

ARAB BANK MENA FUND  
MANAMA  
KINGDOM OF BAHRAIN

CONDENSED INTERIM  
FINANCIAL INFORMATION  
FOR THE PERIOD ENDED  
MARCH 31, 2012

**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 2400,  
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

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 to the Unit holders	1
Condensed Statement of Financial Position as at March 31, 2012	2
Condensed Statement of Comprehensive Income For the Period Ended March 31, 2012	3
Condensed Statement of Changes in Net Assets For the Period Ended March 31, 2012	4
Condensed Statement of Cash Flows For the Period Ended March 31, 2012	5
Notes to the Condensed Interim Financial Information For the Period Ended March 31, 2012	6 to 13

## REVIEW REPORT TO THE UNITHOLDERS

Arab Bank MENA Fund,  
Manama,  
Kingdom of Bahrain.

### *Introduction*

We have reviewed the accompanying condensed statement of financial position of Arab Bank MENA Fund (“the Fund”) as at March 31, 2012 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 information. 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, 2012, 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”).

Manama – Kingdom of Bahrain  
June 21, 2012

  
Deloitte & Touche

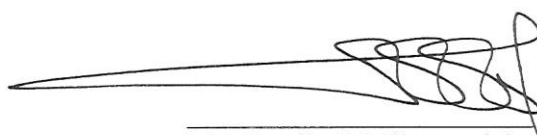
**ARAB BANK MENA FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**AS AT MARCH 31, 2012**

		<u>March 31,</u> <u>2012</u> <u>USD</u>	<u>(Audited)</u> <u>September 30,</u> <u>2011</u> <u>USD</u> <u>(Restated)</u>	<u>(Audited)</u> <u>October 1,</u> <u>2010</u> <u>USD</u> <u>(Restated)</u>
<b>Assets</b>				
<b>Current assets</b>				
Cash at banks		12,460,351	11,891,449	16,733,221
Dividend receivable		386,442	1,950	-
Interest receivable		31,306	15,999	29,722
Investments at fair value through profit or loss	6.1	20,113,073	20,806,246	20,491,946
Available-for-sale investments	6.2	1,821,754	850,144	755,415
Other assets		15	-	135
		-----	-----	-----
<b>Total assets</b>		<u>34,812,941</u>	<u>33,565,788</u>	<u>38,010,439</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Due to a related party	7	129,232	129,333	141,022
Other payables		43,684	46,786	40,423
		-----	-----	-----
<b>Total liabilities</b>		<u>172,916</u>	<u>176,119</u>	<u>181,445</u>
		-----	-----	-----
<b>Net assets attributable to holders of redeemable units</b>		<u>34,640,025</u>	<u>33,389,669</u>	<u>37,828,994</u>
<b>Analysis of net assets</b>				
Capital	8	49,830,504	52,289,335	54,872,616
Accumulated losses		(15,241,984)	(18,919,561)	(17,059,902)
Fair value reserve for available-for-sale investments	6.2	51,505	19,895	16,280
		-----	-----	-----
<b>Net assets</b>		<u>34,640,025</u>	<u>33,389,669</u>	<u>37,828,994</u>
		-----	-----	-----
<b>Number of units</b>	8	<u>4,360,851</u>	<u>4,698,945</u>	<u>5,046,482</u>
		-----	-----	-----
<b>Net Asset value per unit</b>		<u>7.9434</u>	<u>7.1058</u>	<u>7.4961</u>

The condensed interim financial information was approved and authorised for issue by the Directors on June 21, 2012 and signed on their behalf by:

  
 Mr. Adel Kasaji  
 Director

  
 Mr. Qutaiba M. Hawamdeh  
 Director

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

HN

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

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2012**

	<u>Note</u>	<u>Six-Month Period</u>	
		<u>Ended March 31,</u>	
		<u>2012</u>	<u>2011</u>
		<u>USD</u>	<u>USD</u>
<b>Revenue</b>			
Interest income – available-for-sale investments		37,380	70,590
Other interest income		23,209	40,278
Dividend income		528,105	664,105
Net realised gain / (loss) on disposal of financial assets at fair value through profit or loss		1,019,950	(424,660)
Net unrealised gain on financial assets at fair value through profit or loss		2,419,706	133,446
Net foreign exchange loss		(12,068)	(109,609)
<b>Total operating income</b>		<u>4,016,282</u>	<u>374,150</u>
<b>Expenses</b>			
Management fees	7	(249,030)	(274,544)
Custody and administration fees		(21,751)	(27,704)
Registrar fees		(7,001)	(7,588)
Professional fees		(10,239)	(10,211)
Bank charges		(2,064)	(1,701)
Other expenses		(48,620)	(56,873)
<b>Total operating expenses</b>		<u>(338,705)</u>	<u>(378,621)</u>
<b>Profit / (loss) for the period</b>		<u>3,677,577</u>	<u>(4,471)</u>
<b>Other comprehensive income</b>			
Net profit / (loss) arising on revaluation of available-for-sale investments		31,610	(7,314)
<b>Total comprehensive income / (loss) for the period</b>		<u>3,709,187</u>	<u>(11,785)</u>
<b>Increase / (decrease) in net assets attributable to holders of redeemable units</b>		<u>3,709,187</u>	<u>(11,785)</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, 2012**

	<u>Six-Month</u> <u>Period Ended</u> <u>March 31,</u> <u>2012</u> <u>USD</u>	<u>Six-Month</u> <u>Period Ended</u> <u>March 31,</u> <u>2011</u> <u>USD</u>
<b>Net assets attributable to holders of redeemable units at the beginning of period</b>	33,389,669	37,828,994
Issue of redeemable units	-	1,097,851
Redemption of redeemable units	(2,458,831)	(2,867,835)
Increase / (decrease) in net assets attributable to holders of redeemable units	3,709,187	(11,785)
<b>Net assets attributable to holders of redeemable units at the end of period</b>	<u>34,640,025</u>	<u>36,047,225</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, 2012**

	<u>Six Month Period</u>	
	<u>Ended March 31,</u>	
	<u>2012</u>	<u>2011</u>
	<u>USD</u>	<u>USD</u>
<b>Cash flows from operating activities</b>		
Profit / (loss) for the period	3,677,577	(4,471)
Adjustments for:		
Net (gain) / loss on financial assets at fair value through profit or loss	(3,439,656)	291,214
Dividend income	(528,105)	(664,105)
Interest income	(60,589)	(110,868)
	-----	-----
	(350,773)	(488,230)
Changes in operating assets and liabilities:		
Increase in other assets	(15)	(177,871)
Decrease in due to a related party	(101)	(6,639)
(Decrease) / increase in other payables	(3,102)	9,210
	-----	-----
	(353,991)	(663,530)
Purchase of investment securities	(4,013,456)	(7,514,112)
Proceeds from disposal of investment securities	7,206,285	6,595,249
Dividend received	143,613	219,971
Interest received	45,282	117,074
	-----	-----
<b>Net cash from / (used in) operating activities</b>	<b>3,027,733</b>	<b>(1,245,348)</b>
	-----	-----
<b>Cash flows from financing activities</b>		
Proceeds from issue of redeemable units	-	1,097,851
Payments on redemption of redeemable units	(2,458,831)	(2,867,835)
	-----	-----
<b>Net cash used in financing activities</b>	<b>(2,458,831)</b>	<b>(1,769,984)</b>
	-----	-----
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>568,902</b>	<b>(3,015,332)</b>
Cash and cash equivalents at the beginning of the period	11,891,449	16,733,221
	-----	-----
<b>Cash and cash equivalent at the end of the period</b>	<b>12,460,351</b>	<b>13,717,889</b>
	=====	=====
Comprising:		
Cash at banks	12,460,351	13,717,889
	=====	=====

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, 2012**

---

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

Arab Bank MENA Fund (“the Fund”) is an open-ended investment fund established by Arab Bank MENA Fund Company B.S.C. (c) (“the Fund Company”). The Fund is an Expert Fund under the collective investment undertakings regulations issued by the Central Bank of Bahrain (“the CBB”) as contained in the Rulebook, volume 7, Collective Investment Undertakings. The Fund Company has been registered at the Ministry of Industry & Commerce and is authorised and approved by the CBB.

The Fund is managed by Al Arabi Investment Group (“the Investment Manager”) who manages the Fund as a fiduciary patrimony on a discretionary basis authorise to the provisions of the Fund’s by-laws and the provisions of law that regulates fiduciary activities. Gulf Custody Company B.S.C (c) is the custodian and administrator (referred to as “the Custodian” or “the Administrator”) agent of the Fund.

The objective of the Fund is to provide income primarily from investments in equities with possible investment in bonds aiming to preserve capital during period of weak equity market performance and maximising capital growth during period of strong equity markets performance. The Fund may distribute dividends on an annual basis, upon the sole discretion of the Investment Manager.

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

2. **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 (IAS) 34 “Interim Financial Reporting”.

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, 2011.

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, 2012.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2012**

---

3. **SIGNIFICANT ACCOUNTING POLICIES:**

The condensed interim financial information has been prepared under the historical cost convention except for the valuation of securities designated at fair value through profit or loss.

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, 2011, except for the impact of the adoption of the Standards and Interpretations described below:

**Standards affecting the disclosures and presentation in the current period**

None of the revised Standards that have been adopted in the current period which are effective for annual periods beginning on or after October 1, 2011 have affected the disclosures and presentations in the financial information.

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, 2011.

5. **FEES:**

(a) **Management Fee**

Under the Investment Management agreement, the Fund has to pay the Investment Manager remuneration for its on-going services a fee accruing on each Valuation Day at the annual rate of 1.5% of the NAV of the Fund, prior to the accrual of performance fees. Management fees accrue monthly and are payable quarterly in arrears by the Fund.

(b) **Administration and Custody Fee**

Under the Administration and Custody agreement, the Fund has agreed to pay the Administrator and Custodian as remuneration for its on-going services a fee accruing on each Valuation Day. The administration and custody fee is payable quarterly in arrears within seven (7) business days following the last day of each quarter and are calculated as follows:

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2012**

5. **FEES: (CONTINUED)**

(b) **Administration and Custody Fee (Continued)**

- Investments that are made in the Gulf Cooperation Council (GCC) Countries: The Fund will be charged an annual custody and administration fee of 0.125% of the NAV that is held under custody in these countries, subject to a minimum annual fee of USD 25,000; and
- Investments that are made in Levant and North African Countries: The Fund is charged an annual fee of 0.175% of the NAV that is held under the custody in these countries, subject to a minimum annual fee of USD 30,000.

(c) **Registrar Fee**

Under the Registrar and Transfer Agent agreement, the Registrar and Transfer Agent's fee is being paid at USD 4,000 per annum up to 50 unitholders and additional charge of USD 50 per annum for every additional unitholder. The registrar fee will be accrued on each Valuation Day and will be payable quarterly in arrears within seven business day following the last revaluation day of each quarter.

6. **INVESTMENT SECURITIES:**

	<u>March 31,</u> <u>2012</u> <u>USD</u>	<u>September 30,</u> <u>2011</u> <u>USD</u> <u>(Audited)</u>
Financial assets at fair value through profit or loss (Note 6.1)	20,113,073	20,806,246
Available-for-sale investments (Note 6.2)	1,821,754	850,144
	----- 21,934,827 =====	----- 21,656,390 =====

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2012**

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

6.1 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>March 31,</u> <u>2012</u> <u>USD</u> <u>(Unaudited)</u>	<u>September 30,</u> <u>2011</u> <u>USD</u> <u>(Audited)</u>
Financial assets at fair value through profit or loss at beginning of the period / year	20,806,246	20,491,946
Purchases during the period / year	3,073,456	11,651,946
Proceeds from sales during the period / year	(7,206,285)	(9,204,455)
Net realised gain / (loss) on disposal of financial assets at fair value through profit or loss	1,019,950	(210,854)
Increase / (decrease) in fair value of investments at fair value through profit or loss	<u>2,419,706</u>	<u>(1,922,337)</u>
Financial assets at fair value through profit or loss at end of the period / year	<u><u>20,113,073</u></u>	<u><u>20,806,246</u></u>

6.2 Available-for-sale investments comprise:

<u>Investment in listed bonds</u>	<u>Maturity</u>	<u>Coupon</u> <u>rate</u> <u>%</u>	<u>March 31, 2012</u>		
			<u>Cost</u> <u>USD</u>	<u>Fair</u> <u>Value</u> <u>USD</u>	<u>Fair Value</u> <u>Reserve</u> <u>USD</u>
Bank Muscat non-guaranteed bonds	June 30, 2014	6.25	579,589	592,401	12,812
HKJ Euro bonds	December 11, 2015	3.88	940,000	966,160	26,160
Lebanese Republic - non - guaranteed bonds	December 17, 2017	7.90	250,660	263,193	12,533
			<u>1,770,249</u>	<u>1,821,754</u>	<u>51,505</u>

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2012**

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

<u>Investment in listed bonds</u>	<u>Maturity</u>	<u>Coupon rate</u> <u>%</u>	<u>September 30, 2011 (Audited)</u>		
			<u>Cost</u> <u>USD</u>	<u>Fair Value</u> <u>USD</u>	<u>Fair Value Reserve</u> <u>USD</u>
Bank Muscat non - guaranteed bonds	June 30, 2014	6.25	579,589	589,458	9,869
Lebanese Republic - non - guaranteed bonds	December 17, 2017	7.90	250,660	260,686	10,026
			830,249	850,144	19,895

7. **RELATED PARTY DISCLOSURES:**

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

- 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</u> <u>March 31,</u> <u>2012</u> <u>USD</u>	<u>Payable as at</u> <u>March 31,</u> <u>2011</u> <u>USD</u>
		<u>Six-month period ended</u> <u>March 31,</u> <u>2012</u> <u>USD</u>	<u>March 31,</u> <u>2011</u> <u>USD</u>		
Al Arabi Investment Group	Management fees	249,030	274,544	129,232	129,333

- 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,</u> <u>2012</u>	<u>September 30,</u> <u>2011</u>
- Arab Bank (Switzerland)	Subsidiary of Arab Bank Plc, Jordan	784,388	988,160
- 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**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2012**

7. **RELATED PARTY DISCLOSURES: (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, 2012</u> <u>USD</u>	<u>September 30, 2011</u> <u>USD</u>
Arab Bank Plc – Wholesale Bank, Bahrain	Current account	Branch of Arab Bank Plc, Jordan	226,590	1,418,244
Arab Bank Plc – Retail Bank, Bahrain	Current account	Branch of Arab Bank Plc, Jordan	15,042	20,434
Arab Bank Plc, Jordan	Equity shares (2011: 55,200 shares) (2012: 55,200 shares)	Ultimate Parent of the Fund Company	634,796	623,249
Arab Bank Plc, Jordan	Current account	Ultimate Parent of the Fund Company	28,949	9,591
Arab Bank Plc, Palestine	Current account	Branch of Arab Bank Plc, Jordan	24,544	24,544
Oman Arab Bank S.A.O.C.	Current account	Affiliate of Arab Bank Plc, Jordan	4,784,332	2,485,215
Arab Bank, Syria	Current account	Affiliate of Arab Bank Plc, Jordan	25,245	25,248
Arab Bank, Syria	Time deposits	Affiliate of Arab Bank Plc, Jordan	44,591	43,431
Arab Bank, Cairo	Current account	Affiliate of Arab Bank Plc, Jordan	130,805	-

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2012**

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

9.1 **Fair value measurements recognised in the statement of financial position (Continued)**

- 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 investments 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.

10. **PRIOR PERIOD ERROR:**

An error was discovered in 2012 relating to the cost of available-for-sale investments recorded in the Fund's books. The management decided to adjust this error by amending the cost of these investments and accordingly revising the fair value reserve pertaining to these available-for-sale investments. As part of the rectifying procedure the amounts recorded in the earlier years were adjusted and an amount of USD 16,226 was transferred from the net cumulative realised loss to the fair value reserve for available-for-sale investments under equity representing the revaluation gain. These adjustments did not result in a change to the net assets or the net asset value per unit. In accordance with the requirements of IAS 8: Change in Accounting Estimates and Errors, this has been rectified by restating prior periods' investments classified as available-for-sale and the related fair value reserve as at September 30, 2011 and October 1, 2010.

	<u>September 30</u> <u>2011</u> <u>USD</u> <u>As previously</u> <u>stated</u>	<u>September 30</u> <u>2011</u> <u>USD</u> <u>As</u> <u>restated</u>
Fair value reserve for available-for-sale investments	3,669	19,895
Accumulated losses	(18,903,335)	(18,919,561)
Net assets as at September 30, 2011	33,389,669	33,389,669