

ARAB BANK MENA FUND
MANAMA
KINGDOM OF BAHRAIN

CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE PERIOD ENDED
MARCH 31, 2010

ARAB BANK MENA FUND
MANAMA - KINGDOM OF BAHRAIN

Directors

Mr. Abdul Kader A. Askalan
Mr. Adel Kasaji
Mr. Qutaiba M. Hawamdeh
Mr. Samer Al Tamimi
Mr. Guy Khouri

Registered Office

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

Investment Manager

Al Arabi Investment Group

Administrator, Custodian and Registrar

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

Principal Banker

Arab Bank plc - Bahrain

Auditor

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

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONTENTS

	<u>Page</u>
Review Report	1
Condensed Statement of Financial Position as at March 31, 2010	2
Condensed Statement of Comprehensive Income For the Period Ended March 31, 2010	3
Condensed Statement of Changes in Net Assets For the Period Ended March 31, 2010	4
Condensed Statement of Cash Flows For the Period Ended March 31, 2010	5
Notes to the Condensed Interim Financial Information For the Period Ended March 31, 2010	6 to 12

REVIEW REPORT TO THE UNIT HOLDERS

Arab Bank MENA Fund,
Manama,
Kingdom of Bahrain.

Deloitte & Touche - Middle East
Office 44
Al-Zamil Tower
Government Avenue
P.O. Box 421, Manama
Kingdom of Bahrain
Tel: +973 17214490
Fax: +973 17214550
www.deloitte.com
C.R. 18670

Introduction

We have reviewed the accompanying condensed statement of financial position of Arab Bank MENA Fund ("the Fund") as at March 31, 2010 and the related condensed statement of comprehensive income, condensed statement of changes in net assets and condensed statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not present fairly, in all material respects, the financial position of the Fund as at March 31, 2010, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34").

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 5.1 (a) to the condensed interim financial information. The securities designated at fair value through profit or loss include investments in listed shares, which, according to the Investment Manager, provide the Fund with the opportunity to enhance the return on the investment through trading gains. The fair value of these securities are based on quoted market prices. Certain markets and securities may be illiquid and indicative market prices may not necessarily represent realisable value.

Manama – Kingdom of Bahrain
June 13, 2010


Deloitte & Touche

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2010

	<u>Notes</u>	<u>March 31,</u> <u>2010</u> <u>USD</u>	<u>September 30,</u> <u>2009</u> <u>USD</u> <u>(Audited)</u>
ASSETS			
Cash at banks		18,155,823	18,880,481
Securities designated at fair value through profit or loss	5	20,227,046	18,350,102
Investments – available-for-sale	5	972,432	1,057,040
Other assets		559,309	376,024
Total Assets		<u>39,914,610</u>	<u>38,663,647</u>
LIABILITIES			
Due to a related party	6	143,585	141,214
Accrued expenses and other payables		48,291	35,742
Total liabilities		<u>191,876</u>	<u>176,956</u>
Net Assets		<u>39,722,734</u>	<u>38,486,691</u>
ANALYSIS OF NET ASSETS			
Capital		55,838,389	56,119,464
Net cumulative realised loss		(17,016,954)	(14,161,698)
Changes in fair value of securities designated at fair value through profit or loss		900,143	(3,495,683)
Fair value reserve for available-for-sale investments		1,156	24,608
Net Assets		<u>39,722,734</u>	<u>38,486,691</u>
Number of units		<u>5,175,059</u>	<u>5,213,595</u>
Net asset value per unit		<u>7.6758</u>	<u>7.3820</u>

The condensed interim financial information were approved and authorised for issue by the Directors on June 13, 2010 and signed on their behalf by:


 Director


 Director

The attached notes form part of this condensed interim financial information.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

	Note	Six-Month Period Ended March 31,	
		2010 USD	2009 USD
INVESTMENT INCOME			
Interest income – available-for-sale investments		29,826	22,333
Other interest income		16,086	4,574
Dividend income		404,918	825,362
Other operating income		-	752
		<u>450,830</u>	<u>853,021</u>
EXPENSES			
Management fees	6	288,802	244,231
Custody and administration fees		34,124	22,197
Registrar fees		8,143	8,449
Professional fees		9,192	11,850
Bank charges		1,443	1,452
Foreign exchange loss		17,453	1,043,850
Other expenses		91,816	13,496
		<u>450,973</u>	<u>1,345,525</u>
Investment loss - net		(143)	(492,504)
Realised and unrealised gain or loss on securities designated at fair value through profit or loss:			
Net realised loss on investments		(2,855,113)	(15,926,931)
Change in fair value		4,395,826	(5,251,456)
		<u>1,540,713</u>	<u>(21,178,387)</u>
Net gain / (loss) on securities designated at fair value through profit or loss			
		<u>1,540,713</u>	<u>(21,178,387)</u>
Net increase / (decrease) in net assets resulting from operations		<u>1,540,570</u>	<u>(21,670,891)</u>
Other comprehensive income			
Net (loss)/gain arising on revaluation of available-for- sale investments		(23,452)	37,365
Total comprehensive income / (loss) for the period		<u>1,517,118</u>	<u>(21,633,526)</u>

The attached notes form part of this condensed interim financial information.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

	<u>Six-Month Period</u> <u>Ended March 31,</u>	
	<u>2010</u> <u>USD</u>	<u>2009</u> <u>USD</u>
Investment loss - net	(143)	(492,504)
Net realised loss on securities designated at fair value through profit or loss	(2,855,113)	(15,926,931)
Change in fair value of securities designated at fair value through profit or loss	4,395,826	(5,251,456)
Net gain arising on revaluation of available-for-sale investments	(23,452)	37,365
	-----	-----
Total comprehensive income / (loss) for the period	1,517,118	(21,633,526)
Change in net assets from capital share transactions	(281,075)	(563,786)
	-----	-----
Change in net assets	1,236,043	(22,197,312)
Net assets – beginning of the period	38,486,691	52,465,817
	-----	-----
Net assets – end of the period	<u>39,722,734</u>	<u>30,268,505</u>

The attached notes form part of this condensed interim financial information.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

	<u>Six Month Period</u> <u>Ended March 31,</u>	
	<u>2010</u> <u>USD</u>	<u>2009</u> <u>USD</u>
Cash flows from operating activities		
Net increase / (decrease) in net assets resulting from operations	1,540,570	(21,670,881)
Adjustments for:		
Net (gain) / loss on securities designated at fair value through profit or loss	(1,540,713)	21,178,387
Dividend income	(404,918)	(825,362)
Interest income	(45,912)	(26,907)
	-----	-----
	(450,973)	(1,344,763)
Changes in operating assets and liabilities:		
Decrease / (increase) in other assets	322,526	(502,043)
Increase / (decrease) in due to a related party	2,371	(111,400)
Increase / (decrease) in accrued expenses and other payables	12,549	(381,548)
	-----	-----
	(113,527)	(2,339,754)
Purchase of securities designated at fair value through profit or loss	(14,932,804)	(1,188,086)
Proceeds from disposal of securities designated at fair value through profit or loss	14,099,148	7,156,001
Capital refunds from bonds	376,334	63,560
Dividend received	106,570	825,352
Interest received	20,696	26,907
	-----	-----
Net cash (used in) / from operating activities	(443,583)	4,543,980
	-----	-----
Cash flows from financing activities		
Proceeds from issue of units	325,000	1,018,332
Payments on redemption of units	(606,075)	(1,582,118)
	-----	-----
Net cash used in financing activities	(281,075)	(563,786)
	-----	-----
Net (decrease)/ increase in cash and cash equivalents	(724,658)	3,980,194
Cash and cash equivalents at the beginning of the period	18,880,481	1,919,677
	-----	-----
Cash and cash equivalent at the end of the period	18,155,823	5,899,871
	=====	=====
Comprising:		
Cash at bank	18,155,823	5,900,011
Bank overdraft	-	(140)
	-----	-----
	18,155,823	5,899,871
	=====	=====

The attached notes form part of this condensed interim financial information.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

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

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

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

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

The Fund is denominated in U.S. Dollars.

2. **BASIS OF PREPARATION:**

The condensed interim financial information has been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”).

The condensed interim financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards. For more details, please refer to the audited financial statements for the year ended September 30, 2009.

In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the period are not necessarily indicative of the results that may be expected for the financial year ending September 30, 2010.

3. **SIGNIFICANT ACCOUNTING POLICIES:**

The condensed interim financial information has been prepared under the historical cost convention except for the valuation of investment securities.

The same accounting policies, presentation and methods of computation are followed in this condensed interim financial information as were applied in the preparation of the Fund's financial statements for the year ended September 30, 2009, except for the impact of the adoption of the Standards and Interpretations described below:

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

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

IAS 1 (revised 2007) *Presentation of Financial Statements*

(effective for annual periods beginning on or after January 1, 2009)

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

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

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

Improvements to IFRSs issued in May 2008

The improvements include 35 amendments across 20 different Standards that largely clarify the required accounting treatment where previous practice had varied, and have resulted in a number of changes in the detail of the Fund's accounting policies. These amendments did not have a material impact on the reported results or financial position of the Fund.

4. **JUDGEMENTS AND ESTIMATES:**

The preparation of the condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements as at and for the year ended September 30, 2009.

5. **INVESTMENTS:**

	<u>March 31,</u> <u>2010</u> <u>USD</u>	<u>September 30,</u> <u>2009</u> <u>USD</u> <u>(Audited)</u>
Investments in listed shares at fair value through profit or loss (Note 5.1)	20,227,046	18,350,102
Investment in listed bonds – available for sale (Note 5.2)	972,432	1,057,040
	<u>21,199,478</u>	<u>19,407,142</u>

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

5. **INVESTMENTS: (CONTINUED)**

5.1 Investments in listed shares - at fair value through profit or loss:

	<u>March 31, 2010</u>		
	<u>Cost</u>	<u>Fair value</u>	<u>Change in</u>
	<u>USD</u>	<u>USD</u>	<u>Fair value</u>
			<u>USD</u>
Palestine	160,743	135,462	(25,281)
Egypt	534,652	683,450	148,798
Jordan	1,249,323	1,019,898	(229,425)
Kuwait	1,216,319	1,307,601	91,282
Kingdom of Bahrain	387,931	394,562	6,631
Qatar	4,558,285	4,708,206	149,921
United Arab Emirates	2,377,828	2,428,529	50,701
Kingdom of Saudi Arabia	8,617,537	9,297,818	680,281
Syria	224,285	251,520	27,235
	<u>19,326,903</u>	<u>20,227,046</u>	<u>900,143</u>

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

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

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

5. **INVESTMENTS: (CONTINUED)**

5.2 Investments in Listed Bonds – available-for-sale

			<u>March 31, 2010</u>		
	<u>Maturity</u>	<u>Coupon rate %</u>	<u>Cost USD</u>	<u>Fair Value USD</u>	<u>Fair Value Reserve USD</u>
Bank Muscat non guaranteed bonds	June 30, 2014	6.25	594,674	595,830	1,156
AHB non guaranteed bonds	May 15, 2011	5.55	159,536	159,536	-
JMRC	April 5, 2010	7.01	217,066	217,066	-
			<u>971,276</u>	<u>972,432</u>	<u>1,156</u>

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

The gain on revaluation of available-for-sale investments has been recognised directly in the equity.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

6. **RELATED PARTY TRANSACTIONS:**

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

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

<u>Related Party</u>	<u>Nature of Transaction</u>	<u>Amount incurred</u>		<u>Payable as at March 31, 2010</u> <u>USD</u>	<u>Payable as at September 30, 2009</u> <u>USD</u> <u>(Audited)</u>
		<u>Six-month period ended March 31,</u>			
		<u>2010</u> <u>USD</u>	<u>2009</u> <u>USD</u>		
Al Arabi Investment Group	Management fees	288,802	244,231	143,585	141,214

- 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>March 31, 2010</u>	<u>September 30, 2009</u>
- Arab Bank (Switzerland)	Subsidiary of Arab Bank Plc, Jordan	1,122,348	1,132,500
- Arab Bank plc, Wholesale Bank, Bahrain	Branch of Arab Bank Plc, Jordan	500,000	500,000
- Oman Arab Bank S.A.O.C.	Affiliate of Arab Bank Plc, Jordan	50,000	50,000

Arab Bank plc, Jordan is the Ultimate Parent Company of the Fund Company.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

6. **RELATED PARTY TRANSACTIONS: (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>March 31, 2010</u> <u>USD</u>	<u>September 30, 2009</u> <u>USD</u> <u>(Audited)</u>
Arab Bank Plc – Wholesale Bank, Bahrain	Current account	Branch of Arab Bank Plc, Jordan	591	50,670
Arab Bank Plc – Retail Bank, Bahrain	Current account	Branch of Arab Bank Plc, Jordan	29,761	150,311
Arab Bank Plc, Jordan	Equity shares	Ultimate Parent of the Fund Company	840,068	1,078,307
Arab Bank Plc, Jordan	Current account	Ultimate Parent of the Fund Company	608,114	686,025
Arab Bank Plc, Palestine	Current account	Branch of Arab Bank Plc, Jordan	24,558	24,567
Oman Arab Bank S.A.O.C.	Current account	Affiliate of Arab Bank Plc, Jordan	5,333,868	4,742,476
Arab Bank Syria	Current account	Affiliate of Arab Bank Plc, Jordan	22,811	22,811

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

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The Directors believe that the fair values of financial instruments at the reporting dates are not significantly different from the carrying values included in the financial statements.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2010

7. FAIR VALUE OF FINANCIAL INSTRUMENTS: (CONTINUED)

7.1 Fair value measurements recognized in the statement of financial position

Financial instruments are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets at FVTPL and AFS are grouped within Level 1.

There are no financial liabilities at FVTPL at the reporting date. Further, there were no transfers between Level 1, Level 2 and Level 3 during the period.