

**MAKASEB ARAB TIGERS FUND**  
**MANAMA**  
**KINGDOM OF BAHRAIN**

**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2009**

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**Chairman**

Mr. Nabeel Waheed

**Directors**

Mr. Omar Bouhadiba (up to November 12, 2009)  
Mr. Ali Raza Khan  
Mr. Denis Sabourin  
Mr. John Iossifidis (from November 12, 2009)

**Registered Office**

Flat 141, Building 3,  
Road 365, Block 316,  
Manama,  
Kingdom of Bahrain.

**Bankers**

Mashreqbank psc. Dubai, U.A.E.  
HSBC Bank  
SABB Bank

**Funds Company**

Makaseb Funds Company B.S.C. (C)

**Investment Manager**

Mashreqbank psc. Dubai, U.A.E.

**Administrator & Custodian**

Gulf Investment Corporation, Kuwait (Upto November 30, 2009)  
HSBC Bank Middle East Limited (From December 1, 2009)

**Auditor**

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

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

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**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**DIRECTORS' REPORT**

The Directors present the annual report and financial statements for the year ended December 31, 2009.

**PRINCIPAL ACTIVITY**

The Fund is a collective investment scheme and its primary objective is to achieve long term capital appreciation through investments primarily in equities listed on the stock exchanges of the Middle East and North Africa region.

**REVIEW OF BUSINESS**

The results of the operations of the Fund are summarised on page 5.

**APPROPRIATIONS**

None.

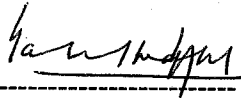
**CHANGES IN DIRECTORS**

Mr. John Iossifidis was appointed to the Board on November 12, 2009 and Mr. Omar Bouhadiba resigned with effect from November 12, 2009.

**AUDITOR**

A resolution proposing the reappointment of Deloitte & Touche as the auditor of the Fund for the year ending December 31, 2010 and authorising the Directors to determine their remuneration will be put to the Annual General Meeting.

On behalf of the Board



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Chairman  
April 20, 2010

## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS:

Makaseb Arab Tigers Fund,  
Manama,  
Kingdom of Bahrain.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Makaseb Arab Tigers Fund, ("the Fund"), which comprise the statement of financial position as at December 31, 2009, the statement of comprehensive income, the statement of changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS: (CONTINUED)*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Makaseb Arab Tigers Fund as of December 31, 2009, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 7 (a) to the financial statements. The securities designated at fair value through profit or loss represent investments in listed securities, which according to the representation of the Investment Manager provide the Fund with the opportunity to enhance the return 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 realisable value.

Manama – Kingdom of Bahrain  
April 20, 2010



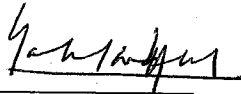
Deloitte & Touche

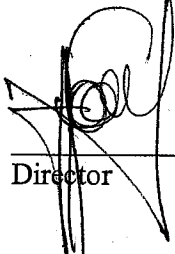
**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2009**

	<u>Notes</u>	<u>2009</u> <u>USD</u>	<u>2008</u> <u>USD</u>
<b>ASSETS:</b>			
Cash at banks	6 & 15	8,702,850	2,683,546
Securities designated at fair value through profit or loss	7	24,202,931	24,479,054
Other assets	8	224,867	-
<b>Total Assets</b>		33,130,648	27,162,600
<b>LIABILITIES:</b>			
Accrued fees and other payables	9	787,351	53,721
Due to a related party	10	168,209	148,039
<b>Total Liabilities</b>		955,560	201,760
<b>Net Assets</b>		32,175,088	26,960,840
<b>ANALYSIS OF NET ASSETS:</b>			
Capital	11	53,267,009	53,534,757
Net realised loss		(21,765,242)	(12,841,135)
Change in fair value of securities designated at fair value through profit or loss	7	673,321	(13,732,782)
<b>Net Assets</b>		32,175,088	26,960,840
Net asset value per unit	18	7.21401	5.99577

The financial statements were approved and authorised for issue by the Directors April 20, 2010 and signed on their behalf by:

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

The attached notes form part of these financial statements.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**STATEMENT OF COMPREHESIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Notes</u>	<u>2009</u> <u>USD</u>	<u>2008</u> <u>USD</u>
<b>INVESTMENT INCOME</b>			
Dividend income	12	991,410	744,410
Foreign exchange gain		450,467	-
Other income	12 & 15	21,928	5,042
		-----	-----
		1,463,805	749,452
		-----	-----
<b>Expenses</b>			
Management fees	5 & 15	599,045	690,428
Administration fees	5	87,764	99,683
Custody fees	5	71,317	84,864
Transaction fees	5	19,740	17,700
Registrar fees	5	12,238	12,410
Professional fees		8,582	8,119
Interest expense	15	10,505	38,399
Foreign exchange loss		-	1,554,434
Other expenses	13	113,487	63,327
		-----	-----
Total expenses		922,678	2,569,364
		-----	-----
<b>Investment gain / (loss)-net</b>		541,127	(1,819,912)
Realised and unrealised gain or (loss) on securities designated at fair value through profit or loss:			
Net realised loss		(9,465,234)	(10,473,469)
Change in fair value		14,406,103	(17,613,843)
		-----	-----
Net gain / (loss) on securities designated at fair value through profit or loss		4,940,869	(28,087,312)
		-----	-----
<b>Net increase / (decrease) in net assets resulting from operations</b>		5,481,996	(29,907,224)
		-----	-----
<b>Total comprehensive income / (loss) for the year</b>		5,481,996	(29,907,224)
		=====	=====

The attached notes form part of these financial statements.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>2009</u> <u>USD</u>	<u>2008</u> <u>USD</u>
Investment gain / (loss) – net	541,127	( 1,819,912)
Net realised loss on securities designated at fair value through profit or loss	(9,465,234)	(10,473,469)
Change in fair value of securities designated at fair value through profit or loss	14,406,103	(17,613,843)
	-----	-----
Net increase / (decrease) in net assets resulting from operations	5,481,996	(29,907,224)
Change in net assets from capital share transactions	(267,748)	37,403,784
	-----	-----
Change in net assets	5,214,248	7,496,560
Net assets at the beginning of the year	26,960,840	19,464,280
	-----	-----
Net assets at the end of the year	<u><u>32,175,088</u></u>	<u><u>26,960,840</u></u>

The attached notes form part of these financial statements.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>2009</u>	<u>2008</u>
	<u>USD</u>	<u>USD</u>
<b>Cash flows from operating activities</b>		
Net increase / (decrease) in net assets resulting from operations	5,481,996	(29,907,224)
Adjustments for:		
Net loss/(gain) on securities designated at fair value through profit or loss	(4,940,869)	28,087,312
Dividend income	(991,410)	(744,410)
Interest income	(778)	( 4,869)
Interest expense	10,505	38,399
	-----	-----
	(440,556)	(2,530,792)
Changes in operating assets and liabilities:		
Decrease in other assets	-	5,933
Decrease in other liabilities	(9,953)	( 277,455)
	-----	-----
Cash generated from operation	(450,509)	(2,802,314)
Payments for purchase of securities designated at fair value through profit or loss	(58,043,361)	(88,296,498)
Proceeds from disposal of securities designated at fair value through profit or loss	63,799,239	55,954,619
Dividend received	991,410	744,410
Interest received	778	4,869
Interest paid	(10,505)	(38,399)
	-----	-----
<b>Net cash from / (used in) operating activities</b>	<b>6,287,052</b>	<b>(34,433,313)</b>
	-----	-----
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	219,641	44,207,672
Payments on redemption of units	(487,389)	(6,803,888)
	-----	-----
<b>Net cash (used in) / from financing activities</b>	<b>(267,748)</b>	<b>37,403,784</b>
	-----	-----
<b>Net increase in cash and cash equivalents</b>	<b>6,019,304</b>	<b>2,970,471</b>
Cash and cash equivalents at the beginning of the year	2,683,546	(286,925)
	-----	-----
<b>Cash and cash equivalents at the end of the year</b>	<b>8,702,850</b>	<b>2,683,546</b>
	=====	=====
Comprising:		
Cash at banks	8,702,850	2,683,546
	-----	-----
	<b>8,702,850</b>	<b>2,683,546</b>
	=====	=====

The attached notes form part of these financial statements.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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1. **STATUS AND ACTIVITIES:**

Makaseb Arab Tigers Fund (“the Fund”) is an open-ended investment fund established by Makaseb Funds Company B.S.C. (c) (“the Fund Company”). The Fund is a collective investment scheme established pursuant to the Central Bank of Bahrain (“CBB”) regulations for the operation and marketing of collective investment schemes issued by CBB, Circular Number OG/356/92 of November 8, 1992 and subsequent supplementary circulars. The Fund is registered with the Ministry of Industry & Commerce and is authorised and approved by the CBB as a Retail Collective Investment Undertaken (CIU). It is established for a period of 25 years by the Fund Company. The life of the Fund can be extended by the Fund Company at the end of the 25<sup>th</sup> year.

The Fund was launched on November 22, 2005 and is denominated in US dollars. The objective of the Fund is to achieve long term capital appreciation through investments primarily in equities listed on the stock exchanges of the Middle East and North Africa region. The Fund’s investment policies are more fully defined in its Prospectus.

The Fund is managed by Mashreqbank psc (“the Investment Manager”) a bank incorporated in the United Arab Emirates. The Fund was administered by Gulf Investment Corporation gsc, Kuwait upto November 30, 2009 and is currently administered by HSBC Bank Middle East Limited, Bahrain (“the Administrator”) from December 1, 2009. The Fund Company is approved by the CBB and incorporated as a Bahrain Joint Stock Investment Company with Commercial Registration Number 55378 and has been established to act as an umbrella vehicle for funds including the Fund.

The financial statements represent the assets, liabilities and operations of the Fund only.

The Fund does not have any employees, however, it uses the services of an Investment Manager, an Administrator and a Custodian for the fund management, administration and custody functions.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**2. ADOPTION OF NEW AND REVISED STANDARDS:**

**2.1 Standards affecting the disclosures and presentation in the current year**

The following revised Standards have been adopted in the current year which is effective for annual periods beginning on or after January 1, 2009 and have affected disclosures and presentations in the financial statements. Details of other Standards adopted in these financial statements but that have had no effect on the amounts reported are set out in Note 2.2.

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

The revised Standard has introduced a number of terminology changes (including revised titles for the 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 year in accordance with the transitional reliefs offered in these amendments.

**2.2 Standards and Interpretations adopted with no effect on the financial statements**

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

	<b>Effective for annual periods beginning on or after</b>
<i>New Interpretations:</i>	
IFRIC 13 Customer Loyalty Programmes	July 1, 2008
IFRIC 15 Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IFRIC 18 Transfers of Assets from Customers	Transfers received on or after July 1, 2009
<i>New Standard:</i>	
IFRS 8 Operating Segments	January 1, 2009
<i>Amendments to Standards and Interpretations:</i>	
IFRS 1 First-time Adoption of International Financial Reporting Standards-Amendment relating to cost of an investment on first time adoption	January 1, 2009
IFRS 2 Share-based Payment-Amendment relating to vesting conditions and cancellations	January 1, 2009
IAS 1 Presentation of Financial Statements-Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	January 1, 2009
IAS 23 Borrowing Costs-Comprehensive revision to prohibit immediate expensing	January 1, 2009
IAS 27 Consolidated and Separate Financial Statements-Amendment relating to cost of an investment on first time adoption	January 1, 2009

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**2. ADOPTION OF NEW AND REVISED STANDARDS:(CONTINUED)**

**2.2 Standards and Interpretations adopted with no effect on the financial statements  
(Continued)**

		<b>Effective for annual periods beginning on or after</b>
<i>Amendments to Standards and Interpretations:</i>		
IAS 32	Financial Instruments: Presentation - Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	January 1, 2009
IFRIC 9 & IAS 39	Amendments relating to Embedded Derivatives	Annual period ending on or after June 30, 2009
Various Standards	Certain amendments resulting from May 2008 Annual Improvements to IFRS's	Various

**2.3 Standards and Interpretations in issue not yet effective**

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not effective:

		<b>Effective for annual periods beginning on or after</b>
<i>New Interpretations:</i>		
IFRIC 17	Distributions of Non-cash Assets to Owners	July 1, 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010
<i>New Standard:</i>		
IFRS 9	Financial Instruments	January 1, 2013
<i>Amendments to Standards and Interpretations:</i>		
IFRS 2	Share-based Payment – Amendments relating to Group and Treasury Share Transactions	January 1, 2010
IFRS 2	Share-based Payment-Amendment relating to vesting conditions and cancellations	January 1, 2009
IFRS 3	Business Combinations- Comprehensive revision on applying the acquisition method	July 1, 2009
IFRS 7	Improving Disclosures about Financial Instruments	January 1, 2009
IFRS 8	Operating Segments – Amendments for disclosure of segment assets	January 1, 2010
IAS 24	Related Party Transactions	January 1, 2011
IAS 27	Consolidated and Separate Financial Statements- Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 28	Investments in Associates-Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 31	Interests in Joint Ventures-Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 32	Financial Instruments: Presentation	February 1, 2010
IAS 39	Financial Instruments: Recognition and Measurement- Amendments for eligible hedged Items	July 1, 2009

**MAKASEB ARAB TIGERS FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

2. **ADOPTION OF NEW AND REVISED STANDARDS:(CONTINUED)**

2.3 **Standards and Interpretations in issue not yet effective (Continued)**

		<b>Effective for annual periods beginning on or after</b>
<i>Amendments to Standards and Interpretations:</i>		
Various Standards	Amendments resulting from May 2008 and April 2009 Annual Improvements to IFRS's	Various
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2011

The Directors anticipate that all of the above Standards and Interpretations as applicable, will be adopted in the Fund's financial statements in future periods and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Fund in the period of initial application.

3. **SIGNIFICANT ACCOUNTING POLICIES:**

**Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

**Basis of Preparation**

The financial statements are prepared on the historical cost convention, except for the revaluation of certain financial assets.

The financial statements are presented in United States Dollars ("USD") being the functional currency of the Fund.

The significant accounting policies are as follows:

(a) **Investments**

The values of securities listed on a securities exchange are based on the last bid price on that exchange on the day of valuation. Transactions in marketable securities are accounted for on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investments within the time frame established by the market concerned.

Investments in securities are classified into securities designated at fair value through profit or loss which are initially recognised and subsequently measured at fair value. Any resultant change in the fair value is recognised in the results for the year as unrealised gains or losses. Realised gains and losses from disposal of securities are determined on an average cost basis.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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

(b) **Other Payables and Accruals**

Other payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. These are recognised at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

(c) **Revenue Recognition**

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Interest income on all interest bearing instruments are recognised on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

(d) **Foreign Currencies**

Foreign currency transactions are recognised in United States Dollars at the approximate rates of exchange prevailing at the time of the transactions. Assets and liabilities denominated in foreign currency at the valuation date are retranslated at the rates of exchange at that date.

The Fund isolates the portion of the results of operations resulting from changes in foreign exchange rates on investments in securities from the fluctuations arising from changes in market prices of investments in securities held.

Translation differences on monetary items are reported as part of the fair value gain or loss in the results for the year.

(e) **Expenses**

All recurring expenses are accounted for on the accrual basis.

Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

(f) **Cash and Cash Equivalents**

Cash and cash equivalents are comprised of current accounts with banks.

**MAKASEB ARAB TIGERS FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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4. **CRITICAL ACCOUNTING 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 financial statements.

*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 positive 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 to be held for trading or upon initial recognition it is designated by the Fund as at fair value through profit or loss. All other investments are classified as available for sale.

**Key sources of estimation uncertainty**

There were no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**MAKASEB ARAB TIGERS FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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5. **FEES AND EXPENSES:**

(a) **Management Fee**

The Investment Manager is entitled to an annual Management Fee at a rate of 2% of the Net Asset Value (“NAV”) of the Fund for its services as Investment Manager. The Management Fee is calculated and accrued on each valuation day and is payable quarterly in arrears.

(b) **Performance Fee**

The Investment Manager is also entitled to a Performance Fee of 10% per annum of the appreciation in Net Asset Value which exceeds 10% per annum payable semi-annually in arrears, subject to a “High Water Mark” as described in the Prospectus of the Fund.

(c) **Administration Fee**

*Gulf Investment Corporation (“GIC”)*

Under the Administration Agreement, the Fund pays GIC an agreed percentage of the NAV of the Fund (subject to a minimum of USD 60,000). The Administration Fee is calculated and accrued on each valuation day and is payable quarterly in arrears. The applicable rates depend on agreed thresholds and vary from 0.14% to 0.28%.

*HSBC Bank Middle East Limited, Bahrain Branch (“HSBC”)*

Under the Administration Agreement, the Fund pays HSBC an agreed percentage of the NAV of the Fund (subject to a minimum of USD 48,000 per annum). The Administration is calculated and accrued on each valuation day and payable monthly in arrears.

The applicable rate will commence at a rate of 20 bps per annum on the Net Asset Value.

(d) **Custody Fee**

*Gulf Investment Corporation (“GIC”)*

Under the Custody Agreement, the Fund pays GIC an agreed percentage of the investments of the Fund. The Custody Fee is calculated and accrued on each valuation day and is payable quarterly in arrears. The applicable rate depend on agreed thresholds and vary from 0.125% to 0.30%.

**MAKASEB ARAB TIGERS FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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5. **FEES AND EXPENSES: (CONTINUED)**

(d) **Custody Fee (Continued)**

*HSBC Bank Middle East Limited, Bahrain Branch (“HSBC”)*

Under the Custody Agreement, the Fund pays HSBC an agreed percentage of the NAV of the Fund. The Custody Fee is calculated and accrued on each valuation day and payable monthly in arrears.

The applicable rate is set at 20 bps per annum on the Net Asset Value for all markets, other than Tunisia for which it is set at 45 bps per annum.

(e) **Transaction Fee**

*Gulf Investment Corporation (“GIC”)*

Under the Administration Agreement, the Fund pays GIC USD 60 for each purchase and sale transaction pertaining to investments. The Fund also pays the Administrator USD 45 for each redemption transaction where the value of the redemption of units exceeds USD 100,000.

*HSBC Bank Middle East Limited, Bahrain Branch (“HSBC”)*

Under the Administration Agreement, the Fund pays HSBC USD 60 for each purchase and sale transaction pertaining to investments.

(f) **Registrar and Transfer Agent Fee**

The Fund is responsible for the fees and expenses of the Registrar and Transfer Agent. The registrar fee is BD 3 per subscription or redemption subject to a minimum annual fee of BD 4,500.

6. **CASH AT BANKS:**

Cash at banks comprise cash held in current accounts with Banks.

**MAKASEB ARAB TIGERS FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**7. SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:**

This caption is composed of the following:

	<u>2009</u> <u>USD</u>	<u>2008</u> <u>USD</u>
Listed shares	24,202,931	24,404,000
Unlisted shares	-	75,054
	<u>24,202,931</u>	<u>24,479,054</u>

December 31, 2009

Listed Shares

	<u>Cost</u> <u>USD</u>	<u>Fair value</u> <u>USD</u>	<u>Change in</u> <u>Fair value</u> <u>USD</u>
AED - Banking	109,714	82,015	(27,699)
- Insurance	940,391	744,483	(195,908)
- Services	3,673,130	3,599,238	(73,892)
	<u>4,723,235</u>	<u>4,425,736</u>	<u>(297,499)</u>
EGP - Investments	1,180,433	1,193,157	12,724
- Other	604,022	306,610	(297,412)
	<u>1,784,455</u>	<u>1,499,767</u>	<u>(284,688)</u>
QAR - Industrial	924,567	1,086,967	162,400
- Services	1,485,397	1,567,205	81,808
	<u>2,409,964</u>	<u>2,654,172</u>	<u>244,208</u>

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**7. SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:**  
**(CONTINUED):**

December 31, 2009

Listed Shares (Continued)

	<u>Cost</u> <u>USD</u>	<u>Fair value</u> <u>USD</u>	<u>Change in</u> <u>Fair value</u> <u>USD</u>
SAR - Banking	1,381,637	1,517,696	136,059
- Food	4,056,621	5,019,804	963,183
- Industrial	980,782	1,273,426	292,644
- Services	3,184,782	3,508,995	324,213
- Other	3,159,089	3,245,536	86,447
	----- 12,762,911	----- 14,565,457	----- 1,802,546
CHF - Other	----- 1,849,045	----- 1,057,799	----- (791,246)
Listed Shares	----- 23,529,610	----- 24,202,931	----- 673,321

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**7. SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:**  
**(CONTINUED):**

December 31, 2008

Listed Shares

	<u>Cost</u> <u>USD</u>	<u>Fair value</u> <u>USD</u>	<u>Change in</u> <u>Fair value</u> <u>USD</u>
AED - Banking	676,877	661,774	(15,103)
- Real Estate	1,549,792	531,106	(1,018,686)
- Services	3,894,201	2,456,131	(1,438,070)
	-----	-----	-----
	6,120,870	3,649,011	(2,471,859)
	-----	-----	-----
EGP - Industrial	2,303,769	1,093,122	(1,210,647)
	-----	-----	-----
QAR - Banking	2,439,898	1,790,107	(649,791)
	-----	-----	-----
KWD - Services	1,131,040	515,559	(615,481)
	-----	-----	-----
OMR - Industrial	385,901	281,922	(103,979)
- Services	1,514,427	661,605	(852,822)
	-----	-----	-----
	1,900,328	943,527	(956,801)
	-----	-----	-----
SAR - Banking	2,428,103	1,784,371	(643,732)
- Food	4,506,237	3,987,468	(518,769)
- Industrial	3,605,459	1,769,068	(1,836,391)
- Services	5,372,977	5,100,692	(272,285)
- Other	2,135,478	2,025,864	(109,614)
	-----	-----	-----
	18,048,254	14,667,463	(3,380,791)
	-----	-----	-----

**MAKASEB ARAB TIGERS FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**7. SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:**  
**(CONTINUED):**

December 31, 2008

Listed Shares (Continued)

	<u>Cost</u> <u>USD</u>	<u>Fair value</u> <u>USD</u>	<u>Change in</u> <u>Fair value</u> <u>USD</u>
GBP - Industrial	3,745,048	1,075,066	(2,669,982)
USD - Services	132,662	51,255	(81,407)
CHF - Other	2,314,913	618,890	(1,696,023)
Listed Shares	38,136,782	24,404,000	(13,732,782)
Unlisted Shares			
AED - Other	75,054	75,054	-
	<u>38,211,836</u>	<u>24,479,054</u>	<u>(13,732,782)</u>

- (a) Investments in listed shares are classified as securities designated 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 is based on market prices, which may not necessarily represent realisable value because of market illiquidity.

**8. OTHER ASSETS:**

	<u>2009</u> <u>USD</u>	<u>2008</u> <u>USD</u>
Outstanding settlements	224,867	-

The above settlements relate to sales transactions performed towards the year end for which the proceeds are receivable from brokers.

**MAKASEB ARAB TIGERS FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

9. **ACCRUED FEES AND OTHER PAYABLES:**

	<u>2009</u>	<u>2008</u>
	<u>USD</u>	<u>USD</u>
Administration fees	5,492	23,971
Registrar fees	2,984	2,984
Transaction charges	60	4,260
Other professional fees	5,570	5,475
Custodian fees	5,492	17,031
Outstanding settlement	763,753	-
Accrued inception fee	4,000	-
	<u>787,351</u>	<u>53,721</u>

Outstanding settlement represents the amount to be settled as at the reporting date in respect of shares purchased.

10. **DUE TO A RELATED PARTY:**

	<u>2009</u>	<u>2008</u>
	<u>USD</u>	<u>USD</u>
Mashreqbank psc. – Management fees	168,209	148,039
	<u>168,209</u>	<u>148,039</u>

11. **CAPITAL:**

The caption is composed of the following:

	<u>2009</u>		<u>2008</u>	
	<u>No. of units</u>	<u>USD</u>	<u>No. of units</u>	<u>USD</u>
Opening balance	4,496,641	53,534,757	1,585,153	16,130,973
Subscriptions during the year	32,381	219,641	3,550,848	44,207,672
Redemptions during the year	(68,939)	(487,389)	(639,360)	(6,803,888)
Ending balance	<u>4,460,083</u>	<u>53,267,009</u>	<u>4,496,641</u>	<u>53,534,757</u>

**MAKASEB ARAB TIGERS FUND**  
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12. **INVESTMENT INCOME:**

An analysis of the Fund's investment income is as follows:

	<u>2009</u>	<u>2008</u>
	<u>USD</u>	<u>USD</u>
Dividend income:		
Dividend from listed shares	991,410	744,410
	-----	-----
Other operating income:		
Exchange gain	450,467	-
Miscellaneous income	16,019	173
Interest on deposits	5,909	4,869
	-----	-----
	472,395	5,042
	-----	-----
	<u>1,463,805</u>	<u>749,452</u>

13. **OTHER EXPENSES:**

	<u>2009</u>	<u>2008</u>
	<u>USD</u>	<u>USD</u>
CBB Registration fee	5,788	5,337
Bank charges and commissions	252	3,333
Miscellaneous	107,447	54,657
	-----	-----
	113,487	63,327
	-----	-----

14. **BUSINESS AND GEOGRAPHIC SEGMENTS:**

The Directors are of the opinion that the Fund is engaged in a single segment of business, being investments in equity and debt securities issued by companies operating and generating revenue in the Middle East and North Africa Region and therefore no further segmental reporting has been provided.

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15. **RELATED PARTY TRANSACTIONS:**

The Fund Company is a related party as it was incorporated to create the Fund.

Mashreqbank psc, Dubai, the Investment Manager, is also the parent company of the Fund Company.

The following transactions occurred between the Fund and its related parties:

	<u>Nature of Transactions</u>	<u>Amount</u>	
		<u>(Incurred)/Earned</u>	
		<u>2009</u>	<u>2008</u>
<u>Related party</u>		<u>USD</u>	<u>USD</u>
Mashreqbank psc, Dubai	Interest income	778	4,869
Mashreqbank psc, Dubai	Management fees	(599,045)	(690,428)
Mashreqbank psc, Dubai	Interest expenses	(10,505)	(38,399)

- (a) During the year Mashreqbank psc, Dubai had invested USD 137,560.98 representing 18,862.75 units (2008: USD 258,624,940 representing 21,809.303 units).
- (b) 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>December 31,</u>	
		<u>2009</u>	<u>2008</u>
Abdul Aziz Al Ghurair	CEO of Mashreqbank	2,171,927.40	2,171,927.40
Imran Ahmad	Managing Director at Mashreqbank's Asset Management Division	-	2,074.82
Mashreqbank psc	Investment Manager of the Fund	458,979.31	440,116.57

- (c) Cash at banks includes cash held in a current account with Mashreqbank psc amounting to USD 1,868,938 as at December 31, 2008. There were no such balances with Mashreqbank psc. as at the reporting date.

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16. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:**

Financial instruments consist of financial assets and financial liabilities.

*Financial assets* of the Fund include securities designated at fair value through profit or loss, cash at banks and other assets.

*Financial liabilities* of the Fund include accrued fees and other payables and due to a related party.

**Significant accounting policies**

Significant accounting policies and methods adopted, including the criteria for recognition, basis of measurement, and the basis on which income and expenses are recognised in respect of each class of financial assets and liabilities are set out in Note 3.

**Categories of financial instruments**

	<u>2009</u>	<u>2008</u>
	<u>USD</u>	<u>USD</u>
<b>Financial assets</b>		
Securities designated at fair value through profit or loss	24,202,931	24,479,054
Receivables (including cash at banks)	8,927,717	2,683,546
<b>Financial liabilities</b>		
Amortised cost	955,560	201,760

**Financial risk management objectives**

The Investment Manager provides services to the Fund, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Fund through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include credit risk, liquidity risk and market risk comprising interest rate risk, foreign currency risk and equity price risk.

16.1 **CREDIT RISK AND CONCENTRATION OF CREDIT RISK**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location.

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16. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)**

16.1 **CREDIT RISK AND CONCENTRATION OF CREDIT RISK: (CONTINUED)**

To mitigate this risk, the Fund spreads its investments, to the extent possible, over various types of counterparties and products consisting mainly of equity securities. However, where concentration is inevitable, the Fund takes precautions to reduce this additional risk to acceptable levels.

The credit risk on liquid funds is limited because the counterparties are banks and financial institutions with high credit ratings assigned by international credit rating agencies.

*Exposure to credit risk*

The management of the Fund believes that the carrying amount of financial assets recorded in the financial statements represents the Fund's maximum exposure to credit risk.

Recorded financial assets have not been provided as collateral for any facilities.

16.2 **LIQUIDITY RISK**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities, it arises because of the possibility (which may often be remote) that the entity could be required to pay its liabilities earlier than expected or reimburse the unit holders as a result of market illiquidity.

The Fund manages liquidity risk by maintaining sufficient cash at banks or by obtaining credit facilities from banks.

The liquidity profile of financial liabilities reflects the projected cash flows over the life of these financial liabilities.

The financial liabilities at December 31, 2009 and 2008 have a maturity of three months or less.

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16. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)**

16.3 **MARKET RISK**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Fund's activities expose it primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity price.

The Fund's market risk is managed through diversification of the investment portfolio exposure. The Fund's overall market positions are monitored on a daily basis by the Investment Manager.

16.3.1 **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Fund is not exposed to interest rate risk as no investments are held with interest bearing bonds or securities.

16.3.2 **Foreign Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates.

The Fund's financial assets and liabilities are denominated primarily in Qatari Riyals, United Arab Emirates Dirhams, Saudi Riyals, Omani Riyals, Bahraini Dinars, Kuwaiti Dinars, Egyptian Pounds, British Pounds, Swiss Francs rather than United States Dollars, the functional currency. The Fund is not exposed to significant currency risk on the Qatari Riyal, United Arab Emirates Dirham, Saudi Riyal, Omani Riyal, Bahraini Dinar since these currencies are effectively pegged to the US Dollar.

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16. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)**

16.3 **MARKET RISK : (CONTINUED)**

16.3.2 **Currency Risk: (Continued)**

The carrying amounts of the Fund's foreign currency denominated financial assets and financial liabilities at the reporting date are as follows:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>2009</u> <u>USD</u>	<u>2008</u> <u>USD</u>	<u>2009</u> <u>USD</u>	<u>2008</u> <u>USD</u>
QAR	2,654,173	1,790,107	-	-
AED	9,222,338	5,620,332	-	-
SAR	18,696,570	15,350,998	-	-
OMR	-	944,594	-	-
KWD	-	546,944	-	-
BHD	-	28,824	8,554	8,459
	-----	-----	-----	-----
GCC Currencies	30,573,081	24,281,799	8,554	8,459
	-----	-----	-----	-----

	<u>Assets</u>		<u>Liabilities</u>	
	<u>2009</u> <u>USD</u>	<u>2008</u> <u>USD</u>	<u>2009</u> <u>USD</u>	<u>2008</u> <u>USD</u>
EGP	1,449,768	1,118,189	-	-
GBP	-	1,075,066	-	-
MAD	-	11,552	-	-
JOD	-	1,167	-	-
CHF	1,057,799	618,891	-	-
	-----	-----	-----	-----
Other currencies	2,507,567	2,824,865	-	-
	-----	-----	-----	-----
	<u><u>33,080,648</u></u>	<u><u>27,106,664</u></u>	<u><u>8,554</u></u>	<u><u>8,459</u></u>

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16. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)**

16.3 **MARKET RISK: ( CONTINUED)**

16.3.2 **Foreign Currency Risk: (Continued)**

*Foreign currency sensitivity analysis*

The sensitivity analysis includes only outstanding foreign currency denominated financial instruments other than the items in GCC currencies (except the Kuwaiti Dinar) and adjusts their translation at the year end for a 5% change in foreign currency rates with all other variables held constant. 5% represents management's assessment of the reasonably possible change in foreign currency rates. A negative number below indicates a decrease in the income, where USD strengthens 5% against the relevant currency. For a 5% weakening of USD against the relevant currency, there would be an equal and opposite impact on the results for the year.

<b><u>Currency</u></b>	<b><u>2009</u></b> <b><u>Effect on Results for</u></b> <b><u>the year</u></b> <b><u>USD</u></b>	<b><u>2008</u></b> <b><u>Effect on Results</u></b> <b><u>for the year</u></b> <b><u>USD</u></b>
KWD	-	(27,347)
EGP	(74,988)	(55,909)
GBP	-	(53,753)
MAD	-	(578)
JOD	-	(58)
CHF	(52,890)	(30,945)

16.3.3 **Equity Price Risk**

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Fund manages the risk through diversification of investments in terms of geographical distribution and industry concentration, to the extent permissible in the Prospectus. As at the year ends, all the Fund's equity investments were in equities listed on the Securities Markets of Dubai, Abu Dhabi, Oman, Egypt, Saudi Arabia, Bahrain and Kuwait.

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16. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)**

16.3 **MARKET RISK: (CONTINUED)**

16.3.3 **Equity Price Risk: (Continued)**

*Equity Price Sensitivity analysis*

The effect on results for the year (as a result of a change in the fair value of securities designated at fair value through profit or loss at the year ends presented) due to a reasonably possible change in market indices with all other variables held constant, is as follows:

	<b><u>2009</u></b>		<b><u>2008</u></b>	
	<b><u>Change in</u></b>	<b><u>Effect on</u></b>	<b><u>Change in</u></b>	<b><u>Effect on</u></b>
<b><u>Market</u></b>	<b><u>equity price</u></b>	<b><u>Results for the</u></b>	<b><u>equity price</u></b>	<b><u>Results for the</u></b>
	<b><u>%</u></b>	<b><u>year</u></b>	<b><u>%</u></b>	<b><u>year</u></b>
		<b><u>USD</u></b>		<b><u>USD</u></b>
United Arab Emirates	+10	442,574	+ 10	449,519
Egypt	+10	255,757	+ 10	206,720
Qatar	+10	265,417	+ 10	179,010
Kuwait	+10	-	+ 10	51,556
Oman	+10	-	+ 10	94,353
Saudi Arabia	+10	1,456,546	+ 10	1,466,746

There would be an equal and opposite impact on the results for the year, had there been a decrease in equity prices by 10%.

17. **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, are not significantly different from the carrying values included in the financial statements.

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

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

Financial instruments that 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 are grouped within Level 1.

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

18. **NET ASSET VALUE PER UNIT:**

	<u>Net Asset Value</u> <u>USD</u>	<u>Number of Units</u> <u>in issue</u>	<u>Net Asset Value</u> <u>Per Unit</u> <u>USD</u>
As at December 31, 2009	32,175,088	4,460,083	7.21401
As at December 31, 2008	26,960,840	4,496,641	5.99577

The net asset value per unit is based on net assets and units outstanding at the year end.