

ARAB BANK MENA FUND
MANAMA
KINGDOM OF BAHRAIN

REVIEW REPORT
AND CONDENSED INTERIM
FINANCIAL INFORMATION
MARCH 31, 2008

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

Directors

Mr. Abdul Kader A Askalan
Mr. Jawdat Halabi
Mr. Adel Kasaji
Mr. Qutaiba M. Hawamdeh
Mr. Samer Al Tamimi

Registered Office

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

Investment Manager

Al Arabi Investment Group

Administrator, Custodian and Registrar

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

Principal Bankers

Arab Bank plc

Auditor

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

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

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REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

The Unitholders
Arab Bank MENA Fund,
Manama,
Kingdom of Bahrain.

Introduction

We have reviewed the accompanying condensed balance sheet of Arab Bank MENA Fund (“the Fund”) as at March 31, 2008 and the related condensed statement of operations, condensed statement of changes in net assets and condensed cash flow statement for the six month period then ended. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this 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.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the Fund as at March 31, 2008, 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”.

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

Manama – Kingdom of Bahrain
May 15, 2008

Deloitte & Touche

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF ASSETS AND LIABILITIES

AS AT MARCH 31, 2008

(Unaudited)

	<u>March 31,</u> <u>2008</u> <u>USD</u> <u>(Unaudited)</u>	<u>September 30,</u> <u>2007</u> <u>USD</u>
ASSETS:		
Cash at banks	6,552,679	4,420,014
Securities designated – at fair value through profit or loss	5 55,410,271	40,245,052
Investments – held to maturity	5 1,251,197	1,316,474
Other assets	924,645	475,296
	-----	-----
Total Assets	64,138,792	46,456,836
	-----	-----
LIABILITIES:		
Accrued expenses and other payables	1,957,951	278,009
Bank overdraft	-	65,562
	-----	-----
Total liabilities	1,957,951	343,571
	-----	-----
Net assets	62,180,841	46,113,265
	=====	=====
ANALYSIS OF NET ASSETS:		
Capital	55,919,060	44,872,766
Net cumulative realised gain / (loss)	5,054,869	(631,965)
Changes in fair value of investments	1,206,912	1,872,464
	-----	-----
Net assets	62,180,841	46,113,265
	=====	=====
Net assets value per unit (5,230,886 units as at March 31, 2008) (4,345,164 units as at September 30, 2007)	11.8872	10.6125
	=====	=====

The financial statements were approved by the Directors on May 15, 2008 and signed on their behalf by:

Director

Director

The attached notes 1 to 5 form part of these condensed interim financial information

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED MARCH 31, 2008
(Unaudited)

	<u>Six Month Period</u> <u>Ended March 31,</u>	
	<u>2008</u>	<u>2007</u>
	<u>USD</u>	<u>USD</u>
		<u>(not reviewed)</u>
INVESTMENT INCOME:		
Interest income – Securities designated at fair value through profit or loss	97,360	199,577
Interest income – Investments held to maturity	169,198	306,338
Dividend income	1,205,376	387,550
Other operating income	2,602	7,699
	-----	-----
	1,474,536	901,164
	-----	-----
EXPENSES:		
Management fees	409,469	364,482
Custody and administration fees	36,685	33,107
Performance fee	686,848	-
Registrar fees	8,899	10,964
Professional fees	26,326	12,874
Bank charges	11,015	7,182
Foreign exchange loss	87,420	11,397
Other expenses	17,695	30,838
	-----	-----
Total expenses	1,284,357	470,844
	-----	-----
Investment gain	190,179	430,320
Realised and unrealised gain on investments:		
Net realised gain on investments	5,496,655	657,615
Change in fair value of investments	(665,552)	(1,898,990)
	-----	-----
Net gain / (loss) on investments	4,831,103	(1,241,375)
	-----	-----
Net increase / (decrease) in net assets resulting from operations	5,021,282	(811,055)
	=====	=====

The attached notes 1 to 5 form part of these condensed interim financial information

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED MARCH 31, 2008
(Unaudited)

	<u>Six Month Period</u> <u>Ended March 31,</u>	
	<u>2008</u>	<u>2007</u>
	<u>USD</u>	<u>USD</u>
		<u>(not reviewed)</u>
Increase / (decrease) in net assets from operations:		
Investment gain - net	190,179	430,320
Net realised gain on investments	5,496,655	657,615
Change in fair value of investments for the period	(665,552)	(1,898,990)
	-----	-----
Net increase/(decrease) in net assets resulting from operations	5,021,282	(811,055)
Change in net assets from capital share transactions	11,046,294	(6,351,501)
	-----	-----
Change in net assets	16,067,576	(7,162,556)
Net assets – beginning of period	46,113,265	54,359,857
	-----	-----
Net assets – end of period	62,180,841	47,197,301
	=====	=====

The attached notes 1 to 5 form part of these condensed interim financial information

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED CASH FLOW STATEMENT
FOR THE PERIOD ENDED MARCH 31, 2008
(Unaudited)

	<u>Six Month Period</u> <u>Ended March 31,</u>	
	<u>2008</u> <u>USD</u>	<u>2007</u> <u>USD</u> <u>(not reviewed)</u>
Net increase in net assets from operations	5,021,282	(811,055)
Adjustment for:		
Net (gain) / loss on investments	(4,831,103)	1,241,375
Changes in operating assets and liabilities:		
Change in other assets	(449,349)	(4,011,161)
Change in other liabilities	1,679,942	(826,653)
Net cash from / (used in) operating activities	1,420,772	(4,407,494)
Cash flows from investing activities		
Payments for purchase of securities	(30,437,173)	(17,154,810)
Proceeds from disposal of securities	20,168,334	12,538,987
Net cash used in investing activities	(10,268,839)	(4,615,823)
Cash flow from financing activities		
Proceeds from issue of units	14,937,000	159,800
Payments on redemption of units	(3,890,706)	(3,390,281)
Net cash from / (used in) financing activities	11,046,294	(3,230,481)
Net increase/(decrease) in cash and cash equivalents	2,198,227	(12,253,798)
Cash and cash equivalents at the beginning of the period	4,354,452	27,475,559
Cash and cash equivalent at the end of the period	6,552,679	15,221,761
Comprising:		
Cash at bank	6,552,679	15,221,761
	<u>6,552,679</u>	<u>15,221,761</u>

The attached notes 1 to 5 form part of these condensed interim financial information

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2008

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 Central Bank of Bahrain.

The Fund is managed by Al Arabi Investment Group (formerly known as Atlas Investment Group) (“the Investment Manager”) who disposes of and 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 Clearing 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 statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

3. **SIGNIFICANT ACCOUNTING POLICIES:**

The same accounting policies, presentation and methods of computation are followed in these condensed interim financial information as were applied in the preparation of the Fund’s financial statements for the year ended September 30, 2007.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2008

4. **CRITICAL 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 the condensed interim financial information.

Classification of investments

Management has to decide upon acquisition of an investment whether it should be classified as held to maturity, available for sale or investments 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 intention and ability to hold these to maturity. The Fund classifies investments as carried at fair value through profit or loss if they are acquired primarily for the purpose of short term profit making. All other investments are classified as available for sale.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of financial assets

The Fund's management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in the statement of operations. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

ARAB BANK MENA FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2008

5. **INVESTMENTS:**

	<u>March 31,</u> <u>2008</u> <u>USD</u>	<u>September 30,</u> <u>2007</u> <u>USD</u>
Investments in listed shares at fair value through profit or loss (Note 5.1)	55,410,271	36,434,442
Investments in listed bonds – at fair value through profit or loss (Note 5.2)	-	3,810,610
	-----	-----
	55,410,271	40,245,052
	-----	-----
Investment in listed bonds – held to maturity (Note 5.3)	1,251,197	1,312,552
	-----	-----
	1,251,197	1,312,552
	-----	-----
	<u>56,661,468</u>	<u>41,557,604</u>

5.1 Investments in Listed Shares - at fair value through profit or loss

		<u>March 31, 2008</u>	<u>Change in Fair</u>
	<u>Cost</u>	<u>Fair value</u>	<u>value</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>
Palestine – USD	197,497	192,500	(4,997)
Egypt – EGP	8,103,121	9,005,757	902,636
Jordan – JOD	2,410,525	2,398,258	(12,267)
Kuwait – KWD	9,313,606	9,389,448	76,342
Kingdom of Bahrain – BHD	519,517	532,785	13,268
Oman – OMR	1,088,463	1,451,938	363,475
Qatar – QAR	4,800,644	4,569,502	(231,142)
Dubai – AED	7,806,544	8,104,628	298,084
Kingdom of Saudi Arabia – SAR	19,756,335	19,558,569	(197,766)
Libya Securities	73,589	76,274	2,685
Syria Securities	134,018	130,612	(3,406)
	-----	-----	-----
	<u>54,203,359</u>	<u>55,410,271</u>	<u>1,206,912</u>

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2008

5. **INVESTMENTS: (CONTINUED)**

5.1 Investments in Listed Shares - at fair value through profit or loss (Continued)

	<u>September 30, 2007</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 – USD	178,743	191,498	12,755
Egypt – EGP	3,768,337	3,808,627	40,290
Jordan – JOD	3,619,139	3,483,897	(135,242)
Kuwait – KWD	6,784,463	7,706,332	921,869
Kingdom of Bahrain – BHD	389,145	385,941	(3,204)
Oman – OMR	2,135,832	2,580,468	444,636
Qatar – QAR	2,681,059	2,707,841	26,782
Dubai – AED	6,895,992	6,966,933	70,941
Kingdom of Saudi Arabia – SAR	8,119,878	8,602,905	483,027
	-----	-----	-----
	34,572,588	36,434,442	1,861,854
	=====	=====	=====

- (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 realizable value because of market illiquidity.

5.2 Investments in Listed Bonds – at fair value through profit or loss

		<u>September 30, 2007</u>				
	<u>Maturity</u>	<u>Coupon</u>	<u>Cost</u>	<u>Carrying</u>	<u>Fair</u>	<u>Change in</u>
		<u>rate</u>	<u>USD</u>	<u>Value</u>	<u>Value</u>	<u>Fair value</u>
		<u>%</u>		<u>USD</u>	<u>USD</u>	<u>USD</u>
Blue City Investment Bonds B1/B2	November 7, 2013	13.75	1,950,000	1,964,875	1,954,875	4,875
Blue City Investment Bonds A3/A4	November 7, 2013	9.16	1,850,000	1,864,121	1,855,735	5,735
			-----	-----	-----	-----
			3,800,000	3,828,996	3,810,610	10,610
			=====	=====	=====	=====

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2008

5. **INVESTMENTS: (CONTINUED)**

5.3 Investments in Listed Bonds – Held to Maturity

			<u>March 31, 2008</u>	
	<u>Maturity</u>	<u>Coupon</u>	<u>Cost</u>	<u>Amortised</u>
		<u>rate</u>	<u>USD</u>	<u>cost</u>
		<u>%</u>		<u>USD</u>
Bank Muscat non guaranteed bonds	June 30, 2014	6.25	586,919	580,340
Bank Dhofar Al Omani Al Faransi bonds	March 31, 2008	7.00	299,514	290,265
AHB non guaranteed bonds	May 15, 2011	5.55	156,576	156,779
ZARA Investment Holding bonds	December 12, 2009	6.00	212,014	151,245
JMCR bonds	April 5, 2010	5.40	70,671	72,568
			-----	-----
			1,325,694	1,251,197
			=====	=====

			<u>September 30, 2007</u>	
	<u>Maturity</u>	<u>Coupon</u>	<u>Cost</u>	<u>Amortised</u>
		<u>rate</u>	<u>USD</u>	<u>cost</u>
		<u>%</u>		<u>USD</u>
Bank Muscat non guaranteed bonds	June 30, 2014	6.25	586,919	580,384
Bank Dhofar Al Omani Al Faransi bonds	March 31, 2008	7.00	299,514	290,773
AHB non guaranteed bonds	May 15, 2011	5.55	156,576	156,833
ZARA Investment Holding bonds	December 12, 2009	6.00	212,014	215,936
JMCR bonds	April 5, 2010	5.40	70,671	72,548
			-----	-----
			1,325,694	1,316,474
			=====	=====

The carrying value of these bonds as of March 31, 2008 and September 30, 2007 closely approximates their fair value as of the same date.