

**THE FIRST MAZOOON FUND**

**UNAUDITED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
31 MARCH 2019**

**Registered address:**

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P.O Box : 974  
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Sultanate of Oman

**THE FIRST MAZOOON FUND**

**UNAUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

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THE FIRST MAZOOON FUND

UUAUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2019

	Note	31-03-2019 R.O	31-03-2018 R.O	31-12-2018 RO
<b>Assets</b>				
Financial assets at fair value through profit or loss	3(a)	7,843,843	7,528,053	5,576,912
Cash and cash equivalents	4	1,262,343	990,964	3,525,077
Other receivables		73,563	126,398	2,139
<b>Total assets</b>		<u>9,179,749</u>	<u>8,645,415</u>	<u>9,104,128</u>
<b>Liabilities</b>				
Accruals and other payables	5	540,209	39,607	40,698
Amount due to brokers		-	-	120,295
Net assets attributable to the unitholders		<u>8,639,540</u>	<u>8,605,808</u>	<u>8,943,135</u>
<b>Total liabilities and net assets attributable to the unitholders</b>		<u>9,179,749</u>	<u>8,645,415</u>	<u>9,104,128</u>
Net assets value per unit attributable to the unitholders	12	<u>1.101</u>	<u>1.089</u>	<u>1.077</u>

These financial statements were approved and authorised for issue by the Members of the Management Body on 28th April 2019 and were signed on their behalf by:

Chairman  
Management Body

Member  
Management Body

The notes on pages 5 to 33 form an integral part of these financial statements.

**THE FIRST MAZOOON FUND**

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 MARCH 2019

	Note	31-03-2019 RO	31-03-2018 RO	31-12-2018 RO
<b>Income</b>				
Dividend income		106,850	129,872	298,227
Interest income		127	-	190
Other income			-	17,579
<b>Total income</b>		<b>106,977</b>	129,872	315,996
Net realised gain/(loss) on sale of financial assets at fair value through profit or loss	3(a)	334,269	540,372	579,046
Net unrealised gain on financial assets at fair value through profit or loss	3(a)	259,198	128,095	5,712
<b>Net investment income/(loss)</b>		<b>700,444</b>	798,339	900,754
<b>Expenses</b>				
Management fees	6	(31,884)	(28,577)	(122,305)
Transaction costs		(47,529)	(38,775)	(109,197)
Custody fees	7	(2,847)	(2,552)	(10,920)
Management Body fees	9(b)	(9,398)	(9,397)	(10,250)
Foreign exchange loss		(56)	(2,086)	(15,292)
General and administrative expenses	8	(3,176)	(3,333)	(22,805)
<b>Total expenses</b>		<b>(94,890)</b>	(84,720)	(290,769)
<b>Profit/(loss) and total comprehensive income/(loss) and increase/(decrease) in net assets attributable to the unitholders for the period</b>		<b>605,554</b>	713,619	609,985
<b>Profit/(loss) per unit</b>	13	0.073	0.090	0.076

The notes on pages 5 to 33 form an integral part of these financial statements.

**THE FIRST MAZOOON FUND**

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS  
FOR THE PERIOD ENDED 31 MARCH 2018

	Note	31-03-2019 RO	31-03-2018 RO	31-12-2018 RO
<b>Net assets attributable to the unitholders at 1 January</b>		<u><b>8,943,135</b></u>	<u>7,905,663</u>	<u>7,905,663</u>
<b>Increase/(decrease) in net assets attributable to the unitholders from operations</b>		<u><b>605,554</b></u>	<u>713,619</u>	<u>609,985</u>
Subscriptions during the period		-	-	499,999
Redemptions during the period		<u>(493,935)</u>	<u>(13,474)</u>	<u>(72,512)</u>
<b>Net increase from unit transactions</b>		<u><b>(493,935)</b></u>	<u>(13,474)</u>	<u>427,487</u>
Cash Distributions to the unitholders	14	<u>(415,214)</u>	-	-
<b>Net assets attributable to the unitholders at 31 March</b>	12	<u><b>8,639,540</b></u>	<u>8,605,808</u>	<u>8,943,135</u>

		31-03-2019 Number of Units	31-03-2018 Number of Units	31-12-2018 Number of Units
Redeemable participating units in issue at 1 January		<b>8,304,277</b>	7,917,944	7,917,944
Units subscribed during the period		-	-	453,935
Units redeemed during the period		<u>(454,336)</u>	<u>(13,012)</u>	<u>(67,602)</u>
Redeemable participating units in issue at 31 March	12	<u><b>7,849,941</b></u>	<u>7,904,932</u>	<u>8,304,277</u>

The notes on pages 5 to 33 form an integral part of these financial statements.

**THE FIRST MAZOOON FUND**

STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2018

	Note	31-03-2019	31-03-2018 RO	31-12-2018 RO
<b>Cash flows from operating activities</b>				
Profit/(loss) for the period		<b>605,554</b>	713,619	609,985
Adjustments for:				
Net realised (gain)/loss on sale of financial assets at fair value through profit or loss	3(a)	<b>(334,269)</b>	(540,372)	(579,046)
Net unrealised gain on financial assets at fair value through profit or loss	3(a)	<b>(259,198)</b>	(128,095)	(5,712)
Increase in other receivables		<b>(71,424)</b>	(126,398)	(2,139)
Increase/(decrease) in accruals and other payables	5	<b>379,216</b>	3,263	4,354
Increase in due to brokers		-	-	120,295
<b>Net cash from operating activities</b>		<b>319,879</b>	(77,983)	147,737
<b>Cash flows from investing activities</b>				
Purchase of financial assets at fair value through profit or loss	3(a)	<b>(22,382,993)</b>	(16,681,118)	(49,053,954)
Proceeds from sale of financial assets at fair value through profit or loss	3(a)	<b>20,709,529</b>	17,073,739	51,314,007
<b>Net cash from/(used) in investing activities</b>		<b>(1,673,464)</b>	392,621	2,260,053
<b>Cash flows from financing activities</b>				
Redemptions during the period		<b>(493,935)</b>	(13,474)	(72,512)
Subscriptions during the period		-	-	499,999
Distributions to the unitholders		<b>(415,214)</b>	-	-
<b>Net cash from financing activities</b>		<b>(909,149)</b>	(13,474)	427,487
<b>Net change in cash and cash equivalents during the period</b>		<b>(2,262,734)</b>	301,164	2,835,277
Cash and cash equivalents at the beginning of the year		<b>3,525,077</b>	689,800	689,800
<b>Cash and cash equivalents at the end of the period</b>	4	<b>1,262,343</b>	990,964	3,525,077

The notes on pages 5 to 33 form an integral part of these financial statements.

## **THE FIRST MAZOOON FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019**

#### **1 Legal status and activities**

The First Mazoon Fund (the "FM Fund") is an open-ended fund registered and incorporated in the Sultanate of Oman on 3 May 1997 in accordance with the regulations issued by the Capital Market Authority ("CMA"). The terms and conditions of investment as well as the restrictions are specified in the Investment Prospectus.

According to the FM Fund's investment objectives and strategy as presented in the Investment Prospectus, the FM Fund may invest in equities, related securities such as American Depository Receipts (ADR), Global Depository Receipts (GDR), Exchange Traded Funds (ETF) and in bonds and Sukuks at various exchanges of GCC, MENA region and Emerging Asian Economies. GCC will remain a core market for the FM Fund with a minimum investment limit of 80%. The country-wise and stock-wise limits will be decided by the FM Funds' Management Body.

The day-to-day operations of the FM Fund are managed by the Investment Manager, Gulf Baader Capital Markets SAOC. The governance and control over the FM Fund is exercised by the FM Fund's Management Body, which is responsible for formulating investment strategy and the related guidelines adopted by the FM Fund.

The FM Fund entered into a custodianship agreement with Gulf Custody Company SAOC for all investments owned by the FM Fund in Oman and GCC countries.

The FM Fund's net asset value (and net asset value per unit) is determined on daily basis and the financial statements are prepared on the basis of last valuation day of the reporting period.

#### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and include the disclosure requirements set out in the relevant provisions of the Executive Regulations issued by the Capital Market Authority of the Sultanate of Oman.

##### **Basis of preparation**

The financial statements are prepared on the historical cost basis, as modified to include the fair value of certain financial assets and liabilities.

##### **Functional and presentation currency**

The financial statements have been presented in Rial Omani ("RO"), which is the functional and presentation currency of the FM Fund.

## **THE FIRST MAZOOON FUND**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### **2 Summary of significant accounting policies (continued)**

#### **Changes in accounting policies and new IFRS adopted**

The financial statements have been prepared based on accounting standards and amendments effective for the accounting periods beginning on or after 1 January 2018. The FM Fund has adopted the following standards and amendments for the first time for the annual reporting period beginning from 1 January 2018:

##### **(i) IFRS 9: 'Financial instruments'**

In July 2014 the International Accounting Standards Board (IASB) issued a new International Financial Reporting Standard – IFRS 9: 'Financial instruments' effective for annual periods beginning on or after 1 January 2018, which replaced the existing International Accounting Standard 39 'Financial instruments: recognition and measurement'.

IFRS 9 introduced modifications regarding the rules of classification and measurement of financial instruments (particularly of financial assets) as well as introduced a new standard for the impairment process and new approach towards hedge accounting.

Upon adoption of IFRS 9, all of the FM Fund's financial assets (except other receivables and cash and cash equivalents) are either held for trading and/or managed and evaluated on a fair value basis hence, remained classified as fair value through profit or loss. Under the IAS 39, in prior reporting periods, similar financial assets, comprising of equity securities, were classified as fair value through profit or loss and sub-categorised as those held for trading.

IFRS 9 requires the FM Fund to record expected credit losses (ECL) on all of its financial assets at amortized cost and debt instruments, if any, measured at fair value through other comprehensive income either on a 12-month or lifetime basis. The FM Fund applies the general approach and records 12-month expected credit losses on all receivables and cash and cash equivalents.

IAS 39's treatment of financial liabilities has been carried forward to IFRS 9 with very limited change. In particular, the FM Fund's financial liabilities will continue to be classified and measured at amortized cost.

The application of new ECL mode under IFRS 9 has not significantly changed the carrying amounts of the FM Fund's financial assets measured at amortised cost. An ECL allowance on such financial assets (measured at amortised cost) is immaterial.

##### **(ii) IFRS 15: 'Revenue from Contracts with Customers'**

The FM Fund adopted IFRS 15: 'Revenue from contracts with customers' on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, IFRS 15 does not apply to financial instruments and other contractual rights or obligations within the scope of IFRS 9 and hence there is no impact of adopting IFRS 15 for the FM Fund.



**THE FIRST MAZOOON FUND**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

**Standards, amendments and interpretations to existing IFRS effective 1 January 2018**

The FM Fund has adopted all other standards and amendments for the first time for the annual reporting period beginning from 1 January 2018, while has accounted for and disclosed only the relevant and applicable standards and amendments:

- Amendments to IFRS 2: 'Share-based Payment' – Classification and Measurement of Share-based Payment Transactions;
- Amendments to IAS 40: 'Investment Property' – Transfers of Investment Property;
- Annual Improvements to IFRSs published in December 2016 (2014-2016 cycle);
- IFRIC 22: 'Foreign Currency Transactions and Advance Consideration'.

**2 Summary of significant accounting policies (continued)**

**Standards, amendments and interpretations to existing IFRS that are not yet effective**

At the end of the reporting period, certain new and revised standards are in issue but not yet effective:

- IFRS 16: 'Leases';
- IFRS 17: 'Insurance Contracts';
- Amendments to IAS 19: 'Employee Benefits' – Plan Amendment, Curtailment or Settlement;
- Amendments to IFRS 9: 'Financial Instruments' – Prepayment Feature with Negative Compensation;
- Amendments to IAS 28: 'Investments in Associates and Joint Ventures' – Long-term Interests in Associates and Joint Ventures;
- Amendments to IAS 28: 'Investments in Associates and Joint Ventures', and IFRS 10: 'Consolidated Financial Statements' – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture;
- Annual Improvements to IFRSs published in December 2017 (2015-2017 cycle); and
- IFRIC 23, 'Uncertainty over Income Tax Treatments'.

Management Body believes the adoption of those new standards and amendments, which are in issue, but not yet effective is not likely to have any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements for future periods.

**Income**

Income comprises of dividend, interest income and other income. Dividend income is recognised when the right to receive payment is established. Interest income is recognised in profit or loss using effective interest method.

**Financial assets and liabilities: overview**

The FM Fund classifies its investments based on both, the FM Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The FM Fund is primarily focused on fair value information and uses that information to assess the financial assets' performance and to make decisions. The FM Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the FM Fund's debt securities (if any) are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the FM Fund's business model's objective. The FM Fund's policy requires the Investment Manager and the Management Body to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information. Consequently, all investments comprising equity securities and debt securities (if any), mandatorily be measured at fair value through profit or loss.

## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 2 Summary of significant accounting policies (continued)

#### **Financial assets and liabilities : overview** (continued)

The FM Fund had not held debt securities in prior periods that could have resulted in reclassification of financial instruments to amortised cost or fair value through other comprehensive income. The FM Fund does not deal in derivatives hence, does not apply hedge accounting. IFRS 9 has introduced a new impairment model. However, as the FM Fund's investments are all held at fair value through profit or loss, the change in impairment rules does not impact the FM Fund except for financial assets measured at amortized cost. The derecognition rules have not been changed from previous requirements.

The FM Fund does not trade in any financial liabilities and does not classify or measure any financial liabilities as at fair value through profit or loss. Consequently, all financial liabilities are classified and subsequently measured at amortized cost.

#### **Financial assets and liabilities: initial recognition**

Financial assets and financial liabilities at fair value through profit or loss (FVPL) are initially recognised on the trade date, which is the date on which the FM Fund becomes party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

Financial assets and financial liabilities at FVPL are initially recognised at fair value, with transaction costs recognised in the profit or loss. Financial assets or financial liabilities not at FVPL are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the profit or loss in the period in which they arise.

#### **Financial assets and liabilities: classification, initial and subsequent measurement**

*Policy effective from 1 January 2018 (IFRS 9)*

##### Financial assets

In accordance with the IFRS 9 requirements, the FM Fund may classify financial assets based on the following subsequent measurement categories:

- Amortised cost (referred hereafter as 'AC');
- Fair value through other comprehensive income (referred hereafter as 'FVOCI'); and
- Fair value through profit & loss (referred hereafter as 'FVPL').

The classification of financial assets into one of the above categories is performed based on:

- The FM Fund's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 2 Summary of significant accounting policies (continued)

#### Financial assets and liabilities: classification, initial and subsequent measurement (continued)

*Policy effective from 1 January 2018 (IFRS 9) (continued)*

Contractual cash flow characteristics of a financial asset are assessed through Solely Payment of Principal and Interest criterion (referred hereafter as 'SPPI Test') in order to verify whether:

- The contractual terms trigger, at specific dates, certain cash flows which constitute solely a payment of principal and interest on such principal;
- The principal constitutes the fair value of a financial asset at the moment of its recognition; and
- The interest reflects the value of money over time and credit risk, liquidity risk, margin and other administrative costs connected with the principal outstanding at any given time.

#### *Business Models*

In accordance with IFRS 9, financial assets management may be assigned to the following business models:

- Held to collect (referred hereafter as 'HTC');
- Held to collect and for sale, both (referred hereafter as 'HTC&FS'),
- Other models, e.g. trading activity, management of financial assets based on fair value fluctuations, maximising cash flows through sales.

#### Held To Collect (HTC)

- The objective of the model is to hold financial assets in order to collect their contractual cash flows;
- Sales are sporadic;
- In principle, lower levels of sales compared to other models (in terms of frequency and volume).

Conditions allowing sale in the HTC model are: low frequency; low volume; and sale connected with credit risk (sale caused by the deterioration of the credit quality of a given financial asset to a level at which it no longer meets the investment policy requirements). A sale having at least one of the above features does not preclude qualifying a group of financial assets in the HTC business model.

Financial assets assigned to the HTC model are classified and measured at amortised cost (AC) on condition that the criteria of the SPPI Test are met. Consequently, the FM Fund's receivables, due from brokers and cash and cash equivalents are subject to amortised cost classification and subsequent measurement, which were previously classified and measured (according to IAS39) as amortised cost.

#### Held to Collect and for Sale (HTC&FS)

- The integral objectives of the business model are both to collect contractual cash flows and sell financial assets (in particular the model meets the assumptions of HTC&FS, if its objective is to manage everyday liquidity needs, maintain an adopted interest yield profile and/or match the duration of the financial assets and liabilities),
- The levels of sales are usually higher than in the HTC model.

## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 2 Summary of significant accounting policies (continued)

#### Financial assets and liabilities: classification, initial and subsequent measurement (continued)

*Policy effective from 1 January 2018 (IFRS 9) (continued)*

*Business Models (continued)*

Held to Collect and for Sale (HTC&FS) (continued)

In accordance with IFRS 9, instruments assigned to the HTC&FS model are classified as valued at fair value through other comprehensive income (FVOCI) on condition that the contractual terms of these financial assets trigger at specific dates certain cash flows constituting solely a payment of principal and interest on such principal (the SPPI Test is met).

Under IFRS 9, the FM Fund may designate some equity investments from the strategic investment portfolio for which it is not planned to realize profits from sales in the medium-term horizon to the category of fair value measurement through other comprehensive income, in line with its investment objectives.

Other models

- These business models do not meet the assumptions of the HTC and HTC&FS business models.
- The collecting of contractual cash flows as interest and principal is not the main objective of such business models (the SPPI Test is not met).

This category should include in particular:

- Portfolios managed in order to collect cash flows from the sale of assets, in particular “held for trading”;
- Portfolios whose management results are evaluated at fair value.

In applying that classification, a financial asset (or financial liability) is considered to be held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

The term “trading” means active and frequent purchases and sales of financial instruments. However, these features do not constitute a necessary condition in order to classify a financial instrument as held for trading.

Financial assets kept under business models other than HTC or HTC&FS are valued at fair value through profit or loss (FVPL).

The FM Fund may reclassify an investment in debt securities, if any, when and only when its business model for managing those assets changes, which is expected to be infrequent.

A business model other than HTC or HTC&FS shall apply to portfolios of the financial assets held for trading. For the FM Fund, classification and subsequent measurement of such financial assets has not changed after the application of IFRS 9 (Fair Value through Profit or Loss) from 1 January 2018.

## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 2 Summary of significant accounting policies (continued)

#### **Financial assets and liabilities: classification, initial and subsequent measurement (continued)**

*Policy effective from 1 January 2018 (IFRS 9) (continued)*

##### *Financial liabilities*

The FM Fund may classify its financial liabilities as subsequently measured at amortized cost or FVPL. Financial liabilities are subsequently measured at amortized cost, except for any financial liability that is at FVPL.

All financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at FVPL will recognize changes in fair value attributable to the 'own credit risk' in other comprehensive income instead of profit or loss, unless this would create an accounting mismatch.

This category includes balances due to related parties, other payables and balances due to brokers.

*Policy effective before 1 January 2018 (IAS 39)*

The FM Fund classifies its financial assets and financial liabilities into financial assets at fair value through profit or loss (FVPL) represented by held for trading; Financial assets at fair value through profit or loss (FVPL) and financial assets at amortised cost represented by loans and receivables such as cash and cash equivalents and other receivables as well as financial liabilities at amortised cost represented by balances due to related parties, other payables and balance due to brokers.

A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or on initial recognition, it is part of a portfolio that is managed together and for which there is evidence of a recent pattern of short-term profit taking or it is a derivative, other than a designated and effective hedging instrument.

The FM Fund designates investments in equity securities at FVPL on initial recognition because it manages these equity securities on a fair value basis in accordance with its documented investment strategy. Internal reporting and performance measurement of these equity securities are on a fair value basis.

A financial asset with fixed or determinable payments may be classified as a loan and receivable unless it is quoted in an active market or is an asset for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

#### (i) Financial assets at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss (FVPL) are initially recognised on the trade date, which is the date on which the FM Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 2 Summary of significant accounting policies (continued)

#### **Financial assets and liabilities: classification, initial and subsequent measurement** (continued)

*Policy effective before 1 January 2018 (IAS 39) (continued)*

##### (i) Financial assets at fair value through profit or loss (continued)

Financial assets and financial liabilities at FVPL are initially recognised at fair value, with transaction costs recognised in the profit or loss. Financial assets or financial liabilities not at FVPL are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Subsequent to initial recognition, financial assets are carried at fair value.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the profit or loss in the period in which they arise.

##### (ii) Loans and receivables

A financial asset with fixed or determinable payments are classified as a loan and receivable and are realisable within twelve months from the reporting date. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise during the ordinary course of the business. The FM Fund's loans and receivables also comprise of other receivables. Other receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or origination. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment (if any).

#### **Financial assets and liabilities: derecognition**

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the financial asset have expired, or the FM Fund has transferred its rights to receive cash flows from the financial asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the FM Fund has:

- Transferred substantially all of the risks and rewards of the financial asset; or
- Neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the FM Fund has transferred its right to receive cash flows from financial asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the financial asset nor transferred control of the asset, the asset is recognised to the extent of the FM Fund's continuing involvement in the financial asset. In that case, the FM fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the fund has retained.

The FM Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 2 Summary of significant accounting policies (continued)

#### Impairment of financial assets

##### *Impairment policy under IFRS 9 effective 1 January 2018*

Since 1 January 2018, IFRS 9 has replaced the existing model of impairment under IAS 39 based on the concept of “incurred loss” with a new model based on the concept of “expected credit loss”, (referred hereafter “ECL”).

Impairment model applies to financial assets classified in accordance with IFRS 9 as financial assets measured at amortised cost or at fair value through other comprehensive income, except for equity instruments.

The FM Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The FM Fund applies the IFRS 9 general approach to measure expected credit losses (ECLs) of all relevant financial assets. Under IFRS 9, loss allowances are measured on the following basis:

- 12 months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date.
- Lifetime ECLs: these are ECLs that result from all possible defaults over the expected life of the dividend and other receivables

The FM Fund assesses on a forward-looking basis the expected credit loss associated with these financial assets. The measurement of expected credit losses reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The amount of expected credit loss is included within impairments on financial assets.

The criteria used to determine risk of default and to estimate expected credit losses include:

- delinquencies in payments;
- significant financial difficulty of the debtor;
- it becomes probable that the debtor will enter bankruptcy; or
- significant changes in macroeconomic factors that indicate future defaults will vary and measurable changes in estimated future cash flows will result, provided that such information is observable and available without undue cost or effort.

The impairment methodology applied depends on whether there has been a significant increase in credit risk for due from brokers and other receivables. If the credit risk increases to the point that it is considered to be credit impaired, interest income is calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below significantly. Any contractual payment which more than 90 days past is due is considered credit impaired.

## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 2 Summary of significant accounting policies (continued)

#### Impairment of financial assets (continued)

##### *Impairment policy effective before 1 January 2018*

The FM Fund assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between that financial asset's carrying amount and the present value of estimated future cash flows (excluding future ECLs that have not yet been incurred) discounted using the asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as impairment loss.

#### Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the FM Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the FM Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The FM Fund measures instruments quoted in an active market at a market closing price.

The fair value of financial assets through profit and loss is based on their quoted market prices at the reporting date.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents includes investments with short maturity of three months or less from the date of acquisition and cash or balances held with brokers.



## **THE FIRST MAZOOON FUND**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### **2 Summary of significant accounting policies (continued)**

#### **Receivables and due from brokers**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise during the ordinary course of the business. Amounts due from brokers represent receivables for securities sold and purchased respectively, that have been contracted for but not yet settled or delivered at the end of the reporting period. These receivables and due from brokers are recognized initially at fair value and subsequently measured at amortised cost.

At each reporting date, the FM Fund measures the loss allowance on the receivables and due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the FM Fund measures the loss allowance at an amount equal to 12-month expected credit losses.

#### **Taxation**

The FM Fund is domiciled in the Sultanate of Oman. Under the current tax laws of the Sultanate of Oman, there is no income, capital gain or other taxes payable by the FM Fund.

#### **Redeemable participating units**

Redeemable participating units are classified as financial liabilities and are measured at the present value of the redemption amount.

The FM Fund issues units which are redeemable at the unitholders' option. Redeemable participating units can be put back to the FM Fund at dealing date for cash equal to a proportionate share of the FM Fund's Net Asset(s) Value. These redeemable participating units are carried at the redemption amount that is payable at the end of the reporting period if the unitholder exercises the right to put the unit back to the FM Fund.

Redeemable participating units are issued and redeemed at the holder's option at prices based on the FM Fund's Net Asset (s) Value per unit at the time of issue or redemption. The FM Fund's Net Asset(s) Value per unit is computed by dividing the net assets attributable to the holders of the redeemable participating units with the total number of outstanding redeemable participating units. In accordance with the FM Fund's Investment Prospectus, investment positions are valued based on the market closing price (fair value) for the purpose of determining the Net Asset(s) Value per unit for subscriptions and redemptions.

#### **Distributions payable to the holders of the redeemable participating units**

Distributions to holders of redeemable participating units are recognised in statement of net assets attributable to unitholders, when they are approved at Annual General Meeting of the fund.

## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 2 Summary of Significant accounting policies (continued)

#### Foreign currency transactions

Transactions denominated in foreign currencies are translated into Rial Omani at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into Rial Omani at exchange rates prevailing at the end of the reporting period. Differences on foreign currency exchange are dealt with in profit or loss.

Foreign currency exchange differences arising on retranslation are recognised in profit or loss as net foreign currency exchange losses, except for those arising on financial assets at FVPL, which are recognised as a component of net gain or loss from financial assets at FVPL.

#### Estimates and judgments

In preparing the financial statements, management has made judgments, estimates and assumptions which affect the application of accounting policies and the reported income and expenses, assets, liabilities and related disclosures. Actual results in future could differ from such estimates.

The use of available information and application of judgment based on historical experience and other factors are inherent in the formation of estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about judgments made in applying accounting policies that have most significant effect on the amounts recognized in the financial statements is classification of financial assets.

Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment relates to the determination of the fair value (refer note 16) and impairment of financial assets [refer note 15 (b)].

### 3 Financial assets at fair value through profit or loss

(a) Movement in financial assets at fair value through profit or loss during the period is:

	<b>31-03-2019</b>	31-03-2018
	<b>RO</b>	RO
<b>1 January</b>	<b>5,576,912</b>	7,252,207
<b>Purchases during the period</b>	<b>22,382,993</b>	16,681,118
<b>Sale of financial assets during the period</b>	<b>(20,709,529)</b>	(17,073,739)
<b>Net realised gain/(loss) on sale of financial assets</b>	<b>334,269</b>	540,372
<b>Net unrealised gain on financial assets</b>	<b>259,198</b>	128,095
<b>31-03-2019</b>	<b><u><u>7,843,843</u></u></b>	<u><u>7,528,053</u></u>

**THE FIRST MAZOOON FUND**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

**3 Financial assets at fair value through profit or loss (continued)**

(b) Summarised sector-wise financial assets at fair value through profit or loss at the reporting date are:

Sector (Local)	31-03-2019		31-03-2018	
	Carrying amount RO	Fair value RO	Carrying amount RO	Fair value RO
Banking and investment	167,453	125,474	173,824	178,392
Industrial	43,211	38,342	-	-
Services	86,836	82,500	79,000	86,618
	<u>297,500</u>	<u>246,316</u>	<u>252,824</u>	<u>265,010</u>
<b>Sector (Foreign)</b>				
Banking and investment	2,822,552	3,044,791	1,837,559	1,929,294
Industrial	2,174,682	2,219,468	1,765,906	1,864,442
Services	2,289,911	2,333,268	3,543,713	3,469,307
	<u>7,287,145</u>	<u>7,597,527</u>	<u>7,147,178</u>	<u>7,263,043</u>
	<u>7,584,645</u>	<u>7,843,843</u>	<u>7,400,002</u>	<u>7,528,053</u>

(c) Summarised country-wise financial assets at fair value through profit or loss at the reporting date are:

Country	31-03-2019		31-03-2018	
	Carrying amount RO	Fair value RO	Carrying amount RO	Fair value RO
Saudi Arabia	4,981,616	5,209,773	4,847,794	5,094,244
Kuwait	680,129	762,245	486,095	504,191
United Arab Emirates	1,006,662	1,004,800	996,810	890,438
Sultanate of Oman	297,500	246,316	252,824	265,010
Qatar	618,738	620,709	816,479	774,170
	<u>7,584,645</u>	<u>7,843,843</u>	<u>7,400,002</u>	<u>7,528,053</u>

(d) At 31 March 2019, the FM Fund had no marketable securities for which the FM Fund's holding represents 10% or more of the investee company's share capital (31 March 2018: Nil).

(e) At 31 March 2019, the FM Fund had no commitments in respect of uncalled capital (31 March 2018: Nil).

## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 3 Financial assets at fair value through profit or loss (continued)

(f) At the end of the reporting period, details of the marketable securities in which market (fair) value exceeds 5% of the FM Fund's Net Assets Value:

31-03-2019	% of net assets value	Number of shares	Fair value RO	Carrying amount RO
Al Rajhi Bank	9.85%	77,000	851,374	762,946
Saudi Basic Industries Corporation	7.08%	48,000	612,000	584,535
National Commercial Bank	4.87%	75,000	420,750	386,886
31-03-2018	% of net assets value	Number of shares	Fair value RO	Carrying amount RO
Al Rajhi Bank	6.17%	68,927	530,596	495,211

(g) Ten largest holdings at the reporting date of marketable securities, as percentage of the FM Fund's Net Assets are:

31-03-2019	Number of shares	Fair value RO	% of net assets
Al Rajhi Bank	77,000	851,374	9.85%
Saudi Basic Industries Corporation	48,000	612,000	7.08%
National Commercial Bank	75,000	420,750	4.87%
National Bank of Kuwait	273,000	307,472	3.56%
Qatar National Bank	13,521	255,662	2.96%
Saudi Telecom	23,124	253,791	2.94%
Samba Financial Group	60,000	238,068	2.76%
Zain - Kuwait	300,000	185,156	2.14%
Emaar Properties	350,000	174,327	2.02%
Alinma Bank	70,000	173,216	2.00%
31-03-2018	Number of shares	Fair value RO	% of net assets
Al Rajhi Bank	68,927	530,596	6.17%
National Commercial Bank	57,500	382,046	4.44%
Saudi Basic Industries Corporation	28,900	343,153	3.99%
Emaar Properties	554,500	335,118	3.89%
Samba Financial Group	112,733	307,477	3.57%
Almarai Company	46,000	259,843	3.02%
National Industrialization	124,000	251,316	2.92%
The Company for Co Operative Insurance	30,895	236,756	2.75%
Saudi Kayan Petrochemical Company	165,000	230,234	2.68%
Al Meera Consumer Goods	12,285	179,680	2.09%

**THE FIRST MAZOOON FUND**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)**3 Financial assets at fair value through profit or loss (continued)**

(h) Five largest purchases of financial assets during the period ended are:

<b>31-03-2019</b>	<b>Cost RO</b>
<b>Al Rajhi Bank</b>	<b>2,053,412</b>
<b>Qatar National Bank</b>	<b>906,678</b>
<b>National Industrialization</b>	<b>680,268</b>
<b>Emaar Properties</b>	<b>524,674</b>
<b>Saudi Basic Industries Corporation</b>	<b>520,057</b>
<b>31-03-2018</b>	<b>Cost RO</b>
Saudi Telecom	799,920
Abdullah Al Othaim Markets Company	711,783
United Electronics Company - Extra	595,717
Rabigh Refining And Petrochemical Co	577,628
Al Rajhi Bank	560,718

(i) Five largest sales of financial assets during the period ended are:

<b>31-03-2019</b>	<b>Proceeds RO</b>
<b>Al Rajhi Bank</b>	<b>1,991,229</b>
<b>Qatar National Bank</b>	<b>646,896</b>
<b>National Industrialization</b>	<b>646,099</b>
<b>Saudi Basic Industries Corporation</b>	<b>523,729</b>
<b>Emaar Properties</b>	<b>470,357</b>
<b>31-03-2018</b>	<b>Proceeds RO</b>
Emaar Properties	597,000
Saudi Basic Industries Corporation	33,694
Saudi Arabian Mining Co. Ltd (Maaden)	71,800
Alujain Corporation	137,000
Saudi Industrial Development Co	219,000

## THE FIRST MAZOOON FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

#### 4 Cash and cash equivalents

(a) Cash and cash equivalents include:

	<b>31-03-2019</b>	31-03-2018	31-12-2018
	<b>RO</b>	RO	RO
Cash at bank - current accounts	<b>207,371</b>	75,698	225,547
Cash at bank - call deposits	<b>53,836</b>	111,139	23,321
Balances with brokers	<b>1,001,136</b>	804,127	3,276,209
	<u><b>1,262,343</b></u>	<u>990,964</u>	<u>3,525,077</u>

(b) Call deposits carry an effective interest at the rate ranging from 0.02% to 0.24% per annum (2017: 0.02% to 0.24% per annum)

#### 5 Accruals and other payables

	<b>31-03-2019</b>	31-03-2018	31-12-2018
	<b>RO</b>	RO	RO
Amount due to related parties [note 9 (c)]	<b>39,280</b>	35,975	34,464
Accrued expenses	<b>6,976</b>	3,632	5,498
Other payables	<b>493,953</b>	-	736
	<u><b>540,209</b></u>	<u>39,607</u>	<u>40,698</u>

#### 6 Management and performance fees

Gulf Baader Capital Markets SAOC is the Investment Manager of the FM Fund and earns management fee and performance fee.

Management fees is RO 31,884 (31-03-2018: RO 28,577) at 1.40% (31-03-2018: 1.40% ) per annum of the Net Assets Value of the FM Fund. Management fees is paid quarterly and calculated based on the daily Net Assets Value of the FM Fund on each valuation day during the period.

The performance fee is calculated at 10% on any profits in excess of 10 % net profit per annum after deduction of all applicable expenses, excluding performance fee. No performance fee is accrued to Investment Manager during the reporting period.

#### 7 Custody fees

Gulf Custody Company SAOC has been appointed as the custodian of the FM Fund for its investments in Oman and GCC countries.

Custody fees is RO 2,847 (31-03-2018: RO 2,552) at 0.125% (31-03-2018: 0.125%) per annum of the Net Assets Value of the FM Fund. Custody fees is paid quarterly and calculated based on the daily Net Asset Value of the FM Fund on each valuation day during the period.

**THE FIRST MAZOOON FUND**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

**8 General and administrative expenses**

	<b>31-03-2019</b>	31-03-2018	31-12-2018
	<b>RO</b>	RO	RO
Tax on dividend (GCC)	<b>212</b>	383	8,591
Regulatory fees	<b>1,436</b>	1,367	5,543
Professional fees	<b>789</b>	789	3,200
Advertisement and printing	<b>597</b>	455	2,990
Other expenses	<b>-</b>	297	1,901
Bank charges	<b>142</b>	42	580
	<b><u>3,176</u></b>	<u>3,333</u>	<u>22,805</u>

**9 Related party transactions**

During the period, the FM Fund entered into transactions in the ordinary course of business with certain related parties. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. These transactions are entered into on terms which the Management Body considers correspond to those that could be obtained through normal arm's length transactions with third parties.

- (a) Significant related party transactions which the FM Fund entered into during the period as per the terms prescribed in the FM Fund's Investment Prospectus:

	<b>31-03-2019</b>	31-03-2018	31-12-2018
	<b>RO</b>	RO	RO
Management fees (note 6)	<b>31,884</b>	28,577	122,305
Amount due to brokers	<b>-</b>	120,295	120,295.00

- (b) The Management Body fees for the period amount to RO 9,398 (31-03-2018 RO 9,397).

- (c) The related party balances outstanding at the reporting date, arising from related party transactions, are as follows:

	<b>31-03-2019</b>	31-03-2018	31-12-2018
	<b>RO</b>	RO	RO
Management fees	<b>31,884</b>	28,577	31,714
Management Body fees	<b>7,397</b>	7,397	2,750
	<b><u>39,281</u></b>	<u>35,974</u>	<u>34,464</u>

## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 9 Related party transactions (continued)

(e) The FM Fund purchases and sells investments traded on the GCC market through a related party broker. Brokerage commission on these transactions is paid in the range of rates prescribed by the Capital Market Authority. The summary of these purchase and sales transactions during the period is as follows:

	31-03-2019 R.O	31-12-2018 RO	31-12-2018 RO
Purchase of financial assets at fair value through profit or	131,340	404,157	1,157,518
Sale of financial assets at fair value through profit or loss	268,362	348,187	942,051
Brokerage commission	1,399	2,633	7,349

### 10 Taxation

In accordance with Article 117 of the Income Tax Law income accruing to an investment fund set up in Oman, under the Capital Market Authority Law, is exempt from tax.

### 11 Redeemable participating units

(a) All issued redeemable units are fully paid. The FM Fund's variable capital is represented by these redeemable units with no par value and with each carrying one vote. They are entitled to dividends and to payment of proportionate net assets based on the FM Fund's Net Asset Value per unit on the redemption date.

(b) To determine the Net Asset Value of the FM Fund for subscriptions and redemptions, marketable securities have been valued based on the market closing price on the relevant trading day. At the reporting date, the FM Fund's Net Asset Value per redeemable participating unit is RO 1.101 (31-03-2018: RO 1.089).

(c) The number of redeemable participating units as at 31 March 2019 comprise 7,849,941 (31-03-2018: 7,904,941) fully paid units. The units are issued and redeemed at prices based on the prevailing Net Asset Value of the FM Fund, subject to conditions specified in the Investment Prospectus.

(d) The details of unitholders who own 10% or more of the FM Fund's units are as follows:

	31-03-2019 Units	31-03-2019 Units	31-12-2018 Units
Gulf Investment Services Company SAOG	3,042,135	3,042,135	3,042,135
Nasser Mohammed Ali Al Nowais	1,023,574	1,023,574	1,023,574



## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 12 Net asset value per unit

Net assets attributable to a holder of the redeemable participating units represent a liability in the statement of financial position, carried at the Net Assets Value that would be payable at the reporting date if the holder exercised the right to put the units back to the FM Fund as computed in accordance with the FM Fund's Investment Prospectus.

In accordance with the Capital Market Authority requirements and the FM Fund's Investment Prospectus, net assets attributable to the unitholders per unit has been derived by dividing the net assets by the number of units in issue at the reporting date.

	31-03-2019	31-03-2018	31-12-2018
Net assets attributable to the unitholders (RO)	<b>8,639,540</b>	8,605,808	8,361,254
Number of outstanding units at the period end	<b>7,849,941</b>	7,904,932	8,304,277
Net asset value per unit (RO)	<b>1.101</b>	1.089	1.007

### 13 Profit/(loss) per unit

Profit/(loss) per unit is calculated by dividing the profit/(loss) for the period by the weighted average number of units outstanding during the period as follows:

	31-03-2019	31-03-2018	31-12-2018
Increase/(decrease) in net assets attributable to the unithol	<b>605,554</b>	713,619	629,457
Weighted average number of units outstanding during the	<b>8,279,032</b>	7,907,101	8,043,929
Profit/(loss) per unit (RO)	<b>0.073</b>	0.090	(0.048)

### 14 Distributions to the unitholders

- (a) During the year 2019, the Fund distributed a cash dividend of 5% (RO 0.050 per unit) after approval at the Fund's Annual General Meeting held on March 21, 2019 (31-03-2018 NIL).

### 15 Financial risk management

The FM Fund's activities expose it to a variety of financial risks. The FM Fund's objective of risk management policy seeks to maximize the returns derived for the risk levels to which the FM Fund is exposed and seeks to minimize potential adverse effects on the FM Fund's financial performance.

Management Body of the FM Fund is responsible for the overall risk management and has delegated the responsibility to the Investment Manager. Risk management is carried out by the Investment Manager under policies approved by the Management Body. The FM Fund's Investment Prospectus and Investment Management Agreement detail its investment policy and broad level guidelines that encompasses its overall investment strategy, its tolerance for risk and its general risk management approach.

## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 15 Financial risk management (continued)

These risk levels are measured and monitored on a continuous basis and compliance with the prescribed risk levels are reported by the Investment Manager to the Management Body on a quarterly basis. All investments present a risk of loss of capital. The maximum loss of capital on such (exchange traded) marketable securities is limited to the fair value of those positions.

The FM Fund's risks are monitored on a quarterly basis by Fund Management Body. Where such risks are not in accordance with the investment policy or guidelines of the FM Fund, the Investment Manager is obliged to rebalance the portfolio.

Financial instruments of the FM Fund are bank balances, other receivables, financial assets in marketable securities at fair value through profit or loss, other payables and amount due to brokers. The FM Fund's activities expose it to a variety of financial and other risks from financial instruments, such as:

- (a) market risks (including interest rate risk, foreign currency risk and price risk);
- (b) credit risk; and
- (c) liquidity risk.

#### (a) Market risk

'Market risk' is the risk that changes in market prices such as interest rates, foreign exchange rates and equity prices will affect the FM Fund's income or the fair value of its holdings of financial instruments.

S&P GCC Index is the benchmark against which performance of the FM Fund is measured. The FM Fund does not use derivatives to manage its exposure to foreign currency, interest rate and price risks.

##### *Price risk*

'Price risk' is the risk that fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the stock market.

The FM Fund trades in (exchange-traded) marketable securities which are susceptible to market price risk arising from uncertainties about future prices of those marketable securities. The FM Fund's market price risk is managed through the daily monitoring of the FM Fund's overall market positions by the Investment Manager. The overall market position, trend and risk levels per category are reviewed by the Management Body on an ongoing basis.

According to the FM Fund's investment objectives and strategy as presented in the Investment Prospectus, the FM Fund may invest in equities, related securities such as American Depository Receipts (ADR), Global Depository Receipts (GDR), Exchange Traded Funds (ETF) and in bonds and Sukuks at various stock exchanges of GCC, MENA region and Emerging Asian Economies. GCC will remain a core market for the FM Fund with a minimum investment limit of 80%. The country-wise and stock-wise limits is decided by the FM funds' Management Body.

## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 15 Financial risk management (continued)

#### (a) Market risk (continued)

##### *Price risk (continued)*

The Investment Manager complies with investment restrictions which are set out in the Investment Prospectus and CMA regulations which limit the exposure of the FM Fund to adverse changes in the price of any individual financial asset.

Summarised sector-wise exposure on financial assets at fair value through profit or loss is presented below:

Sector (Local)	31-03-2019		31-03-2018	
	Fair value	% of net assets	Fair value	% of net assets
	RO	value	RO	value
Banking and investment	125,474	1.40%	178,392	2.07%
Industrial	38,342	0.43%	-	-
Services	82,500	0.92%	86,618	1.01%
<b>Sector (Foreign)</b>				
Banking and investment	3,044,791	34.05%	1,929,294	22.42%
Industrial	2,219,468	24.82%	1,864,442	21.66%
Services	2,333,268	26.09%	3,469,307	40.31%
	<u>7,843,843</u>	<u>87.71%</u>	<u>7,528,053</u>	<u>87.48%</u>

The FM Fund is benchmarked against S&P GCC Index for its local and GCC portfolio of securities. The annualized volatility of the Fund is 11.9% (31-03-2018: 12.80%) as compared with 15.70% (31-03-2018: 15.70%) of S&P GCC Index. A change by 1% in the S&P GCC Index will result in change of net asset value of the Fund by 0.73% (31-03-2018: 0.70%). These stated techniques provide a yardstick to the Investment Manager to analyze the sensitivity of the Fund's investments and returns.

##### *Interest rate risk*

'Interest rate risk' is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market interest rates. As at 31-03-2019, approximately 100% of net assets (31-03-2018: approximately 100%) of the FM Fund's financial assets and liabilities are non-interest bearing. Hence, the FM Fund is not subject to significant amount of risk due to fluctuations in the prevailing levels of market interest rates.

##### *Foreign currency risk*

'Foreign currency risk' is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in underlying foreign currency rates.

## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 15 Financial risk management (continued)

#### (a) Market risk (continued)

##### *Foreign currency risk (continued)*

The FM Fund invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in Saudi Riyal, UAE Dirham, Qatari Riyal and Kuwaiti Dinar. Consequently, The FM Fund is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the FM Fund's financial assets or financial liabilities denominated in currencies other than the Rial Omani.

The FM Fund's exposure on financial assets in foreign currencies at the reporting date are:

	31-03-2019		31-03-2018	
	Foreign Currency	RO	Foreign Currency	RO
<i>Financial assets at fair value through profit or loss</i>				
Saudi Riyal	51,076,206	5,209,773	49,943,569	5,094,244
UAE Dirham	9,642,994	1,004,800	8,545,470	890,438
Qatari Riyal	5,934,120	620,709	7,516,214	774,170
Kuwaiti Dinaar	606,400	762,245	399,517	504,191
<i>Cash and cash equivalents</i>				
Saudi Riyal	2,905,276	296,338	5,392,692	550,055
UAE Dirham	4,404,008	458,898	1,749,047	182,251
Qatari Riyal	2,915,913	305,004	336,572	34,667
Kuwaiti Dinaar	136,650	171,769	78,457	99,013

The FM fund's financial assets exposure based on geographical segments to foreign currency risk at the reporting date is:

<i>Region of denominated currency</i>	31-03-2019		31-03-2018	
	RO	% of net assets value	RO	% of net assets value
GCC (excluding Oman)	8,829,536	98.73%	7,263,043	84.40%

The table below indicates the sensitivity of marketable securities denominated in foreign currency of the FM Fund (as impacted by changes in the financial instruments' fair value) to the expected changes in the foreign currency exchange rates at the end of the reporting period with all other variables held constant.

A change of 0.5% increase or decrease in foreign currency exchange rates would have decreased or increased respectively net assets attributable to unitholders by the approximately following amounts:

**THE FIRST MAZOOON FUND**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

**15 Financial risk management** (continued)

**(a) Market risk** (continued)

*Foreign currency risk* (continued)

	<b>31-03-2019</b>	<b>% of net</b>	31-03-2018	% of net
	<b>RO</b>	<b>assets</b>	RO	assets
<i>Financial assets at fair value through profit or loss</i>				
GCC- Kuwait	<b>3,811</b>	<b>0.043%</b>	2,521	0.029%
<i>Cash and cash equivalents</i>				
GCC- Kuwait	<b>1,080</b>	<b>0.012%</b>	495	0.006%

**(b) Credit risk**

‘Credit risk’ is the risk that a counterparty (such as an issuer, custodian, broker or bank) to a financial instrument will fail to discharge an obligation or commitment, resulting in a financial loss to the FM Fund. For risk management reporting purposes the Investment Manager considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The FM Fund principally invests in (exchange-traded) marketable securities and is not directly exposed to significant credit risk except cash and cash equivalents.

The FM Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Investment Manager considers both historical analysis and forward-looking information in determining any expected credit loss. At the end of the reporting period, all amounts due from brokers, cash and cash equivalents (i.e. cash and short-term deposits) are held with counterparties with a good credit rating or are due to be settled contractually within a week’s time.

Investment Manager considers the probability of default to be close to zero for other receivables and balances with brokers as these financial instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on expected 12 month or lifetime credit losses as any such impairment would be wholly immaterial to the FM Fund.

The FM Fund limits its credit risk with regard to cash and cash equivalents by dealing with reputable banks with good credit ratings. The table below shows the balances with brokers and bank balances with the counterparties analysed by credit rating based on Moody’s global ratings.

## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 15 Financial risk management (continued)

#### (b) Credit risk (continued)

At 31-03-2019, the FM Fund had bank balances with the following credit quality:

Balance with	Credit Rating	31-03-2019 RO	% of net assets	31-03-2018 RO	% of net assets
Bank Muscat	Baa3	35,601	0.41%	72,601	0.84%
Burgan Bank	A3	171,770	2.00%	99,013	1.15%
Commercial Bank of Qatar	A3	42,893	0.50%	12,127	0.14%
First Abudhabi Bank	Aa3	10,943	0.13%	3,096	0.04%
Balances with brokers	Unrated	1,001,136	11.63%	804,127	9.34%
		<u>1,262,343</u>	<u>14.66%</u>	<u>990,964</u>	<u>11.52%</u>

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

There is no significant concentration of credit risk in cash and cash equivalents at 31-03-2019 (31-03-2018: No significant concentration).

The FM Fund is exposed to credit risk on cash and investment balances held with Custodian. Substantially all of the cash and cash equivalents except balances with brokers are held with Bank Muscat SAOG, Burgan Bank, Central Bank of Qatar and First Abu Dhabi Bank. Cash deposits with Bank Muscat SAOG, Burgan Bank, Central Bank of Qatar and First Abu Dhabi Bank is deposited as banker and the financial assets at fair value through profit or loss are held with Gulf Custody Company under custodianship. These financial assets are held distinctly and separately from proprietary financial assets of Gulf Custody Company. These financial assets are clearly recorded to ensure they are held on behalf of the FM Fund. Risk is managed by monitoring the credit quality and financial position of Gulf Custody Company, Bank Muscat SAOG, Burgan Bank, Central Bank of Qatar and First Abu Dhabi Bank by the Investment Manager.

#### (c) Liquidity risk

'Liquidity risk' is the risk that the FM Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The FM Fund has a contractual obligation to redeem units to unitholders within 3 days. Historical experience indicates that these units are held by the unitholders on a medium or long-term basis. Based on Investment Manager estimate, maximum redemption levels are expected to be insignificant during a financial period.

The FM Fund's investments in (exchange-traded) marketable equity securities are considered to be readily realisable because they are traded on Muscat Securities Market (MSM) and the GCC Securities Markets.

## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 15 Financial risk management (continued)

#### (c) Liquidity risk (continued)

To reduce the liquidity risk, the FM Fund has made investments only in those (exchange traded) marketable securities which are actively traded on the security markets. Investments in marketable securities at fair value through profit or loss are representing approximately 90.8% (31-03-2018: approximately 87%) of total net assets value and approximately 85.5% (31-03-2018: approximately 87%) of total assets of the FM Fund and are traded in active securities trading market and can be readily realized into cash within 3 days or less. At 31-03-2019, the FM Fund's holding in cash and cash equivalents represented approximately 14.6% (31-03-2018: approximately 12%) of its net assets. Accordingly, the FM Fund is not subject to significant liquidity risk.

The FM Fund's all financial liabilities except net assets attributable to the unitholders at the reporting date fall within three months from the end of the reporting period.

### 16 Fair value of financial instruments

Fair value of financial assets that are traded in active markets that the FM Fund can access at the measurement date are obtained directly from an exchange on which the instruments are traded. For other financial instruments, the FM Fund may determine fair values using other valuation techniques, if any.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The FM Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

During the period ended 31-03-2019 the FM Fund held no Level 2 (31-03-2018: nil) or Level 3 (31-03-2018: Nil) financial assets.

#### *Last valuation day*

The last trading day of the securities markets where the FM Fund's marketable securities are listed was:  
Oman and GCC: Sunday, 31-03-2019 (2018: Thursday, 29 March 2018).

**THE FIRST MAZOOON FUND**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

**17 Capital risk management**

The FM Fund is an investment fund with a variable capital divided into units of no par value. The FM Fund does not have maximum capital and its units are not capital guaranteed.

The capital of the FM Fund is represented by the net assets attributable to holders of redeemable units. The amount of net assets attributable to holders of redeemable units can change on a daily basis, as the FM Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The FM Fund's objective when managing capital is to safeguard the FM Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of investment activities of the FM Fund.

In order to maintain or adjust the capital structure, the FM Fund's policy is to monitor the level of subscriptions and redemptions relative to the net assets and adjust the amount of distributions the FM Fund pays to redeemable unitholders.

The FM Fund's Management Body and the managing company monitor capital on the basis of the value of net assets attributable to holders of redeemable units. The FM Fund is not subject to externally imposed capital requirement.

**18 Financial instruments by category**

The accounting policies for financial instruments have been applied to the line items below:

<b>31-03-2019</b>	<b>Financial</b>	<b>Amortized</b>	
<b>Financial assets</b>	<b>assets at FVPL</b>	<b>cost</b>	<b>Total</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>
<b>Financial assets at fair value through profit or loss</b>	<b>7,843,843</b>	-	<b>7,843,843</b>
<b>Cash and cash equivalents</b>	-	<b>1,262,343</b>	<b>1,262,343</b>
<b>Other receivables</b>	-	<b>73,563</b>	<b>73,563</b>
	<u><b>7,843,843</b></u>	<u><b>1,335,906</b></u>	<u><b>9,179,749</b></u>
<b>31-03-2018</b>	<b>Financial</b>	<b>Loans and</b>	
<b>Financial assets</b>	<b>assets at FVPL</b>	<b>receivables</b>	<b>Total</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>
Financial assets at fair value through profit or loss	7,528,053	-	7,528,053
Cash and cash equivalents	-	990,964	990,964
Other receivables	-	126,398	126,398
	<u>7,528,053</u>	<u>1,117,362</u>	<u>8,645,415</u>
<b>31-03-2019</b>		<b>Financial</b>	
<b>Financial liabilities</b>		<b>liabilities</b>	<b>Total</b>
		<b>RO</b>	<b>RO</b>
<b>Amount due to related parties [note 9 (c)]</b>		<b>39,280</b>	<b>39,280</b>
<b>Other payables</b>		<b>500,929</b>	<b>500,929</b>
		<u><b>540,209</b></u>	<u><b>540,209</b></u>



**THE FIRST MAZOOON FUND**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

**18 Financial instruments by category** (continued)

31-03-2018 Financial liabilities	Financial liabilities RO	Total RO
Amount due to related parties [note 9 (c)]	35,975	35,975
Other payables	-	-
	<u>35,975</u>	<u>35,975</u>

**19 Performance data**

<b>31-03-2019</b>	<b>Average annual total return %</b>	<b>Growth of an assumed investment of RO 10,000</b>
<b>3 Month period ended 31 March 2019</b>	<b>6.88%</b>	<b>10,688</b>
<b>3 years ended 31 March 2019</b>	<b>6.00%</b>	<b>11,913</b>
<b>5 years ended 31 March 2019</b>	<b>0.09%</b>	<b>10,043</b>
<b>May 1997 (inception) to 31 March 2019</b>	<b>7.19%</b>	<b>44,749</b>
31-03-2018	Average annual total return %	Growth of an assumed investment of RO 10,000
3 Month period ended 31 March 2018	9.03%	10,903
3 years ended 31 March 2018	0.32%	10,097
5 years ended 31 March 2018	5.87%	13,298
May 1997 (inception) to 31 March 2018	7.17%	42,323

The performance data quoted represent past performance and is no guarantee of future performance. The average annual total returns, and growth of an assumed investment of RO 10,000 include dividends reinvested.

## THE FIRST MAZOOON FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### 20 Reconciliation of per unit Net Asset Value

	<b>31-03-2019</b>	31-03-2018
	<b>RO</b>	RO
Per unit changes in Net Asset Value		
Income	<b>0.014</b>	0.017
Net investment (loss)/income (realised and unrealised)	<b>0.076</b>	0.085
Management and other expenses	<b>(0.012)</b>	(0.011)
Net (loss)/profit	<b>0.077</b>	0.091
Cash dividends paid	-	
Net redemption proceeds	<b>(0.053)</b>	-
Net (decrease)/increase in Net Asset Value	<b>0.024</b>	0.091
Net Asset Value at the beginning of the year	<b>1.077</b>	0.998
Net Asset Value at the end of the period	<b>1.101</b>	1.089
Brokerage commissions and markups	<b>0.003</b>	0.002

### 21 Ratios

Net Asset Value is calculated by dividing the net assets by the number of outstanding units at reporting date. Total Return, Growth of an Assumed Investment and Simple Return are based on the dividends paid to the unitholders, and the growth in the Net Asset Value during the period. These ratios are based on, or affected by, the price at which the units were purchased in the market, or the price for which units may be sold in the market.

	<b>31-03-2019</b>	31-03-2018
	<b>%</b>	%
Simple return (not annualised): [Profit/loss to opening Net Asset Value]	<b>6.88%</b>	9.03%
Expense ratio (annualised): (Expenses to average Net Asset Value)	<b>0.54%</b>	0.56%
Brokerage expense ratio (annualised): (Brokerage expense to average Net Asset Value)	<b>0.54%</b>	0.47%
Portfolio turnover rate (annualised): (Securities traded to average Net Asset Value)	<b>245.09%</b>	204.43%
Liability ratio: (Liabilities to Net Asset Value)	<b>6.25%</b>	0.46%

## **THE FIRST MAZOOON FUND**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019 (continued)

### **22 Definition of ratios**

#### **Simple return**

Calculated by dividing the per unit after tax profit for the period, by the per unit NAV at the beginning of the year. Or, calculated by dividing the sum of per unit dividends and change in the net asset value during the period, by the per unit NAV at the beginning of the year.

#### **Expense ratio**

Expenses during the period (interest expenses + all Management and other expenses excluding brokerage commissions), divided by average NAV amount  $[(\text{opening NAV} + \text{closing NAV}) \div 2]$  for the period.

#### **Brokerage expense ratio**

Brokerage commissions during the period divided by average NAV amount for the period.

#### **Portfolio turnover rate**

Average of the price of assets bought and the price of the assets sold  $[(\text{purchases} + \text{sales}) \div 2]$ , during the period divided by average NAV amount for the period.

#### **Liability ratio**

Liabilities at the end of the period, divided by the NAV amount at the end of the period.

The notes on pages 5 to 33 form an integral part of these financial statements.