

ARAB BANK MENA FUND
MANAMA
KINGDOM OF BAHRAIN

CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE PERIOD ENDED
MARCH 31, 2013

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

Directors

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

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

Auditor

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

Engagement Partner: Mr. Rushdi Kikhia

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

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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, 2013 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. 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, 2013, 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
August 15, 2013


Deloitte & Touche

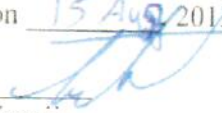
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ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2013


		March 31, 2013 USD	(Audited) September 30, 2012 USD
Assets			
Current assets			
Cash at banks		11,485,533	10,820,497
Dividend receivable		251,325	-
Interest receivable		49,154	49,228
Financial assets at fair value through profit or loss	6.1	19,791,843	19,986,752
Available-for-sale investments	6.2	1,819,157	1,820,087
Other assets		18,155	99,978
Total assets		33,415,167	32,776,542
Liabilities			
Current liabilities			
Due to a related party	7	122,859	126,599
Other payables		43,017	44,543
Total liabilities		165,876	171,142
Net assets attributable to holders of redeemable units		33,249,291	32,605,400
Analysis of net assets			
Capital	8	40,520,330	42,169,260
Surplus		6,900,679	6,537,920
Accumulated losses		(14,220,626)	(16,151,618)
Fair value reserve for available-for-sale investments	6.2	48,908	49,838
Net assets		33,249,291	32,605,400
Number of units	8	4,052,033	4,216,926
Net asset value per unit		8.2056	7.7320

The condensed interim financial information was approved and authorised for issue by the Directors on 15 Aug 2013 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.



ARAB BANK MENA FUND
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CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

	<u>Notes</u>	<u>Six-Month Period</u> <u>Ended March 31,</u>	
		<u>2013</u>	<u>2012</u>
		<u>USD</u>	<u>USD</u>
Revenue			
Interest income – available-for-sale investments		48,465	37,380
Other interest income		17,038	23,209
Dividend income		577,517	528,105
Net realised gain on disposal of financial assets at fair value through profit or loss	6.1	673,405	1,019,950
Net unrealised gain on financial assets at fair value through profit or loss	6.1	948,052	2,419,706
Net foreign exchange loss		(18,688)	(12,068)
Total operating income		<u>2,245,789</u>	<u>4,016,282</u>
Expenses			
Management fees	7	(244,323)	(249,030)
Custody and administration fees		(21,395)	(21,751)
Registrar fees		(6,166)	(7,001)
Professional fees		(10,515)	(10,239)
Bank charges		(1,342)	(2,064)
Other expenses		(31,056)	(48,620)
Total operating expenses		<u>(314,797)</u>	<u>(338,705)</u>
Profit for the period		<u>1,930,992</u>	<u>3,677,577</u>
Other comprehensive income			
Net (loss) / gain arising on revaluation of available-for-sale investments		(930)	31,610
Total comprehensive income for the period		<u>1,930,062</u>	<u>3,709,187</u>
Increase in net assets attributable to holders of redeemable units		<u>1,930,062</u>	<u>3,709,187</u>

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

ARAB BANK MENA FUND
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CONDENSED STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

	<u>Number of units</u>	<u>Unit capital USD</u>	<u>Unit surplus/ (deficit) USD</u>	<u>Accumulated losses USD</u>	<u>Fair value reserve USD</u>	<u>Total USD</u>
Balance at September 30, 2011 (Audited)	4,698,945	46,989,450	5,299,885	(18,919,561)	19,895	33,389,669
Redemptions of redeemable units	(338,094)	(3,380,940)	922,109	-	-	(2,458,831)
Profit for the period	-	-	-	3,677,577	-	3,677,577
Net gain on revaluation	-	-	-	-	31,610	31,610
Balance at March 31, 2012	<u>4,360,851</u>	<u>43,608,510</u>	<u>6,221,994</u>	<u>(15,241,984)</u>	<u>51,505</u>	<u>34,640,025</u>
Balance at September 30, 2012 (Audited)	4,216,926	42,169,260	6,537,920	(16,151,618)	49,838	32,605,400
Subscriptions of units	3,049	30,490	(5,537)	-	-	24,953
Redemptions of redeemable units	(167,942)	(1,679,420)	368,296	-	-	(1,311,124)
Profit for the period	-	-	-	1,930,992	-	1,930,992
Net loss on revaluation	-	-	-	-	(930)	(930)
Balance at March 31, 2013	<u>4,052,033</u>	<u>40,520,330</u>	<u>6,900,679</u>	<u>(14,220,626)</u>	<u>48,908</u>	<u>33,249,291</u>

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

ARAB BANK MENA FUND
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CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

	<u>Six Month Period</u>	
	<u>Ended March 31,</u>	
	<u>2013</u>	<u>2012</u>
	<u>USD</u>	<u>USD</u>
Cash flows from operating activities		
Profit for the period	1,930,992	3,677,577
Adjustments for:		
Net gain on financial assets at fair value through profit or loss	(1,621,457)	(3,439,656)
Dividend income	(577,517)	(528,105)
Interest income	(65,503)	(60,589)
	-----	-----
	(333,485)	(350,773)
Changes in operating assets and liabilities:		
Decrease / (increase) in other assets	81,824	(15)
Decrease in due to a related party	(3,740)	(101)
Decrease in other payables	(1,526)	(3,102)
	-----	-----
	(256,927)	(353,991)
Purchase of investment securities	(2,221,388)	(4,013,456)
Proceeds from disposal of investment securities	4,037,752	7,206,285
Dividend received	326,193	143,613
Interest received	65,577	45,282
	-----	-----
Net cash from operating activities	1,951,207	3,027,733
	-----	-----
Cash flows from financing activities		
Proceeds from issue of redeemable units	24,953	-
Payments on redemption of redeemable units	(1,311,124)	(2,458,831)
	-----	-----
Net cash used in financing activities	(1,286,171)	(2,458,831)
	-----	-----
Net increase in cash and cash equivalents	665,036	568,902
Cash and cash equivalents at the beginning of the period	10,820,497	11,891,449
	-----	-----
Cash and cash equivalent at the end of the period	11,485,533	12,460,351
	=====	=====
Comprising:		
Cash at banks	11,485,533	12,460,351
	=====	=====

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

ARAB BANK MENA FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

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 (“the Operator” and “the Investment Manager”). The Fund is an Expert Fund under the collective investment undertakings regulations issued by the Central Bank of Bahrain (“the CBB”) as contained in Volume 7 of the CBB Rulebook. The Fund Company has been registered at the Ministry of Industry & Commerce and is authorised and approved by the CBB on March 22, 2005. The Fund was launched on May 23, 2005.

The Fund is managed by Al Arabi Investment Group 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”) 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 market performance. The Fund may distribute dividends on an annual basis, upon the sole discretion of the Investment Manager.

The condensed interim financial information represents 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, 2012.

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, 2013.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

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 and available-for-sale investments.

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, 2012, 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, 2012 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, 2012.

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:

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

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>2013</u> <u>USD</u>	<u>September 30,</u> <u>2012</u> <u>USD</u> <u>(Audited)</u>
Financial assets at fair value through profit or loss (Note 6.1)	19,791,843	19,986,752
Available-for-sale investments (Note 6.2)	1,819,157	1,820,087
	----- 21,611,000 =====	----- 21,806,839 =====

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

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

6.1 Financial assets at fair value through profit or loss:

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

	<u>March 31,</u> <u>2013</u> <u>USD</u>	<u>September 30,</u> <u>2012</u> <u>USD</u> <u>(Audited)</u>
Financial assets at fair value through profit or loss at beginning of the period / year	19,986,752	20,806,246
Purchases during the period / year	2,221,387	5,217,226
Proceeds from sales during the period / year	(4,037,753)	(8,349,023)
Net realised gain on disposal of financial assets at fair value through profit or loss	673,405	1,108,859
Increase in fair value of investments at fair value through profit or loss	948,052	1,203,444
	-----	-----
Financial assets at fair value through profit or loss at end of the period / year	<u>19,791,843</u>	<u>19,986,752</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, 2013</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	583,747	4,158
Lebanese Republic - non - guaranteed bonds	December 17, 2017	7.90	250,660	258,180	7,520
HKJ Euro bonds	November 12, 2015	3.875	940,000	977,230	37,230
			-----	-----	-----
			<u>1,770,249</u>	<u>1,819,157</u>	<u>48,908</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

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

The analysis of listed bonds is as follows:

	<u>Maturity</u>	<u>Coupon rate %</u>	<u>September 30, 2012 (Audited)</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	579,589	577,997	(1,592)
Lebanese Republic - non – guaranteed bonds	December 17, 2017	7.90	250,660	260,060	9,400
HKJ Euro bonds	November 12 , 2015	3.875	940,000	982,030	42,030
			----- 1,770,249 =====	----- 1,820,087 =====	----- 49,838 =====

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 March 31, 2013 USD</u>	<u>Payable as at September 30, 2012 USD (Audited)</u>
		<u>Six-month period ended March 31, 2013 USD</u>	<u>March 31, 2012 USD</u>		
Al Arabi Investment Group	Management fees	244,323 =====	249,030 =====	122,859 =====	126,599 =====

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

7. **RELATED PARTY DISCLOSURES: (CONTINUED)**

- 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, 2013</u>	<u>September 30, 2012</u> <u>(Audited)</u>
- Arab Bank (Switzerland)	Subsidiary of Arab Bank Plc, Jordan	709,805	748,443
- 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:

<u>Related Party</u>	<u>Nature of Transaction</u>	<u>Nature of Relationship</u>	<u>Fair Value</u>	
			<u>March 31, 2013</u> <u>USD</u>	<u>September 30, 2012</u> <u>USD</u> <u>(Audited)</u>
Arab Bank Plc – Wholesale Bank, Bahrain	Current account	Branch of Arab Bank Plc, Jordan	32,552	40,798
Arab Bank Plc – Retail Bank, Bahrain	Current account	Branch of Arab Bank Plc, Jordan	28,359	33,704
Arab Bank Plc, Jordan	Equity shares (March 2013: 55,200 shares) (September 30, 2012: 55,200 shares)	Ultimate Parent of the Fund Company	560,655	560,972
Arab Bank Plc, Jordan	Current account	Ultimate Parent of the Fund Company	39,712	172,875
Arab Bank Plc, Palestine	Current account	Branch of Arab Bank Plc, Jordan	12,087	30,645
Oman Arab Bank S.A.O.C.	Current account	Affiliate of Arab Bank Plc, Jordan	4,613,281	4,349,726
Arab Bank Plc, Dubai	Current account	Affiliate of Arab Bank Plc, Jordan	3,155,880	-

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013

7. **RELATED PARTY DISCLOSURES: (CONTINUED)**

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

<u>Related Party</u>	<u>Nature of Transaction</u>	<u>Nature of Relationship</u>	<u>Fair Value</u>	
			<u>March 31, 2013</u> <u>USD</u>	<u>September 30, 2012</u> <u>USD</u> <u>(Audited)</u>
Arab Bank, Syria	Current account	Affiliate of Arab Bank Plc, Jordan	35,278	37,543
Arab Bank, Syria	Time deposits	Affiliate of Arab Bank Plc, Jordan	33,044	34,068
Arab Bank, Cairo	Current account	Affiliate of Arab Bank Plc, Jordan	42,139	45,610

8. **CAPITAL:**

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

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

Each unit issued confers upon the unit holder 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.

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

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
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9. **FAIR VALUE OF FINANCIAL INSTRUMENTS: (CONTINUED)**

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

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

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

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

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