

**ARAB BANK MENA FUND**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED SEPTEMBER 30, 2018**

**ARAB BANK MENA FUND**

Commercial Registration Number

56497-1

Directors

Mr. Guy Elias Khouri  
Mr. Firas Jaser Jamil Zayyad  
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: Zahi Zeini

**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, 2018.

**PRINCIPAL ACTIVITY**

The Fund is an open ended collective investment scheme with primary objective 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, 2019 and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

On behalf of the Board

-----  
Mr. Guy Khourl  
Director

Jan 29, 2019



## **INDEPENDENT AUDITOR'S REPORT**

To the Unitholders  
Arab Bank MENA Fund  
Manama, Kingdom of Bahrain

### **Report on the Audit of the Financial Statements**

#### *Opinion*

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, 2018, the statement of profit or loss and other comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at September 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Fund's financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Other Information***

Management is responsible for the other information. The other information comprises the Directors report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### ***Responsibilities of the Board of Director's for the Financial Statements***

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of Directors.
- Conclude on the appropriateness of the Board of Directors use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Legal and Regulatory Requirements**

Further, as required by local regulations, we report that, 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 Board of Directors 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"), contained in Volume 7 of the CBB Rulebook, having occurred during the year ended September 30, 2018 that might have had a material effect on the business of the Fund or on its financial position.



DELOITTE & TOUCHE – MIDDLE EAST  
Partner Registration No. 184  
Manama, Kingdom of Bahrain

January 29, 2019

**ARAB BANK MENA FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2018**

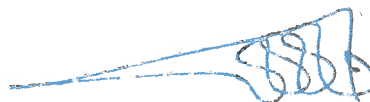
	Notes	2018 USD	2017 USD
<b>Assets</b>			
<b>Current assets</b>			
Cash at banks	6	1,678,185	1,953,633
Dividend receivable		2,731	19,721
Interest receivable		82	34
Investments at fair value through profit or loss	7.1	14,275,143	15,675,943
Due from brokers		1,191,541	1,812,551
<b>Total assets</b>		<b>17,147,682</b>	<b>19,461,882</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Management fees payable	8	66,472	75,798
Other payables	9	93,192	40,632
<b>Total liabilities</b>		<b>159,664</b>	<b>116,430</b>
<b>Equity</b>			
Unit capital	10	20,710,440	22,453,450
Unit surplus		8,601,137	8,310,241
Accumulated losses		(12,323,559)	(11,418,239)
<b>Total equity</b>		<b>16,988,018</b>	<b>19,345,452</b>
<b>Total liabilities and equity</b>		<b>17,147,682</b>	<b>19,461,882</b>
<b>Net Asset Value (NAV) per unit at book value based on 2,071,044 units (2017: 2,245,345) outstanding</b>		<b>8.2026</b>	<b>8.6158</b>

The financial statements from page 4 to 19 and annexure on page 20 were approved and authorised for issue on 29-Sep, 2019 and signed by:

  
 Mr. Guy Khouri  
 Director

  
 Mr. Ammar Zuhair Husni Saifi  
 Director

The accompanying notes 1 to 13 form an integral part of these financial statements





**ARAB BANK MENA FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**YEAR ENDED SEPTEMBER 30, 2018**

	Notes	2018 USD	2017 USD
<b>Revenue</b>			
Dividend income		853,221	692,766
Interest income from banks		2,239	1,381
Net realised gain on investments	7.1	506,705	1,554,740
Net unrealised (loss) / gain on investments	7.1	(1,792,268)	18,418
Net foreign exchange (loss) / gain		(79,462)	9,419
<b>Total operating (loss) / income</b>		<u>(509,565)</u>	<u>2,276,724</u>
<b>Expense</b>			
Management fee	5 & 8	(266,304)	(314,115)
Custody and administration fee	5 (b)	(55,000)	(55,000)
Registrar fee	5 (c)	(7,441)	(8,564)
Professional fees		(21,751)	(22,047)
Broker commission		(17,505)	(39,761)
Bank charges		(2,477)	(2,330)
Other expenses		(25,277)	(24,202)
<b>Total operating expenses</b>		<u>(395,755)</u>	<u>(466,019)</u>
<b>(Loss) / profit for the year</b>		<u>(905,320)</u>	<u>1,810,705</u>
<b>Other comprehensive income for the year</b>		-	-
<b>Total comprehensive (loss) / income for the year</b>		<u>(905,320)</u>	<u>1,810,705</u>

  
 Mr. Guy Khoury  
 Director

  
 Mr. Ammar Zuhair Husni Saifi  
 Director

The accompanying notes 1 to 13 form an integral part of these financial statements







**ARAB BANK MENA FUND**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED SEPTEMBER 30, 2018**

	Number of units	Unit capital USD	Unit surplus USD	Accumulated losses USD	Total USD
Balance at October 1, 2016	2,610,082	26,100,820	7,778,838	(13,228,944)	20,650,714
Subscriptions	2,928	29,280	(4,280)	-	25,000
Redemptions	(367,665)	(3,676,650)	535,683	-	(3,140,967)
Total comprehensive profit for the year	-	-	-	1,810,705	1,810,705
Balance at September 30, 2017	2,245,345	22,453,450	8,310,241	(11,418,239)	19,345,452
Redemption	(174,301)	(1,743,010)	290,896	-	(1,452,114)
Total comprehensive loss for the year	-	-	-	(905,320)	(905,320)
Balance at September 30, 2018	2,071,044	20,710,440	8,601,137	(12,323,559)	16,988,018

The accompanying notes 1 to 13 form an integral part of these financial statements

**ARAB BANK MENA FUND**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2018**

	2018	2017
	USD	USD
<b>Cash flows from operating activities</b>		
(Loss) / profit for the year	(905,320)	1,810,705
Adjustments for:		
Dividend income	(853,221)	(692,766)
Interest income	(2,239)	(1,381)
Net loss / (gain) on investments	<u>1,285,563</u>	<u>(1,573,158)</u>
	(475,217)	(456,600)
Changes in operating assets and liabilities:		
Decrease / (increase) in due from brokers	621,010	(455,277)
Decrease in due to a related party	(9,326)	(3,238)
Increase / (decrease) in other payables	<u>52,560</u>	<u>(24,517)</u>
	189,027	(939,632)
Payments for purchase of investments	(3,339,531)	(6,333,173)
Proceeds from disposal of investments	3,454,768	10,533,852
Dividend received	870,211	680,297
Interest received	<u>2,191</u>	<u>1,376</u>
<b>Net cash from operating activities</b>	<u>1,176,666</u>	<u>3,942,720</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of units	-	25,000
Redemption of units	<u>(1,452,114)</u>	<u>(3,140,967)</u>
<b>Net cash used in financing activities</b>	<u>(1,452,114)</u>	<u>(3,115,967)</u>
<b>Net increase in cash and cash equivalents</b>	(275,448)	826,753
Cash and cash equivalents at beginning of year	<u>1,953,633</u>	<u>1,126,880</u>
<b>Cash and cash equivalent at end of year</b>	<u>1,678,185</u>	<u>1,953,633</u>
Comprising:		
Cash at banks (Note 6)	<u>1,678,185</u>	<u>1,953,633</u>

The accompanying notes 1 to 13 form an integral part of these financial statements

**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2018**

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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 operates 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 is registered with the Ministry of Industry, Commerce and Tourism since 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 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.

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.

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

In the current year, the Fund has adopted the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on October 1, 2017. This adoption did not result in any significant impact on the Fund's financial statements or changes to the Fund's accounting policies.

Moreover, and at the date of authorisation of these financial statements, new standards and interpretations were in issue but not yet effective. The Fund anticipates that the adoption of these standards and interpretations in future periods (where applicable) will have no material impact on the financial statements of the Fund except for IFRS 9 with respect to the expected loss model, which might have impact the reported amounts of financial assets and disclosures in the financial statements. Management has not yet finalized assessing the impact of this standard.

**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2018**

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**3. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") 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:

**(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.

**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2018**

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(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.

(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.

**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2018**

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(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.

**Key sources of estimation uncertainty**

There are no significant 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.

**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2018**

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.

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

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

	2018	2017
	USD	USD
Current accounts	1,645,125	1,938,980
Time deposits	33,060	14,653
Total cash and cash equivalents	1,678,185	1,953,633

Time deposits carry interest rate of 7% per annum (2017: 7% per annum) and have original maturities of less than three months.

A balance amounting to USD 27,256 denominated in Libyan Dinar (LYD 38,174) and due from a broker in Libya has been fully impaired in the prior years.

**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2018**

**7. INVESTMENT SECURITIES**

This caption is composed of the following:

	2018 USD	2017 USD
Investments at fair value through profit or loss (Note 7.1)	14,275,143	15,675,943

**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.

	September 30, 2018 USD	September 30, 2017 USD
Carrying value, beginning of year	15,675,943	18,303,464
Purchases during the year	3,339,531	6,333,173
Proceeds from sales during the year	(3,454,768)	(10,533,852)
Net realised gain on disposal of investments	506,705	1,554,740
Net unrealised (loss) / gain	(1,792,268)	18,418
Carrying value, end of year	14,275,143	15,675,943

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.

Management fee charged by Al-Arabi Investment Group amounted to USD 266,304 (2017: USD 314,115).

Outstanding management fee payable amounted to USD 66,472 (2017: USD 75,665) (Note 5a).



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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 related parties owned units in the Fund:

Related Party	Nature of Relationship	Number of units held as at September 30,	
		2018	2017
- Arab Bank (Switzerland)	Subsidiary of Arab Bank Plc, Jordan	409,245	427,499
- 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

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

Related Party	Nature of Transaction	Nature of Relationship	Fair Value September 30,	
			2018	2017
			USD	USD
Arab Bank Plc, Dubai	Current account	Affiliate of Arab Bank Plc, Jordan	53,158	32,656
Arab Bank Plc – Wholesale Bank, Bahrain	Current accounts	Branch of Arab Bank Plc, Jordan	702	20,304
Arab Bank Plc, Jordan	Current account	Ultimate Parent of the Fund Company	18,645	5,242
Arab Bank Plc, Palestine	Current account	Branch of Arab Bank Plc, Jordan	507	535
Arab Bank Plc, Cairo	Current accounts	Branch of Arab Bank Plc, Jordan	2,763	2,870
Arab Bank Plc, Syria	Current account	Affiliate of Arab Bank Plc, Jordan	8,090	44,174
Arab Bank Plc, Syria	Time deposit	Affiliate of Arab Bank Plc, Jordan	33,060	14,653
Arab Bank Plc, Jordan	Equity shares (2018: 66,240 shares) (2017: 66,240 shares)	Ultimate Parent of the Fund Company	584,985	519,221
Arab Bank Plc, Syria	Interest Receivable	Affiliate of Arab Bank Plc, Jordan	82	34

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

	2018	2017
	USD	USD
Custody and administration fees	14,164	14,014
Registrar fee	1,833	2,089
Professional fee	16,541	16,541
Due to brokers	52,670	-
Other liabilities	7,984	7,989
	93,192	40,633

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. **BUSINESS AND GEOGRAPHIC SEGMENTS**

The Directors are of the opinion that the Fund is engaged in a single segment of business, being investments in equity securities issued by companies operating and generating revenue in the Middle East and North Africa and GCC Region and therefore no further segmental reporting has been provided.

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.

**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**

	2018	2017
	USD	USD
<b>Financial assets</b>		
Investment securities at fair value through profit or loss	14,275,143	15,675,943
Receivables at amortised cost (including cash at banks)	2,872,539	3,785,939
<b>Financial liabilities</b>		
Amortised cost	159,664	116,430

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**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 counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. The Fund's exposure to credit risk is primarily in respect of cash at banks and other assets.

The carrying amount of financial assets best represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>2018</u>	<u>2017</u>
	USD	USD
Cash at banks	1,678,185	1,953,633
Due from brokers	1,191,541	1,812,551
Other assets	<u>2,813</u>	<u>19,755</u>
	<u><u>2,872,539</u></u>	<u><u>3,785,939</u></u>

Credit risk on cash at banks is limited since these are maintained with banks and financial institutions having high credit ratings.

In accordance with the Fund's policy, the Fund Manager monitors the Fund's credit position on a periodic basis. None of the credit exposures are past due or impaired as at September 30, 2018 and 2017.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is made by the custodian only on receipt of payment from the broker. Payment is made by the custodian for the purchase of securities only on receipt of security from the broker. The trade will fail if either party fails to meet its obligations.

*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 Fund's securities are considered readily realizable as they are listed on stock exchanges.

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

The financial liabilities at September 30, 2018 and 2017 have a maturity of three months or less.

**ARAB BANK MENA FUND**  
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**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.

**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"), 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:

	Assets		Liabilities	
	2018	2017	2018	2017
	USD	USD	USD	USD
AED	5,240,098	6,944,075	-	-
SAR	5,047,440	5,594,877	-	-
OMR	1,063,635	971,734	-	-
KWD	376,931	297,487	57,428	4,761
BHD	115	-	488	607
QAR	19,896	19,991	-	-
<b>GCC Currencies</b>	<b>11,748,115</b>	<b>13,828,164</b>	<b>57,916</b>	<b>5,368</b>

**ARAB BANK MENA FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Assets		Liabilities	
	2018	2017	2018	2017
	USD	USD	USD	USD
USD	30,344	40,128	99,010	108,310
SYP	208,065	216,955	7	3
MAD	3,314	3,311	-	-
JOD	3,925,871	4,271,253	-	-
LYD	2,731	2,749	2,731	2,749
GBP	1,226,057	1,096,419	-	-
IQD	2,902	2,903	-	-
EGP	283	-	-	-
Non-GCC Currencies	<u>5,399,567</u>	<u>5,633,718</u>	<u>101,748</u>	<u>111,062</u>
	<u>17,147,682</u>	<u>19,461,882</u>	<u>159,664</u>	<u>116,430</u>

*Foreign currency sensitivity analysis*

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

Currency	2018	2017
	Effect on Profit or Loss	Effect on Profit or Loss
	USD	USD
KWD	15,975	14,636
SYP	10,403	10,848
MAD	166	166
GBP	61,303	54,821
IQD	145	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.

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:

**ARAB BANK MENA FUND**  
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Market	Change in equity price %	2018 Effect on Profit or Loss USD	2017 Effect on Profit or Loss USD
Palestine	+ 5	+24,283	+26,222
Jordan	+ 5	+171,078	+187,078
Kuwait	+ 5	+18,635	+7,164
Qatar	+ 5	-	-
United Arab Emirates	+ 5	+250,862	+267,092
Saudi Arabia	+ 5	+174,945	+198,726
Syria	+ 5	+8,342	+7,056
Oman	+ 5	+53,182	+46,364
Great Britain	+ 5	+12,431	+44,095

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.

Financial assets	Fair value as at		Fair value hierarchy
	September 30, 2018 USD	September 30, 2017 USD	
<b>Designated at fair value through profit or loss</b>			
- Financial Institutions	4,398,548	4,994,593	Level 1
- Telecommunication	1,716,119	1,592,841	Level 1
- Manufacturing	116,726	92,721	Level 1
- Services	4,359,295	4,228,555	Level 1
- Industries	2,028,586	2,404,931	Level 1
- Real Estate	1,655,869	2,362,302	Level 1
	<u>14,275,143</u>	<u>15,675,943</u>	

**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, 2018**

Top ten holdings

<b>Description</b>	<b>Fair Value USD</b>	<b>Fair Value as % of total NAV</b>
Dubai Islamic Bank	1,904,466	11.21%
Siniora Food Industries Co	1,570,349	9.24%
Emaar Properties	1,565,725	9.22%
Saudi Airlines Catering Co	1,237,557	7.28%
Nawras – Ooredoo	1,063,635	6.26%
Samba Financial	887,378	5.22%
ARAMEX	852,571	5.02%
Arab Bank Plc	584,985	3.44%
Palestine Telecommunications	485,651	2.86%
Dallah Healthcare Holding	411,231	2.42%
<b>Total</b>	<b>10,563,548</b>	<b>62.18%</b>

II **Performance table**

a) **Comparative table**

	<b>September 30, 2013</b>	<b>September 30, 2014</b>	<b>September 30, 2015</b>	<b>September 30, 2016</b>	<b>September 30, 2017</b>	<b>September 30, 2018</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
Net Asset Value	33,308,110	40,326,158	23,468,074	20,650,714	19,345,452	16,988,018
NAV Per Unit	8.5928	10.5680	8.6651	7.911	8.6158	8.2026

b) **Performance record**

	<b>Highest Redemption Price USD</b>	<b>Lowest Redemption Price USD</b>
September 30, 2018	8.6047	8.1995
September 30, 2017	8.6839	7.8122
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.