial Statements	January 1, 2013
IFRS 11 Joint Arrangements	January 1, 2013
IFRS 12 Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13 Fair Value Measurement	January 1, 2013



**ARAB BANK MENA FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

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

		<b>Effective for annual periods beginning on or after</b>
<i>New Interpretation:</i>		
IFRIC 20	Stripping costs in the production phase of a surface mine	January 1, 2013
<i>Amendments to Standards and Interpretations:</i>		
IFRS 1	Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets	July 1, 2011
IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 1, 2013
IFRS 7	Financial Instruments: Disclosures – Amendments requiring disclosures about the initial application of IFRS 9	January 1, 2015
IAS 1	Presentation of Financial Statements – Amendments to revise the way of other comprehensive income is presented	July 1, 2012
IAS 19	Employee Benefits (2011)-Amendments relating to the elimination of the corridor approach	January 1, 2013
IAS 27	Separate Financial Statements (2011)	January 1, 2013
IAS 28	Investments in Associates and Joint Ventures (2011)	January 1, 2013
IAS 32	Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and liabilities	January 1, 2014
Various Standards	Amendments resulting from May 2010 Annual Improvements to IFRS's	Various

The Directors anticipate that IFRS 9, that will be adopted in the Fund's financial statements for the annual period beginning October 1, 2015, and that the application of the new standard may have a significant impact on amounts reported in respect of the Fund's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Except for the effect as a result of adopting IFRS 9, 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.

**ARAB BANK MENA FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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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 measurement of certain financial assets at fair value.

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) **Investment in Securities**

The values of securities listed on a securities exchange are based on the official closing 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.

***Investments in Securities at Fair Value through Profit or Loss (“FVTPL”)***

Investments in listed securities are classified as securities at fair value through profit or loss which are initially 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 measured 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.



**ARAB BANK MENA FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

(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 less any impairment.

*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, to the net carrying amount on initial recognition.

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 is 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.

(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.

**ARAB BANK MENA FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

(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.

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.



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

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

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 and 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 collateralised borrowing for the proceeds received.

4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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.

**ARAB BANK MENA FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

**Critical judgements in applying the Fund's accounting policies (Continued)**

*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 equity investments*

Available-for-sale equity 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 receivables*

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.



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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.

	<u>2011</u> <u>USD</u>	<u>2010</u> <u>USD</u>
Current accounts	8,877,217	14,087,174
Time deposits	3,014,232	2,646,047
	<u>11,891,449</u>	<u>16,733,221</u>

Time deposits carry interest rates between 1% and 4% per annum (2010: 1% and 4.75% per annum) and have original maturities of less than three months.

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**7. INVESTMENT SECURITIES:**

This caption is composed of the following:

	<u>2011</u> <u>USD</u>	<u>2010</u> <u>USD</u>
Investments in listed shares at fair value through profit or loss (Note 7.1)	20,806,246	20,491,946
Investments in listed bonds – available-for-sale (Note 7.2)	850,144	755,415
	<u>21,656,390</u>	<u>21,247,361</u>

7.1 Investments in listed shares at fair value through profit or loss

	<u>September 30, 2011</u>		
	<u>Cost</u> <u>USD</u>	<u>Fair Value</u> <u>USD</u>	<u>Change in Fair</u> <u>Value</u> <u>USD</u>
Palestine and Iraq	126,638	175,648	49,010
Egypt	1,765,351	1,032,242	(733,109)
Jordan	1,939,963	1,676,095	(263,868)
Kuwait	131,106	132,628	1,522
Bahrain	368,037	265,252	(102,785)
Qatar	4,312,209	4,513,454	201,245
United Arab Emirates	3,280,748	2,564,847	(715,901)
Saudi Arabia	11,193,490	10,158,133	(1,035,357)
Syria	280,357	198,653	(81,704)
Oman	94,063	89,294	(4,769)
	<u>23,491,962</u>	<u>20,806,246</u>	<u>(2,685,716)</u>



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7. **INVESTMENT SECURITIES: (CONTINUED)**

7.1 Investments in listed shares at fair value through profit or loss (Continued)

	<u>September 30, 2010</u>		
	<u>Cost</u> <u>USD</u>	<u>Fair Value</u> <u>USD</u>	<u>Change in Fair</u> <u>Value</u> <u>USD</u>
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
	<u>21,255,325</u>	<u>20,491,946</u>	<u>(763,379)</u>

7.2 Investments in listed bonds – available-for-sale

	<u>Maturity</u>	<u>Coupon</u> <u>rate</u> <u>%</u>	<u>September 30, 2011</u>		
			<u>Cost</u> <u>USD</u>	<u>Fair</u> <u>Value</u> <u>USD</u>	<u>Fair Value</u> <u>Reserve</u> <u>USD</u>
Bank Muscat non - guaranteed bonds	June 30, 2014	6.25	594,713	589,458	(5,255)
Lebanese Republic - non - guaranteed bonds	December 17, 2017	7.90	251,762	260,686	8,924
			<u>846,475</u>	<u>850,144</u>	<u>3,669</u>

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**7. INVESTMENT SECURITIES: (CONTINUED)**

7.2 Investments in listed bonds – available-for-sale (Continued)

		<u>September 30, 2010</u>			
	<u>Maturity</u>	<u>Coupon rate %</u>	<u>Cost USD</u>	<u>Fair Value USD</u>	<u>Fair Value Reserve USD</u>
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	-
			<u>754,259</u>	<u>755,415</u>	<u>1,156</u>

- (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 quoted market prices of the relevant stock exchanges. Certain markets and securities may be illiquid and published market prices may not necessarily represent realisable value. The Investment Manager manages market illiquidity by diversifying holdings across many markets and sectors and by maintaining healthy cash balances.

**8. OTHER ASSETS:**

The caption is composed of the following:

	<u>2011 USD</u>	<u>2010 USD</u>
Accrued interest receivable on bonds	15,999	29,722
Accrued dividend income	1,950	-
Others	-	135
	<u>17,949</u>	<u>29,857</u>

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**9. RELATED PARTY TRANSACTIONS:**

Transactions with entities in which the Investment Manager and its ultimate 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.

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

Related Party	Nature of Transaction	Amount (incurred) / earned September 30,		(Payable) / receivable as at September 30,	
		2011	2010	2011	2010
		USD	USD	USD	USD
Al Arabi Investment Group	Management fees	(537,384)	(570,854)	(129,333)	(141,022)
Arab Bank Plc, Jordan	Dividend income	16,000	15,598	-	-

- The following related parties owned units in the Fund:

Related Party	Nature of Relationship	Number of units held as at September 30,	
		2011	2010
- Arab Bank (Switzerland)	Subsidiary of Arab Bank Plc, Jordan	968,160	1,088,058
- 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,	
			2011 USD	2010 USD
Arab Bank Plc – Wholesale Bank, Bahrain	Current account	Branch of Arab Bank Plc, Jordan	1,418,244	2,735
Arab Bank Plc – Retail Bank, Bahrain	Current accounts	Branch of Arab Bank Plc, Jordan	20,434	17,317
Arab Bank Plc, Jordan	Equity shares (2011: 55,200 shares) (2010: 55,200 shares)	Ultimate Parent Company of the Fund Company	623,249	818,760
Arab Bank Plc, Jordan	Current account	Ultimate Parent Company of the Fund Company	9,591	462,615
Arab Bank Plc, Palestine	Current account	Branch of Arab	24,544	24,546



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

<u>Related Party</u>	<u>Nature of Transaction</u>	<u>Nature of Relationship</u>	<u>September 30,</u>	
			<u>2011</u>	<u>2010</u>
			<u>USD</u>	<u>USD</u>
Oman Arab Bank S.A.O.C.	Current accounts	Affiliate Company of Arab Bank Plc, Jordan	2,485,215	5,131,353
Arab Bank Syria	Current account	Affiliate Company of Arab Bank Plc, Jordan	25,248	1,219
	Time deposit		43,431	41,434

10. **ACCRUED EXPENSES AND OTHER PAYABLES :**

	<u>2011</u>	<u>2010</u>
	<u>USD</u>	<u>USD</u>
Management fees (Note 9)	129,333	141,022
Custody and administration fees	18,754	12,761
Registrar fees	3,658	3,923
Professional fees	16,446	16,313
Other liabilities	7,928	7,426
	<u>176,119</u>	<u>181,445</u>

11. **CAPITAL:**

The capital of the Fund consists of redeemable units with a par value of USD 10 per unit, which do not carry voting rights. They are entitled to dividends and to a proportionate share of the Fund's net assets attributable to holders of redeemable units.

All issued redeemable units are fully paid. The Fund's capital is represented by these redeemable units. Quantitative information about the Fund's capital is provided in the statement of changes in net assets attributable to holders of redeemable units.

Each unit issued confers upon the unitholders an equal interest in the Fund, and is of equal value. A unit does not confer any interests in any particular asset or investment of the Fund.

Changes in the number of redeemable units outstanding can be reconciled as follows:

	<u>2011 and 2010</u>	
	<u>No. of units</u>	<u>No. of units</u>
Opening balance	5,046,482	5,213,595
Subscriptions during the year	42,339	43,944
Redemptions during the year	(389,876)	(211,057)
Ending balance	<u>4,698,945</u>	<u>5,046,482</u>

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12. **INVESTMENT INCOME:**

The caption is composed of the following:

	<u>2011</u> <u>USD</u>	<u>2010</u> <u>USD</u>
Dividend income	938,167	786,268
Interest income - available-for-sale investments	100,947	52,999
Interest income - bank accounts	68,003	68,620
	<u>1,107,117</u>	<u>907,887</u>

13. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:**

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**

	<u>2011</u> <u>USD</u>	<u>2010</u> <u>USD</u>
<b>Financial assets</b>		
Investment securities at fair value through profit or loss	20,806,246	20,491,946
Available-for-sale investments	850,144	755,415
Receivables at amortised cost (including cash at banks)	11,909,398	16,763,078
<b>Financial liabilities</b>		
Amortised cost	176,119	181,445



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**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (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 counterparties 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 at September 30, 2011 and 2010 have a maturity of three months or less.



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13. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (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 increase/decrease and loss for the year would decrease/increase by USD 9,606 (2010: net assets and profit for the year would increase/decrease by USD 8,685)

The Fund's sensitivity to interest rates has increased slightly during this year mainly due to the slight increase in interest bearing instruments.

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**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)**

**13.3 MARKET RISK (CONTINUED)**

**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.

The Fund's financial assets and liabilities are denominated in GCC currencies, Jordanian Dinars ("JOD"), Egyptian Pounds ("EGP"), Syrian Pounds ("SYP") Moroccan Dirham ("MAD"), Libyan Dinar ("LYD), Lebanese Pound ("LBP") 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:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>2011</u> <u>USD</u>	<u>2010</u> <u>USD</u>	<u>2011</u> <u>USD</u>	<u>2010</u> <u>USD</u>
AED	5,579,161	6,043,710	-	-
SAR	10,898,291	10,106,177	250	-
OMR	2,436,021	5,024,589	-	-
KWD	1,324,305	1,366,623	6,328	81
BHD	285,603	385,291	-	-
QAR	7,710,409	7,035,700	-	-
	-----	-----	-----	-----
GCC Currencies	28,233,790	29,962,090	6,578	81
	-----	-----	-----	-----
EGP	1,302,998	5,541,225	-	-
SYP	267,332	323,010	1	-
MAD	3,757	3,802	-	-
JOD	1,685,696	1,857,727	175	145
LYD	30,963	30,610	-	-
LBP	266,407	-	286	-
	-----	-----	-----	-----
Other currencies	3,557,153	7,756,374	462	145
	-----	-----	-----	-----
	<u>31,790,943</u>	<u>37,718,464</u>	<u>7,040</u>	<u>226</u>



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**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (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.

<u>Currency</u>	<u>2011</u> <u>Effect on Profit or</u> <u>Loss</u> <u>USD</u>	<u>2010</u> <u>Effect on Profit or</u> <u>Loss</u> <u>USD</u>
KWD	65,899	68,327
EGP	65,150	277,061
SYP	13,367	16,151
MAD	188	190
LYD	1,549	1,531
LBP	13,306	-

**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, Oman, Jordan, Qatar, Syria and Kuwait.



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**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (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:

<u>Market</u>	<u>Change in equity price %</u>	<u>2011 Effect on Profit or Loss USD</u>	<u>2010 Effect on Profit or Loss USD</u>
Palestine and Iraq	+ 5	+ 8,782	+ 5,646
Egypt	+ 5	+ 51,612	+ 51,364
Jordan	+ 5	+ 83,805	+ 69,701
Kuwait	+ 5	+ 6,632	+ 9,313
Bahrain	+ 5	+ 13,263	+ 18,402
Qatar	+ 5	+ 225,673	+ 223,151
United Arab Emirates	+ 5	+ 128,243	+ 171,810
Saudi Arabia	+ 5	+ 507,907	+ 461,192
Syria	+ 5	+ 9,933	+ 14,018
Oman	+ 5	+ 4,465	-

The effect on other comprehensive income due to a 5% change in market prices for the listed bonds classified as available-for-sale would be USD 42,508 (2010: USD 37,771).

There would be an equal and opposite impact on the results for the year and other comprehensive (as appropriate), had there been a decrease in market 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 carried at amortised cost are not significantly different from the carrying amounts included in the financial statements.

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**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:**

	<u>Net Asset Value</u> <u>USD</u>	<u>Number of Units</u> <u>in issue</u>	<u>Net Asset Value</u> <u>Per Unit</u> <u>USD</u>
As at September 30, 2011	33,389,669	4,698,945	7.1058
As at September 30, 2010	37,828,994	5,046,482	7.4961

**ANNEXURE**  
**ADDITIONAL DISCLOSURES**



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**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, 2011**

Top ten holdings

<u>Description</u>	<u>Number of shares</u>	<u>Cost USD</u>	<u>Fair Value USD</u>	<u>Fair Value as % of total NAV</u>
<b>Qatar</b>				
Industries Qatar - IQCD	82,500	2,518,015	2,807,016	8.41%
CBQ - COMB.QA	52,500	1,166,849	1,141,837	3.42%
		-----	-----	-----
		3,684,864	3,948,853	11.83%
		-----	-----	-----
<b>Saudi Arabia</b>				
Etihad Etisalat - 7020	150,000	2,091,486	2,119,859	6.35%
Saudi Telecom - 7010	210,000	2,154,524	1,903,873	5.70%
Savola Grp - 2050	160,000	1,452,076	1,109,259	3.32%
Al Rajhi Bank - 1120	60,000	1,197,650	1,107,926	3.32%
Financial Institutional	260,703	943,119	796,885	2.39%
		-----	-----	-----
		7,838,855	7,037,802	21.08%
		-----	-----	-----
<b>Emirate</b>				
Drake & Scull Int.	3,028,220	757,482	661,212	1.98%
Air Arabia	7,000,000	1,502,931	1,198,748	3.59%
		-----	-----	-----
		2,260,413	1,859,960	5.57%
		-----	-----	-----
<b>Jordan</b>				
Jordan Phosphate Mines	50,000	917,474	903,253	2.71%
		-----	-----	-----
		917,474	903,253	2.71%
		-----	-----	-----
<b>Total</b>		<b>14,701,606</b>	<b>13,749,868</b>	<b>41.19%</b>
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Note: The CBB in its letter dated December 15, 2011 has granted the Fund an exemption from disclosing the entire Investment Portfolio, and to disclose the top 10 investments instead.

**ARAB BANK MENA FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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**II Performance table**

	September 30, 2007 USD	September 30, 2008 USD	September 30, 2009 USD	September 30, 2010 USD	September 30, 2011 USD
Net Asset Value	46,113,265	52,465,817	38,486,691	37,828,994	33,389,669
NAV Per Unit	10.6125	9.8756	7.3820	7.4961	7.1058
Highest Subscription Price	10.3635	12.4425	9.8756	7.4036	7.5676
Lowest Redemption Price	9.3277	10.6125	5.3685	7.1978	7.1947