

ARAB BANK MENA FUND

**REVIEW REPORT AND CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE PERIOD ENDED
MARCH 31, 2018**

ARAB BANK MENA FUND

Directors

Mr. Feras Jasser Jameel Ziyad
Mr. Guy Khoury
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

Auditors

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

Engagement Partner: Zahi Zeini

ARAB BANK MENA FUND

CONTENTS

	<u>Page</u>
Review Report	1
Financial Statements:	
Interim Statement of Financial Position	2
Interim Statement of Profit or Loss and Other Comprehensive Income	3
Interim Statement of Changes in Net Assets	4
Interim Statement of Cash Flows	5
Notes to the Condensed Interim Financial Information	6 to 12

REVIEW REPORT

To the Unitholders
Arab Bank MENA Fund
Kingdom of Bahrain

Introduction

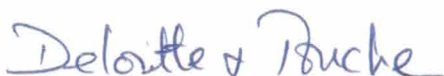
We have reviewed the interim statement of financial position of Arab Bank MENA Fund (the "Fund"), as at March 31, 2018, and the related interim statement of profit or loss and other comprehensive income, interim statement of changes in net assets and interim statement of cash flows for the six-month 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 is not prepared, in all material respects, in accordance with IAS 34.



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

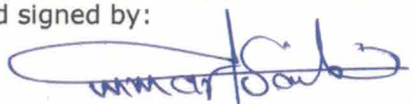
June 10, 2018

ARAB BANK MENA FUND
INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2018

	Notes	March 31, 2018 USD (Unaudited)	September 30, 2017 USD (Audited)
Assets			
Current assets			
Cash at banks	6 & 8	2,231,856	1,953,633
Dividends receivable		61,509	19,721
Interest receivable		74	34
Investments at fair value through profit or loss	7	14,804,478	15,675,943
Due from brokers		508,450	1,812,551
Total assets		<u>17,606,367</u>	<u>19,461,882</u>
Liabilities			
Current liabilities			
Due to a related party	8	65,039	75,798
Other payables		33,894	40,632
Total liabilities		<u>98,933</u>	<u>116,430</u>
Equity			
Unit capital	9	21,190,650	22,453,450
Unit surplus		8,522,170	8,310,241
Accumulated losses		(12,205,386)	(11,418,239)
Total Equity		<u>17,507,434</u>	<u>19,345,452</u>
Total liabilities and equity		<u>17,606,367</u>	<u>19,461,882</u>
Net Asset Value (NAV) per unit at book value based on 2,119,065 units (2017: 2,245,345) outstanding		<u>8.262</u>	<u>8.616</u>


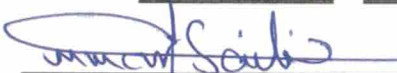
The condensed interim financial information from page 2 to 12 was approved and authorised for issue by the Directors on 10 June, 2018 and signed by:


 Mr. Mohammed Al Ghanamah
 Director


 Mr. Ammar Zuhair Husni Saifi
 Director

The accompanying notes form part of this condensed interim financial information

ARAB BANK MENA FUND
INTERIM STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2018

	Notes	Six-Month Period Ended March 31,	
		2018 USD	2017 USD
Dividend income		494,134	353,081
Interest income – bank accounts		1,031	712
Net realised gain on investments at fair value through profit or loss	7	156,482	1,313,072
Net unrealised (loss) gain on investments at fair value through profit or loss	7	(1,195,776)	417,096
Net foreign exchange loss		(42,792)	(6,708)
		<u>(586,921)</u>	<u>2,077,253</u>
Expenses			
Management fees	5 and 8	(135,189)	(160,131)
Custody and administration fees	5	(27,425)	(27,424)
Registrar fee	5	(3,832)	(4,392)
Professional fees		(10,912)	(11,063)
Bank charges		(838)	(1,214)
Other expenses		(22,030)	(40,396)
Total operating expenses		<u>(200,226)</u>	<u>(244,620)</u>
Loss / profit for the period		<u>(787,147)</u>	<u>1,832,633</u>
Other comprehensive income for the period		<u>-</u>	<u>-</u>
Total comprehensive (loss) / income for the period		<u>(787,147)</u>	<u>1,832,633</u>
			
Mr. Mohammed Al Ghanamah Director		Mr. Ammar Zuhair Husni Saifi Director	

The accompanying notes form part of this condensed interim financial information

ARAB BANK MENA FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2018

1. FORMATION AND OBJECTIVE OF THE FUND:

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

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

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

The condensed interim financial information represents the financial position, the results of operations and cash flows of the Fund only. The Fund does not have any employees and utilises the services of the Investment Manager, Administrator and Custodian to operate the Fund.

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' ("IAS34").

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, 2017.

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, 2018.

ARAB BANK MENA FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES:

The condensed interim financial information has been prepared under the historical cost convention except for the valuation of investments 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, 2017.

Standards affecting the disclosures and presentation in the current period

None of the new and revised Standards that have been adopted in the current period which are effective for annual periods beginning on or after January 1, 2018 have affected the disclosures and presentation in the financial information. Impact of IFRS 9 '*Financial instruments*' is summarised below:

3.1 IFRS 9 Financial Instruments

In the current period, the Fund has adopted IFRS 9 *Financial Instruments* issued in July 2014. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Classification of financial assets and financial liabilities

Financial assets are classified as follows:

- Financial assets at amortized cost
- Financial assets at Fair Value Through Other Comprehensive Income (FVOCI)
- Financial asset at Fair Value Through Profit or Loss (FVTPL)

To determine the classification of financial assets and their measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

A financial asset is measured at amortised cost if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows.

The Fund's cash and banks and accounts receivable will continue to be measured at amortised cost and the Fund's equity investments will continue to be measured at FVTPL.

The Adoption of IFRS 9 did not result in any change in classification or measurement of financial assets and financial liabilities, which continue to be at amortized cost.

ARAB BANK MENA FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2018

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Fund did not have an impact on impairment of financial assets from adoption of this standard.

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, 2017.

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) Custody and Administration Fee

Under the Custody and Administration 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.

ARAB BANK MENA FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2018

(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 represents balances in current accounts and time deposit held at banks.

	March 31, 2018	September 30, 2017
	USD (Unaudited)	USD (Audited)
Current accounts	2,199,836	1,938,980
Time deposit	32,020	14,653
	<u>2,231,856</u>	<u>1,953,633</u>

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

7. **INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS:**

Investments at fair value through profit or loss represent investments in securities quoted on various Gulf Cooperation Council (GCC) and Middle East and North Africa (MENA) stock exchanges.

	March 31, 2018	September 30, 2017
	USD (Unaudited)	USD (Audited)
Balance beginning of period / year	15,675,943	18,303,464
Purchases during the period / year	1,372,880	6,333,173
Proceeds from sales during the period / year	(1,205,051)	(10,533,852)
Net realised gain on disposal of investments	156,482	1,554,740
Net unrealised (loss) / gain	(1,195,776)	18,418
	<u>14,804,478</u>	<u>15,675,943</u>

ARAB BANK MENA FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2018

8. RELATED PARTIES:

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

Al-Arabia Investment Group Co. is a related party as it is the Operator, Investment Manager and Principal Shareholder of the Fund Company.

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

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

Related Party	Nature of Transaction	Amount incurred		Payable as at March 31, 2018 USD (Unaudited)	Payable as at September 30, 2017 USD (Audited)
		Six-month period ended March 31, 2018 USD (Unaudited)	Six-month period ended March 31, 2017 USD (Unaudited)		
Al Arabi Investment Group	Management fees	135,189	160,131	65,039	75,665
Arab Bank Fund Company	Transfer of funds	-	-	-	133
		<u>135,189</u>	<u>160,131</u>	<u>65,039</u>	<u>75,798</u>

- The following related parties owned units in the Fund:

Related Party	Nature of Relationship	Number of units held as at	
		March 31, 2018 (Unaudited)	September 30, 2017 (Audited)
- Arab Bank (Switzerland)	Subsidiary of Arab Bank Plc, Jordan	411,745	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

ARAB BANK MENA FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2018

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

Related Party	Nature of Transaction	Fair Value	
		March 31, 2018 USD (Unaudited)	September 30, 2017 USD (Audited)
Arab Bank Plc – Wholesale Bank, Bahrain	Current accounts	845	20,304
Arab Bank Plc, Jordan	Current account	104,508	5,242
Arab Bank Plc, Palestine	Current account	516	535
Arab Bank Plc, Dubai	Current account	381,624	32,656
Arab Bank, Syria	Current account	16	44,174
Arab Bank, Syria	Time deposit	32,020	14,653
Arab Bank, Cairo	Current accounts	2,836	2,870
Arab Bank Plc, Jordan	Equity shares (March 2018: 66,240 shares) (September 30, 2017: 66,240 shares)	632,118	519,221

9. **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.

ARAB BANK MENA FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2018

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

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

The carrying values of financial assets and financial liabilities at amortised cost approximate their fair value due to their short term nature.

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

The 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
	March 31, 2018 USD (Unaudited)	September 30, 2017 USD (Audited)	
Designated at fair value through profit or loss			
- Financial Institutions	4,785,396	4,994,593	Level 1
- Telecommunication	1,623,192	1,592,841	Level 1
- Manufacturing	51,056	92,721	Level 1
- Services	4,123,856	4,228,555	Level 1
- Industries	2,270,180	2,404,931	Level 1
- Real Estate	1,950,798	2,362,302	Level 1
	<u>14,804,478</u>	<u>15,675,943</u>	