

**ARAB BANK MENA FUND**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**ARAB BANK MENA FUND**

Directors

Mr. Guy Khoury  
Mr. Feras Jasser Jameel Ziyad  
Mr. Ammar Zuhair Husni Saifi  
Mr. Mohammed Al Ghanamah

Registered Office

P. O. Box 2400  
Manama, Kingdom of Bahrain

Fund Company

Arab Bank MENA Fund Company B.S.C. (c)  
P. O. Box 2400  
Manama, Kingdom of Bahrain

Investment Manager, Operator and  
Placement Agent

Al Arabi Investment Group  
P. O. Box 143156  
Amman 11814  
Hashemite, Kingdom of Jordan

Administrator, Custodian and Registrar

Gulf Custody Company B.S.C. (c)  
P. O. Box 2400  
Manama, Kingdom of Bahrain

Principal Banker

Arab Bank Plc – Bahrain Branch

Auditors

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

Engagement Partner: Rushdi Kikhia

## ARAB BANK MENA FUND

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**ARAB BANK MENA FUND****DIRECTORS' REPORT**

The Directors present the annual report and financial statements of Arab Bank MENA Fund (the "Fund") for the year ended September 30, 2016.

**PRINCIPAL ACTIVITY**

The Fund is an open ended collective investment scheme and its primary objective is to invest primarily in equities with possible investment in bonds aiming to preserve capital during periods of weak equity markets performance and maximising capital growth during periods of strong equity market performance in the MENA region.

**REVIEW OF BUSINESS**

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

**APPROPRIATIONS**

None.

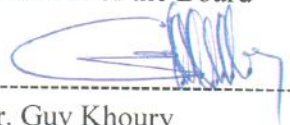
**CHANGES IN DIRECTORS**

None.

**AUDITORS**

A resolution proposing the reappointment of Deloitte & Touche – Middle East as the auditors of the Fund for the year ending September 30, 2017 and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

On behalf of the Board



Mr. Guy Khoury  
Director

15/01/, 2017

## 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 at September 30, 2016, the statement of profit or loss and other 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 (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, 2016 and 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 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 significant violations of the regulations issued by the Central Bank of Bahrain (the "CBB") as contained in Volume 7 of the CBB Rulebook, having occurred during the year ended September 30, 2016 that might have had a material adverse effect on the business of the Fund or on its financial position.

Manama, Kingdom of Bahrain  
January 15, 2017



Deloitte & Touche – Middle East  
Partner Registration No. 135

**ARAB BANK MENA FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2016**

	<u>Notes</u>	<u>September 30,</u> <u>2016</u> <u>USD</u>	<u>September 30,</u> <u>2015</u> <u>USD</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash at banks	6 & 8	1,126,880	492,947
Dividend receivable		7,252	2,801
Interest receivable		29	1,365
Investments at fair value through profit or loss	7.1 & 8	18,303,464	21,988,683
Due from brokers		1,357,274	1,133,496
<b>Total assets</b>		<u>20,794,899</u>	<u>23,619,292</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Due to a related party	8	79,036	103,125
Other payables	9	65,149	48,093
<b>Total liabilities</b>		<u>144,185</u>	<u>151,218</u>
<b>Net assets attributable to holders of redeemable units</b>		<u>20,650,714</u>	<u>23,468,074</u>
<b>Analysis of net assets</b>			
Unit capital	10	26,100,820	27,083,370
Unit surplus		7,778,838	7,587,612
Accumulated losses		(13,228,944)	(11,202,908)
<b>Net assets</b>		<u>20,650,714</u>	<u>23,468,074</u>
<b>Number of units outstanding</b>	10	<u>2,610,082</u>	<u>2,708,337</u>
<b>Net asset value per unit</b>		<u>7.911</u>	<u>8.665</u>

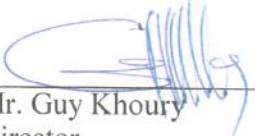

The financial statements from page 4 to 29 were approved and authorised for issue on 15<sup>th</sup> Jan 2017 and signed by:

  
 Mr. Guy Khoury  
 Director

  
 Mr. Ammar Zuhair Husni Saifi  
 Director

The accompanying notes form an integral part of these financial statements

**ARAB BANK MENA FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Notes	<u>2016</u> USD	<u>2015</u> USD
<b>Revenue</b>			
Dividend income	11	680,031	1,365,106
Interest income – available-for-sale investments	11	-	5,850
Interest income – bank accounts	11	3,746	39,132
Net realised loss on investments at fair value through profit or loss	7.1	(969,957)	(2,699,835)
Net unrealised loss on investments at fair value through profit or loss	7.1	(1,265,824)	(4,102,837)
Net realised gain on available-for-sale investments		-	111,890
Net foreign exchange loss		(28,989)	(112,650)
Other income		34,266	-
<b>Total operating loss</b>		<u>(1,546,727)</u>	<u>(5,393,344)</u>
<b>Expenses</b>			
Management fees	5 & 8	(317,390)	(494,925)
Custody and administration fee	5	(55,000)	(58,962)
Registrar fee	5	(9,125)	(10,244)
Professional fees		(21,654)	(22,077)
Broker commission		(48,648)	(112,173)
Bank charges		(1,894)	(2,727)
Other expenses		(25,598)	(58,828)
<b>Total operating expenses</b>		<u>(479,309)</u>	<u>(759,936)</u>
<b>Loss for the year</b>		<u>(2,026,036)</u>	<u>(6,153,280)</u>
<b>Other comprehensive (loss) / income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Reclassification adjustments relating to available-for-sale investments disposed of during the year		-	(111,293)
<b>Other comprehensive loss</b>		-	(111,293)
<b>Total comprehensive loss for the year</b>		<u>(2,026,036)</u>	<u>(6,264,573)</u>
<b>Decrease in net assets attributable to holders of redeemable units</b>		<u>(2,026,036)</u>	<u>(6,264,573)</u>
			
Mr. Guy Khoury Director			
		Mr. Ammar Zuhair Husni Saifi Director	

The accompanying notes form an integral part of these financial statements



**ARAB BANK MENA FUND**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Number of units</u>	<u>Unit capital USD</u>	<u>Unit surplus USD</u>	<u>Accumulated losses USD</u>	<u>Fair value reserve for available- for-sale investments USD</u>	<u>Total USD</u>
Balance at October 1, 2014	3,815,867	38,158,670	7,105,823	(5,049,628)	111,293	40,326,158
Subscriptions of units	29,099	290,990	3,959	-	-	294,949
Redemptions of redeemable units	(1,136,629)	(11,366,290)	477,830	-	-	(10,888,460)
Loss for the year	-	-	-	(6,153,280)	-	(6,153,280)
Other comprehensive loss	-	-	-	-	(111,293)	(111,293)
Balance at September 30, 2015	2,708,337	27,083,370	7,587,612	(11,202,908)	-	23,468,074
Subscriptions of units	3,029	30,290	(5,290)	-	-	25,000
Redemptions of redeemable units	(101,284)	(1,012,840)	196,516	-	-	(816,324)
Loss for the year	-	-	-	(2,026,036)	-	(2,026,036)
Balance at September 30, 2016	2,610,082	26,100,820	7,778,838	(13,228,944)	-	20,650,714

The accompanying notes form an integral part of these financial statements

**ARAB BANK MENA FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>
<b>Cash flows from operating activities</b>		
Loss for the year	(2,026,036)	(6,153,280)
Adjustments for:		
Dividend income	(680,031)	(1,365,106)
Interest income	(3,746)	(44,982)
Net loss on investments at fair value through profit or loss	2,235,781	6,802,672
Net realised gain on available-for-sale investments	-	(111,890)
	-----	-----
	(474,032)	(872,586)
Changes in operating assets and liabilities:		
(Increase) / decrease in due from brokers	(223,778)	2,092,262
Decrease in due to a related party	(24,089)	(50,629)
Increase in other payables	17,056	6,891
	-----	-----
	(704,843)	1,175,938
Payments for purchase of investments at fair value through profit or loss	(10,014,342)	(21,428,015)
Proceeds from disposal of investments at fair value through profit or loss	11,463,780	27,373,090
Proceeds from disposal of available-for-sale investments	-	1,665,592
Dividend received	675,580	1,364,104
Interest received	5,082	69,337
	-----	-----
<b>Net cash from operating activities</b>	1,425,257	10,220,046
	-----	-----
<b>Cash flows from financing activities</b>		
Proceeds from issue of redeemable units	25,000	174,989
Payments on redemption of redeemable units	(816,324)	(10,888,460)
	-----	-----
<b>Net cash used in financing activities</b>	(791,324)	(10,713,471)
	-----	-----
<b>Net increase / (decrease) in cash and cash equivalents</b>	633,933	(493,425)
Cash and cash equivalents at beginning of year	492,947	986,372
	-----	-----
<b>Cash and cash equivalent at end of year</b>	1,126,880	492,947
	=====	=====
Comprising:		
Cash at banks (Note 6)	1,126,880	492,947
	=====	=====

The accompanying notes form an integral part of these financial statements

**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

Arab Bank MENA Fund (the "Fund") is an open-ended investment fund established by Al Arabi Investment Group Co. (the "Operator" and the "Investment Manager"). 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 7 of the CBB Rulebook. The Fund Company has been registered at the Ministry of Industry & Commerce on March 22, 2005. The Fund was launched on May 23, 2005. The address of the Fund's registered office is Flat no. 23, Building no. 4521, Road no.1010, Block no. 410, Sanabis, P. O. Box 2400, Kingdom of Bahrain.

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 market performance. The Fund may distribute dividends on an annual basis, upon the sole discretion of the Investment Manager

The Fund is managed by Al Arabi Investment Group Co., a company incorporated in Jordan. The Fund is administered by Gulf Custody Company B.S.C. (c) (the "Administrator" and the "Custodian") (which also acts as the Custodian of the Fund), a closed joint stock company incorporated under the laws of the Kingdom of Bahrain. The Fund Company is incorporated as closed joint stock company under the laws of the Kingdom of Bahrain and has been established to act as an umbrella vehicle for the Fund. Al-Arabi Investment Group Co. owns 99% shares of the Fund Company.

The financial statements represent the financial position, the results of operations, statement of changes in net assets and cash flows 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.

The Fund has been established for an indefinite period but the Fund Company reserves the right to terminate the Fund at any time without penalty to any party involved. Such termination requires the prior written consent of the CBB and proposal to dissolve the Fund at an Extraordinary General Meeting of shareholders of the Fund Company for which three months' notice should be given to the Unitholders by the Directors of the Fund. Neither the death, bankruptcy, incapacity of a Unitholder in the Fund nor the bankruptcy or resignation of the Investment Manager will terminate the Fund or in any way affect its continuity.

The Fund must be liquidated if either:

- a- the Net Asset Value of the Fund declines for any reason to less than the Minimum Fund Size, and such decline continues for three consecutive months, or
- b- the Net Asset Value per Unit of the Fund drops below 50% of its highest recorded level, after adjustment for cash dividends if any, for a period of twenty four months without reasonable justification.

**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs):**

**2.1 Standards and Interpretations effective for the current period**

The following new and revised IFRSs, which became effective for annual periods beginning on or after October 1, 2015, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.
- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 19 *Employee Benefits* to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

**2.2 New and revised IFRS in issue but not yet effective**

The Fund has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<b><u>New and revised IFRSs</u></b>	<b><u>Effective for annual periods beginning on or after</u></b>
IFRS 14 <i>Regulatory Deferral Accounts</i> .	January 1, 2016
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to Disclosure initiative.	January 1, 2016
Amendments to IFRS 11 <i>Joint arrangements</i> relating to accounting for acquisitions of interests in joint operations.	January 1, 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> relating to clarification of acceptable methods of depreciation and amortisation.	January 1, 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> relating to bearer plants.	January 1, 2016

**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

2. **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs): (CONTINUED)**

2.2 **New and revised IFRS in issue but not yet effective: (Continued)**

	<b><u>Effective for annual periods beginning on or after</u></b>
Amendments to IAS 27 <i>Separate Financial Statements</i> relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.	January 1, 2016
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 28 <i>Investment in Associates and Joint Ventures</i> relating to applying the consolidation exception for investment entities.	January 1, 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	January 1, 2016
IFRS 9 <i>Financial Instruments</i>	January 1, 2018
A finalised version of IFRS 9 was issued in July 2014 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . The standard contains requirements in the following areas:	
<ul style="list-style-type: none"> <li>• <b>Classification and measurement:</b> Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.</li> <li>• <b>Impairment:</b> The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.</li> <li>• <b>Hedge accounting:</b> Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.</li> <li>• <b>Derecognition:</b> The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.</li> </ul>	

**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

2. **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs): (CONTINUED)**

2.2 **New and revised IFRS in issue but not yet effective: (Continued)**

	<b><u>Effective for annual periods beginning on or after</u></b>
<p>Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9.</p>	<p>When IFRS 9 is first applied</p>
<p>IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.</p>	<p>When IFRS 9 is first applied</p>
<p>IFRS 15 <i>Revenue from Contracts with Customers</i></p> <p>In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 <i>Revenue</i>, IAS 11 <i>Construction Contracts</i> and the related interpretations when it becomes effective.</p> <p>The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.</p> <p>Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. For more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.</p>	<p>January 1, 2018</p>
<p>Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.</p>	<p>Effective date deferred indefinitely</p>

**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

2. **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs): (CONTINUED)**

2.2 **New and revised IFRS in issue but not yet effective: (Continued)**

	<b><u>Effective for annual periods beginning on or after</u></b>
IFRS 16 Leases	January 1, 2019
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	
Amendments to IAS 7 Statement of Cash Flows requiring disclosure of changes in liabilities arising from financing activities.	January 1, 2017
Amendments to IAS 12 <i>Income Taxes</i> regarding recognition of deferred tax assets for unrealised losses.	January 1, 2017
Amendments to IFRS 15 <i>Revenue from Contracts with Customers</i> clarifies three topics (identifying performance obligations, principal versus agent considerations and licensing) and provides transition relief for modified contracts and completed contracts.	January 1, 2018
Amendments to IFRS 2 <i>Share-based Payments</i> relating to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.	January 1, 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> titled <i>Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'</i> . These amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4; 'the overlay approach' and 'the deferral approach'. The application of both approaches is optional and an entity is permitted to discontinue applying them before the new insurance contracts standard is applied. Each approach has certain conditions that need to be met in order to be adopted, including specific disclosure requirements.	When it first applies IFRS 9 (overlay approach) January 1, 2018 (deferral approach)

**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs): (CONTINUED)**

**2.2 New and revised IFRS in issue but not yet effective: (Continued)**

The management anticipates that all of the above Standards and Interpretations as applicable, will be adopted in the Fund's financial statements in future periods. The application of IFRS 9, IFRS 15 and IFRS 16 may have a significant impact on amounts reported and disclosures made in the Fund's financial statements in respect of revenue from contracts with customers, impairment of financial assets and recognition, measurement and disclosure of leases. The Fund's management has not yet performed a detailed review to quantify the effect of the application of these standards and therefore it is not practicable at present to provide a reasonable estimate of their effect.

**3. SIGNIFICANT ACCOUNTING POLICIES:**

**Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in conformity with the prospectus and the relevant provisions of the CBB Rulebook Volume 7.

**Basis of Preparation**

The financial statements are prepared under the historical cost convention, except for the measurement of certain financial assets at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured by taking into account the characteristics of the asset or liability that if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes fair value measurement is categorised into Levels 1, 2 or 3 based on the degree to which the inputs to fair value measurement in its entirety, which are described below:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

These financial statements are presented in United States Dollars ("USD"), being the functional and presentation currency of the Fund.

The significant accounting policies are as follows:



**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

(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.

(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 subsequently measured at amortised cost, less any impairment.

(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 subsequently measured at amortised cost.

*Derecognition of financial liabilities*

The Fund derecognises financial liabilities when, the Fund's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the sum of the consideration paid and payable is recognised in profit or loss.

(f) **Expenses**

All recurring expenses are accounted for on an accrual basis.

**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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3. **SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

(g) **Foreign Currencies**

Foreign currency transactions are recognised in United States Dollars using exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are retranslated into the functional currency at the rates of exchange prevailing at the reporting date. Exchange differences arising on the settlement of transactions and on the translation of monetary items, are included in profit or loss for the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(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 considered to be 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.

- 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.

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.

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.

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

(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 collateralised borrowing for the proceeds received.

The difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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.

*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 requirements 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.

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

**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.

5. **FEES:**

(a) **Management Fee**

Under the Investment Management agreement, the Fund has to pay the Investment Manager 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.

**ARAB BANK MENA FUND**  
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6. **CASH AT BANKS:**

Cash at banks represent balances in current accounts and time deposits held at banks including related parties.

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>
Current accounts	1,113,131	138,718
Time deposits	13,749	354,229
	<u>1,126,880</u>	<u>492,947</u>

Time deposits carry interest rate of 7% per annum (2015: 6.5% and 7% per annum) and have original maturities of less than three months.

A balance amounting to USD 27,481 denominated in Libyan Dinar (LYD 38,174) and due from a broker in Libya has been fully impaired in the prior year.

7. **INVESTMENT SECURITIES:**

This caption is composed of the following:

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>
Investments at fair value through profit or loss (Note 7.1)	<u>18,303,464</u>	<u>21,988,683</u>

7.1 **Investments at fair value through profit or loss:**

Investments at fair value through profit or loss represent investments in securities quoted on various GCC and MENA stock exchanges.

	<u>September 30,</u> <u>2016</u> <u>USD</u>	<u>September 30,</u> <u>2015</u> <u>USD</u>
Financial assets at fair value through profit or loss at beginning of the year	21,988,683	34,825,758
Purchases during the year	10,014,342	21,338,687
Proceeds from sales during the year	(11,463,780)	(27,373,090)
Net realised loss on disposal of investments at fair value through profit or loss	(969,957)	(2,699,835)
Net unrealised loss on investment at fair value through profit or loss	(1,265,824)	(4,102,837)
	<u>18,303,464</u>	<u>21,988,683</u>
Investments at fair value through profit or loss at end of the year	<u>18,303,464</u>	<u>21,988,683</u>

**ARAB BANK MENA FUND**  
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7. **INVESTMENT SECURITIES: (CONTINUED)**

Investments in listed shares are classified as investments at fair value through profit or loss. These securities provide the Fund with the opportunity to enhance the return on investment through trading gains. The fair value of these securities are based on 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. **RELATED PARTIES:**

Related parties, as defined in International Accounting Standards 24, "Related Party Disclosures" include entities in which the Investment Manager and Arab Bank Plc have substantial or controlling interest and transactions with key management personnel of the Fund.

Arab Bank MENA Fund Company B.S.C. (c) is a related party as it was incorporated to create the Fund.

Al-Arabi Investment Group Co. is a related party as it is the Operator, Investment Manager and principal shareholder of the Fund Company.

Arab Bank Plc is a related party as it is the ultimate parent of the Fund Company, correspondingly all branches of Arab Bank Plc are also considered as related parties. Oman Arab Bank is an affiliate of Arab Bank Plc.

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

<u>Related Party</u>	<u>Nature of Transaction</u>	<u>Amount (incurred) / earned</u>		<u>(Payable) / receivable</u>	
		<u>September 30,</u>		<u>as at September 30,</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
		<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Al Arabi Investment Group	Management fees	(317,390)	(494,925)	(79,036)	(103,125)
Arab Bank Plc	Dividend income	-	9,952	-	-

- The following related parties owned units in the Fund:

<u>Related Party</u>	<u>Nature of Relationship</u>	<u>Number of units held as at</u>	
		<u>September 30,</u>	<u>September 30,</u>
		<u>2016</u>	<u>2015</u>
- Arab Bank (Switzerland)	Subsidiary of Arab Bank Plc, Jordan	460,716	502,153
- Arab Bank Plc, Wholesale Bank, Bahrain	Branch of Arab Bank Plc, Jordan	500,000	500,000
- Oman Arab Bank S.A.O.C.	Affiliate of Arab Bank Plc, Jordan	50,000	50,000

**ARAB BANK MENA FUND**  
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8. **RELATED PARTIES: (CONTINUED)**

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

<u>Related Party</u>	<u>Nature of Transaction</u>	<u>Nature of Relationship</u>	<u>Fair Value</u>	
			<u>2016</u>	<u>2015</u>
			<u>USD</u>	<u>USD</u>
Arab Bank Plc, Dubai	Current account	Affiliate of Arab Bank Plc, Jordan	90,422	12,491
Arab Bank Plc – Wholesale Bank, Bahrain	Current accounts	Branch of Arab Bank Plc, Jordan	100,451	8,338
Arab Bank Plc, Jordan	Equity shares (2016: 66,240 shares) (2015: 66,240 shares)	Ultimate Parent of the Fund Company	566,326	599,151
Arab Bank Plc, Jordan	Current account	Ultimate Parent of the Fund Company	68,028	16,819
Arab Bank Plc, Palestine	Current account	Branch of Arab Bank Plc, Jordan	573	591
Arab Bank Plc, Cairo	Current accounts	Branch of Arab Bank Plc, Jordan	2,955	1,610
Arab Bank Plc, Cairo	Time deposit	Branch of Arab Bank Plc, Jordan	-	341,880
Oman Arab Bank S.A.O.C.	Current accounts	Affiliate of Arab Bank Plc, Jordan	754,068	57,959
Arab Bank Plc, Syria	Current account	Affiliate of Arab Bank Plc, Jordan	44,179	17,581
Arab Bank Plc, Syria	Time deposit	Affiliate of Arab Bank Plc, Jordan	13,749	12,349

**ARAB BANK MENA FUND**  
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9. **OTHER PAYABLES:**

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>
Custody and administration fees	33,311	19,500
Registrar fee	2,279	2,416
Professional fee	21,051	17,303
Other liabilities	8,508	8,874
	<u>-----</u> 65,149	<u>-----</u> 48,093
	<u>=====</u>	<u>=====</u>

10. **UNIT CAPITAL:**

The unit 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.

11. **INVESTMENT INCOME:**

The caption is composed of the following:

	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>
Dividend income	680,031	1,365,106
Interest income - available-for-sale investments	-	5,850
Interest income - bank accounts	3,746	39,132
	<u>-----</u> 683,777	<u>-----</u> 1,410,088
	<u>=====</u>	<u>=====</u>

12. **FINANCIAL INSTRUMENTS:**

Financial instruments consist of financial assets and financial liabilities.

*Financial assets* of the Fund include cash at banks, receivables, investments and due from brokers.

*Financial liabilities* of the Fund include due to a related party and other payables.



**ARAB BANK MENA FUND**  
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12. **FINANCIAL INSTRUMENTS: (CONTINUED)**

**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>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>
<b>Financial assets</b>		
Investment securities at fair value through profit or loss	18,303,464	21,988,683
	=====	=====
Receivables at amortised cost (including cash at banks)	2,491,435	1,630,609
	=====	=====
<b>Financial liabilities</b>		
Amortised cost	144,185	151,218
	=====	=====

**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.

12.1 **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.

**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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12. **FINANCIAL INSTRUMENTS: (CONTINUED)**

12.1 **Credit Risk (Continued)**

*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.

12.2 **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, 2016 and 2015 have a maturity of three months or less.

12.3 **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.

12.3.1 **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 time deposits and the investment manager believes it is not significant as at the reporting date.

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.

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12. **FINANCIAL INSTRUMENTS: (CONTINUED)**

12.3 **MARKET RISK (CONTINUED)**

12.3.2 **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 financial liabilities are denominated in GCC currencies, Jordanian Dinars ("JOD"), Egyptian Pounds ("EGP"), Syrian Pounds ("SYP") Moroccan Dirham ("MAD"), Libyan Dinar ("LYD"), Great Britain Pound ("GBP"), Iraqi Dinar ("IQD") and United States Dollars. As the GCC currencies (except for the Kuwaiti Dinar) and the Jordanian Dinar is 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 equivalent to United States Dollar at the reporting dates are as follows:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>
AED	7,732,229	6,882,355	-	-
SAR	5,626,621	7,561,360	-	-
OMR	660,484	741,686	-	-
KWD	631,763	310,965	4,833	4,773
BHD	(27)	(27)	503	739
QAR	776,213	698,467	-	-
	-----	-----	-----	-----
GCC Currencies	15,427,283	16,194,806	5,336	5,512
	-----	-----	-----	-----
USD	108,322	13,732	135,677	142,345
EGP	-	343,382	-	-
SYP	180,081	114,383	3	2
MAD	3,211	3,204	-	-
JOD	4,232,200	5,822,471	415	558
LYD	2,754	2,801	2,754	2,801
GBP	838,146	1,124,513	-	-
IQD	2,902	-	-	-
	-----	-----	-----	-----
Non-GCC Currencies	5,367,616	7,424,486	138,849	145,706
	-----	-----	-----	-----
	20,794,899	23,619,292	144,185	151,218
	=====	=====	=====	=====

**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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12. **FINANCIAL INSTRUMENTS: (CONTINUED)**

12.3 **MARKET RISK (CONTINUED)**

12.3.2 **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.

<b><u>Currency</u></b>	<b><u>2016</u></b> <b><u>Effect on Profit or</u></b> <b><u>Loss</u></b> <b><u>USD</u></b>	<b><u>2015</u></b> <b><u>Effect on Profit or</u></b> <b><u>Loss</u></b> <b><u>USD</u></b>
KWD	31,347	15,309
EGP	-	17,169
SYP	9,004	5,719
MAD	161	160
GBP	41,907	56,226
IQD	145	-

12.3.3 **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, Saudi Arabia, Palestine, Oman, Jordan, Qatar, Syria and Kuwait.

**ARAB BANK MENA FUND**  
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12. **FINANCIAL INSTRUMENTS: (CONTINUED)**

12.3.3 **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>%</u>	<u>2016</u> <u>Effect on Profit or Loss</u> <u>USD</u>	<u>2015</u> <u>Effect on Profit or Loss</u> <u>USD</u>
Palestine	+ 5	+9,014	+22,261
Jordan	+ 5	+199,194	+268,021
Kuwait	+ 5	+31,583	+15,545
Qatar	+ 5	+20,862	+34,437
United Arab Emirates	+ 5	+371,744	+342,676
Saudi Arabia	+ 5	+267,599	+375,353
Syria	+ 5	+6,106	+4,221
Oman	+ 5	+9,071	+36,919

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

12.4 **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 Investment Manager monitors capital structure on monthly basis.

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

13. **FAIR VALUE OF FINANCIAL INSTRUMENTS:**

Financial assets at fair value through profit or loss are measured based on quoted bid prices in an active market. These are categorised within Level 1 of the fair value hierarchy.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

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

Fund's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

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13. **FAIR VALUE OF FINANCIAL INSTRUMENTS: (CONTINUED)**

<u>Financial assets</u>	<u>Fair value as at</u>		<u>Fair value hierarchy</u>
	<u>September 30,</u> <u>2016</u> <u>USD</u>	<u>September 30,</u> <u>2015</u> <u>USD</u>	
<b>Designated at fair value through profit or loss</b>			
- Financial Institutions	6,314,214	5,950,485	Level 1
- Telecommunication	1,929,306	2,452,679	Level 1
- Manufacturing	142,259	268,109	Level 1
- Services	4,378,761	5,394,631	Level 1
- Industries	3,071,906	5,359,457	Level 1
- Real Estate	2,467,018	2,563,322	Level 1
	18,303,464	21,988,683	
	18,303,464	21,988,683	

**ANNEXURE**  
**ADDITIONAL DISCLOSURES**

**Additional Disclosures**

The additional disclosures as required by “Appendix CRR - (i) – Contents of Financial Reports” to the Rulebook on Collective Investment Undertakings (CIU) – Volume 7 are as follows:

**I Investment Portfolio as at September 30, 2016**

Top ten holdings

<u>Description</u>	<u>Fair Value USD</u>	<u>Fair Value as % of total NAV</u>
EMAAR PROPERTIES PJSC	2,101,724	10.18%
SINIORA FOOD INDUSTRIES CO	1,887,491	9.14%
ABU DHABI COMMERCIAL BANK	1,667,906	8.08%
SAUDI TELECOM CO	1,445,476	7.00%
DUBAI ISLAMIC BANK	1,401,558	6.79%
SAUDI AIRLINES CATERING CO	1,235,627	5.98%
ARAMEX PJSC	831,163	4.02%
SAUDI IND INVESTMENT GROUP	808,261	3.91%
HERFY FOOD SERVICES CO	723,408	3.50%
FIRST GULF BANK	602,243	2.92%
<b>Total</b>	<b>12,704,857</b>	<b>61.52%</b>

## II Performance table

### a) Comparative table

	<u>September 30, 2012</u> <u>USD</u>	<u>September 30, 2013</u> <u>USD</u>	<u>September 30, 2014</u> <u>USD</u>	<u>September 30, 2015</u> <u>USD</u>	<u>September 30, 2016</u> <u>USD</u>
Net Asset Value	32,605,400	33,308,110	40,326,158	23,468,074	20,650,714
NAV Per Unit	7.7320	8.5928	10.5680	8.6651	7.911

### b) Performance record

	<u>Highest Redemption Price</u> <u>USD</u>	<u>Lowest Redemption Price</u> <u>USD</u>
September 30, 2016	8.6651	7.3265
September 30, 2015	10.5680	8.7240
September 30, 2014	10.5257	8.5928
September 30, 2013	8.5960	7.7320
September 30, 2012	7.9491	7.0625
September 30, 2011	7.5676	7.1947
September 30, 2010	7.6954	7.1978
September 30, 2009	7.5549	5.3685
September 30, 2008	12.4425	9.8756
September 30, 2007	10.6125	9.3277
September 30, 2006	10.1472	9.0445
September 30, 2005	10.0000	10.0000

\* The first financial statements cover the period from May 23, 2005 (the date of commencement of operations) to September 30, 2005.