THE FIRST MAZOON FUND

FINANCIAL STATEMENTS

31 DECEMBER 2011

Registered office and principal place of business:
Post Box 974,
Postal Code 112, Ruwi
Sultanate of Oman

THE FIRST MAZOON FUND

Financial Statements
For the year ended 31 December 2011

Crowe Horwath™
هـورْوث مــاك والغزالي ش.م.م
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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF THE FIRST MAZOON FUND

Report on the financial statements

We have audited the accompanying financial statements of The First Mazoon Fund ("the Fund"), set out on pages 2 to 25, which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Capital Market Authority of the Sultanate of Oman, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 judgment, 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.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on regulatory requirements

The financial statements also comply, in all material respects, with the relevant Rules and Guidelines on Disclosure by Issuers of Securities and Insider Trading and with the Regulations for Investment Funds issued by the Capital Market Authority of the Sultanate of Oman.

HORWATH MAK GHAZALI llc
Chartered Accountants
P.O. Box: 971
Postal Code: 131
Sultanate of Oman
Licence No: M H /1/95

Muscat
30 January 2012

Davis Kallukaran
Horwath Mak Ghazali llc
Chartered Accountants
MH/1/95

STATEMENT OF FINANCIAL POSITION
as at 31 December 2011

	Note	2011 RO	2010 RO
NET ASSETS			
Assets			
Investments at fair value through profit or loss	8	**4,260,513**	4,301,984
Cash and cash equivalents	9	**38,489**	397,159
Due from brokers		**1,134**	5,483
Other receivables and prepayments		**1,146**	1,488
Total assets		**4,301,282**	4,706,114
Liabilities			
Amounts due to related parties	12	**14,659**	45,287
Accruals and other payables		**2,828**	8,823
Total liabilities		**17,487**	54,110
Net assets		**4,283,795**	4,652,004
EQUITY			
Unit capital	2	**4,707,333**	4,201,352
Retained earnings	2	**(423,538)**	450,652
Total equity		**4,283,795**	4,652,004
Number of units in issue		**4,707,333**	4,201,352
Net asset value per unit	4	**0.910**	1.107

These financial statements were approved and authorized for issue by the Board of Directors on 30-01-2012 and signed on their behalf by:

Chairman of the Board of Directors

Member of the Board of Directors

The attached notes 1 to 25 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

	Note	2011 RO	2010 RO
INCOME			
Dividend income		**172,450**	180,677
Net realized (loss)/gain on investments at fair value through profit or loss		**(131,254)**	114,975
Net changes in fair value of investments at fair value through profit or loss		**(376,039)**	401,153
Other net changes in fair value of investments at fair value through profit or loss		**(5,820)**	(12,668)
Other income		**2,226**	-
Total investment (loss)/income		**(338,437)**	684,137
EXPENSES			
Management fee	11	**(59,041)**	(60,210)
Custodian fee	11	**(5,875)**	(10,432)
Board of Directors fee	12	**(10,500)**	(17,900)
Performance fee	12, 21	**-**	(16,023)
General and administration	13	**(15,964)**	(23,079)
Total expenses		**(91,380)**	(127,644)
Total comprehensive (loss)/income for the year		**(429,817)**	556,493
Basic (loss)/earnings per unit	16	**(0.097)**	0.136

The attached notes 1 to 25 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

	Note	Unit Capital RO	Retained earnings RO	Total equity RO
As at 31 December 2009		3,619,961	614,746	4,234,707
Total comprehensive income for the year		-	556,493	556,493
Units subscribed during the year	14	114,745	8,439	123,184
Units redeemed during the year	14	(74,279)	(7,793)	(82,072)
Cash dividend	20	-	(180,308)	(180,308)
Stock dividend	20	540,925	(540,925)	-
As at 31 December 2010		4,201,352	450,652	4,652,004
As at 31 December 2010		**4,201,352**	**450,652**	**4,652,004**
Total comprehensive loss for the year		**-**	**(429,817)**	**(429,817)**
Units subscribed during the year	14	**828,987**	**(39,878)**	**789,109**
Units redeemed during the year	14	**(528,699)**	**6,891**	**(521,808)**
Cash dividend	20	**-**	**(205,693)**	**(205,693)**
Stock dividend	20	**205,693**	**(205,693)**	**-**
As at 31 December 2011		**4,707,333**	**(423,538)**	**4,283,795**

The attached notes 1 to 25 form part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2011

	Note	2011 RO	2010 RO
CASH FLOWS FROM OPERATING ACTIVITIES			
Total comprehensive (loss)/income for the year		**(429,817)**	556,493
Adjustments for:			
Net realized loss/(gain) on investments at fair value through profit or loss		**131,254**	(114,975)
Net changes in fair value of investments at fair value through profit or loss		**376,039**	(401,153)
		77,476	40,365
Net changes in other assets and liabilities:			
Decrease in due from brokers and other receivables		**4,691**	40,521
Decrease in due to related parties and other payables		**(36,623)**	(42,881)
Payments against purchase of trading securities		**(3,974,294)**	(3,654,896)
Proceeds from sale of trading securities		**3,508,472**	4,069,852
Net cash (used in)/from operating activities		**(420,278)**	452,961
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments against redemption of units		**(521,808)**	(82,072)
Payments against subscription of units		**789,109**	123,184
Cash dividend paid		**(205,693)**	(180,308)
Net cash from/(used in) financing activities		**61,608**	(139,196)
Net change in cash and cash equivalents during the year		**(358,670)**	313,765
Cash and cash equivalents at the beginning of the year		**397,159**	83,394
Cash and cash equivalents at the end of the year	9	**38,489**	397,159

The attached notes 1 to 25 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

The First Mazoon Fund (“the 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 primary objective of the Fund is to achieve capital appreciation through a diversified portfolio of equity investments through the Muscat Securities Market, the GCC market and MENA region, and the governmental and corporate bonds.

The day-to-day operations of the Fund are managed by the Investment Manager, Gulf Baader Capital Markets SAOC.

The governance and control over the Fund is exercised by the Board of Directors, which is responsible for formulating investment strategy, and the related guidelines adopted by the Fund.

HSBC (ME) Limited and Shuaa Capital PSC are the custodians of investments in Oman and GCC countries respectively.

The 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 year (refer note 15).

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years 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 the disclosure requirements of the Capital Market Authority ("CMA") of the Sultanate of Oman.

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the financial assets and liabilities at fair value through profit or loss.

Functional and presentation currency

These financial statements have been prepared in Rials Omani (“RO”), which is the functional and presentation currency of the Fund.

Adoption of new and revised IFRSs

IFRS 9 ‘Financial Instruments’: International Accounting Standard Board (IASB) has issued IFRS 9 Financial Instruments, which was published on 12 November 2009. The IASB has issued IFRS 9 as part of its comprehensive review of financial instruments accounting.

IFRS 9 deals with classification and measurement of financial assets only. IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. Classification under IFRS 9 is driven by the entity’s business model for managing the financial assets and the contractual characteristics of the financial assets. A financial asset is measured at amortized cost if two criteria are met: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs (continued)

IFRS 9 prohibits reclassifications except in rare circumstances when the entity's business model changes; in this case, the entity is required to reclassify affected financial assets prospectively. IFRS 9 removes the cost exemption for unquoted equities but provides guidance on when cost may be an appropriate estimate of fair value. On 28 October 2010, IASB reissued IFRS 9 Financial Instruments, incorporating new requirements on accounting for financial liabilities and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities.

IFRS 9, 'Financial instruments', is effective for annual periods beginning on or after 1 January 2015, but may be applied earlier.

The Fund is in the process of evaluating the potential effect of this standard. The Board of Directors is of the opinion that adoption of IFRS 9 will not cause a significant impact on the Fund's financial statements since the majority of the Fund's financial assets are designated at fair value through profit or loss, and has decided to adopt this standard from its applicable effective date.

IFRS 13, 'Fair value measurement', establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Fund is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Standards, amendments and interpretations effective on 1 January 2011

IAS 32 (amendments), 'Classification of right issues' (effective from 1 February 2010);
Amendments to IFRS 1, 'Limited Exemptions from Comparative IFRS 7 disclosures for first-time adopters'' (effective from 29 January 2010);
IFRIC 19 'Extinguishing financial liabilities with equity instruments' (effective from 1 July 2010).

'Improvements to IFRS' were issued in May 2010 and contain several amendments to IFRS, which the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. No material changes to accounting policies are expected as a result of these amendments.

Standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011

IFRS 7, Financial Instruments: Disclosures-Amendments enhancing disclosures about transfers of financial assets, effective for annual periods beginning on or after 1 July 2011.
IFRIC 14 (amendments), 'Prepayment of a minimum funding requirement' (effective from 1 July 2011);

Standards, amendments and interpretations those are not yet effective and not relevant for the Fund's operations

IFRS 1, First-time Adoption of International Financial Reporting Standards-Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs', effective for annual periods beginning on or after 1 July 2011.
IFRS 1, First-time Adoption of International Financial Reporting Standards-Additional exemption for entities ceasing to suffer from severe hyperinflation, effective for annual periods beginning on or after 1 July 2011.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised IFRSs (continued)

Standards, amendments and interpretations those are not yet effective and not relevant for the Fund's operations (continued)

IFRS 10, 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2013.
IFRS 11, 'Joint Arrangements', effective for annual periods beginning on or after 1 January 2013.
IFRS 12, 'Disclosures of interests in other entities', effective for annual periods beginning on or after 1 January 2013.
IAS 1, Presentation of Financial Statements-Amendments to revise the way other comprehensive income is presented, effective for annual periods beginning on or after 1 July 2012.
IAS 12, Income Taxes-Limited scope amendment (recovery of underlying assets), effective for annual periods beginning on or after 1 January 2012.
IAS 19, Employee Benefits-Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects, effective for annual periods beginning on or after 1 January 2013.
IAS 27, Consolidated and Separate Financial Statements-Reissued as IAS 27 Separate Financial Statements (as amended in 2011), effective for annual periods beginning on or after 1 January 2013.
IAS 28, Investments in Associates-Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011), effective for annual periods beginning on or after 1 January 2013.

Statement of accounting policies

a) Income

Income is comprised of dividend income.

Dividend income from investments at fair value through profit or loss is recognized in the statement of comprehensive income when the Fund's right to receive the payment is established.

b) Financial assets at fair value through profit or loss

(i) Classification

The Fund classifies its investments in equity and debt securities as financial assets at fair value through profit or loss.

This category has two sub-categories: financial assets held for trading; and those designated by the Board of Directors at fair value through profit or loss at inception.

The Fund has classified all its investments as held for trading. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

(ii) Recognition, derecognizing and measurement

Regular purchases and sales of investments are recognized on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of accounting policies (continued)

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

(ii) Recognition, derecognizing and measurement (continued)

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured 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 presented in the statement of comprehensive income within net changes in fair value of financial assets at fair value through profit or loss in the period in which they arise.

(iii) Fair value estimation

The fair value of financial assets traded in active markets is based on quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Fund is the close price.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the financial asset and settle the financial liability simultaneously.

c) Due from and due to brokers

Amounts due from and due to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered at the end of the reporting period respectively.

These amounts are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker.

d) Receivables

Receivables originated by the Fund are initially measured at fair value and subsequently measured at amortized cost. An allowance for credit losses for receivables is established when there is objective evidence that the Fund will not be able to collect the amounts due. When a receivable is uncollectible, it is written off against the allowance account for credit losses. The carrying value of receivables approximate to their fair value due to the short-term nature of those receivables.

e) Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is an objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of accounting policies (continued)

e) Impairment (continued)

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Fund on terms that the Fund would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

f) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less and bank overdrafts. Bank overdrafts, if any, are shown in liabilities in the statement of financial position.

g) Payables and accruals

Payables and accrued expenses are recognized initially at fair value and subsequently stated at amortized cost using the effective interest method.

h) Taxation

Under the current income tax laws of the Sultanate of Oman, there is no income tax, capital gains tax or other taxes payable by the Fund.

i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the end of the reporting period.

Foreign exchange gains or losses relating to the financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income within ‘other net changes in fair value of financial assets at fair value through profit or loss’.

Foreign exchange gains or losses relating to cash and cash equivalents are presented in the statement of comprehensive income within ‘other net changes in fair value of financial assets (and financial liabilities) at fair value through profit or loss’.

j) Redeemable participating units

The Board of Directors has classified redeemable participating units as equity instruments. The Fund issues redeemable participating units which are redeemable at the holder’s option and have identical rights. Redeemable participating units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund’s net asset value attributable to that redeemable participating unit. Nominal value of a single redeemable participating unit is taken as RO 1.

Redeemable participating units are issued and redeemed at the holder’s option at prices based on the Fund’s net asset value per unit at the time of issue or redemption. The Fund’s net asset value per unit is calculated with respect to a particular valuation day by dividing its net assets with the total number of outstanding redeemable participating units.

Redeemable participating units are classified as equity instruments because these redeemable participating units:

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of accounting policies (continued)

j) Redeemable participating units (continued)

i) entitle the holder to a pro rata share of the Fund's net assets;
ii) units are in the class of instruments that is subordinate to all other classes of instruments;
iii) are in the class of instruments that is subordinate to all other classes of instruments have identical features;
iv) do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets; and
v) have total expected cash flows attributable to the redeemable participating units over the life of the instruments which are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

In addition to the redeemable participating units having all the above features, the Fund must have no other financial instrument or contract that has:

i) Total cash flows based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund; and
ii) The effect of substantially restricting or fixing the residual return to the unit holders.

k) Estimates and judgments

The preparation of the financial statements in conformity with IFRS requires the Board of Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3 PERFORMANCE DATA

	Average annual total return %	Growth of an assumed investment of RO 10,000 (presented in RO)
Year ended 31 December 2011	**(9.33%)**	**9,067**
3 years ended 31 December 2011	**8.56%**	**12,569**
5 years ended 31 December 2011	**6.19%**	**13,095**
175 months ended 31 December 2011	**12.67%**	**28,481**
Year ended 31 December 2010	13.52%	11,352
3 years ended 31 December 2010	(2.79%)	9,162
5 years ended 31 December 2010	12.07%	16,034
163 months ended 31 December 2010	15.76%	31,411

The above information represents past performance and is no guarantee of future performance. The basis of performance data calculations are set out in note 23.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

4 NET ASSET VALUE (NAV) PER UNIT

NAV per unit is calculated by dividing the net assets by the number of units in issue at the year-end as follows:

	2011	2010
Net assets (in Rials Omani)	**4,283,795**	4,652,004
	========	========
Number of units in issue at the year end	**4,707,333**	4,201,352
	========	========
NAV per unit (in Rials Omani)	**0.910**	1.107
	====	====

5 UNIT RATIOS

	2011 %	2010 %
Simple return: (% of profit to opening NAV)	**(9.33)**	13.53
	=====	=====
Expense ratio: (% of expense to average NAV)	**2.05**	2.90
	====	====
Brokerage expense ratio: (Brokerage commissions to average NAV)	**0.38**	0.51
	====	====
Liability ratio: (% of liabilities to closing NAV)	**0.40**	1.20
	====	====
Portfolio turnover rate (in Rials Omani) (not annualized) (Securities traded to average NAV)	**167.48**	169.50
	=====	=====

The basis of unit ratio calculations are set out in note 23.

6 PORTFOLIO HIGHLIGHTS

a) At the end of the reporting period, the ten largest single investment holdings are as follows:

31 December 2011	Number of shares	Fair value RO	Percentage of net assets
Saudi Basic Industries Corporation	**40,000**	**392,677**	**9.22%**
Al Rajhi Bank	**30,000**	**248,100**	**5.82%**
Bank Muscat SAOG	**300,000**	**229,800**	**5.39%**
Qatar National Bank	**12,500**	**198,715**	**4.66%**
National Bank of Kuwait	**109,505**	**168,540**	**3.96%**
National Bank of Oman	**500,000**	**160,000**	**3.76%**
Industries Qatar QSC	**10,000**	**139,534**	**3.28%**
Etihad Etisalat Company	**25,000**	**133,867**	**3.14%**
Samba Financial Serivces	**25,000**	**118,823**	**2.79%**
Yanbu National Petrochimical Company	**25,000**	**112,193**	**2.63%**
		--------------	------------
		1,902,249	**44.65%**
		========	=======

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

6 PORTFOLIO HIGHLIGHTS (continued)

a) At the end of the reporting period, the ten largest single investment holdings are as follows: (continued)

31 December 2010	Number of Share	Fair value RO	Percentage of net assets
Saudi Basic Industries Corporation	35,000	373,936	8.06%
Renaissance Services SAOG	250,000	277,000	5.97%
Bank Muscat SAOG	260,000	250,120	5.39%
Al Rajhi Bank	25,000	211,638	4.56%
National Bank of Kuwait	99,550	195,101	4.21%
National Bank of Oman SAOG	500,000	177,000	3.82%
Industries Qatar QSC	11,000	157,699	3.40%
Saudi International Petrochemical Company	50,000	141,772	3.06%
Etihad Etisalat Company	25,000	140,879	3.04%
Oman Telecommunication Company SAOG	100,000	127,900	2.76%
		2,053,045	44.27%

b) The five largest purchases (by value) of investments by the Fund during the year were as follows:

2011	**Number of shares**	**Cost RO**
Saudi Basic Industries Corporation	**90,000**	**928,516**
Sahara Petrochemical Company	**87,500**	**183,386**
Saudi Arab Fertilizer	**10,000**	**176,970**
Yanbu National Petrochemical Company	**35,000**	**164,610**
Al Rajhi Bank	**20,000**	**154,252**

2010	Number of shares	Cost RO
Saudi Basic Industries Corporation	65,000	638,354
Saudi International Petrochemical Company	75,000	180,871
Al-Rajhi Bank	20,000	165,970
Industries Qatar QSC	11,000	130,037
National Bank of Oman SAOG	300,000	101,700

c) The five largest sales (by value) of investments by the Fund during the year were as follows:

2011	**Number of shares**	**Proceeds RO**
Saudi Basic Industries Corporation	**85,000**	**892,509**
Renaissance Services	**175,000**	**204,275**
Saudi Arab Fertilizer	**10,000**	**171,220**
Saudi International Petrochemical	**62,500**	**137,867**
Sahara Petrochemical Company	**50,000**	**115,080**

2010	Number of shares	Proceeds RO
Saudi Basic Industries Corporation	60,000	565,140
Bank Muscat SAOG	350,000	296,996
Oman Cement Company SAOG	350,000	244,747
Oman Telecommunication SAOG	150,000	194,773
Galfar Engineering & Contracting SAOG	314,740	158,661

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

7 NET ASSET VALUE (NAV) PER UNIT RECONCILIATION

	2011 RO	2010 RO
NAV per unit at the beginning of the year	**1.107**	1.170
Investment income (dividend and interest)	**0.037**	0.043
Net changes in fair value of investments at fair value through profit or loss	**(0.108)**	0.123
Management and other expenses	**(0.019)**	(0.030)
Cash dividend	**(0.050)**	(0.050)
Effect of bonus units	**(0.050)**	(0.150)
Gain/(Loss) on redemption of units	**(0.007)**	0.001
NAV per unit at the year-end	**0.910**	1.107
Brokerage commission	**0.004**	0.005

8 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

a) Investments are analyzed as follows:

Quoted local investments:	2011 Fair value RO	2011 Cost RO	2010 Fair value RO	2010 Cost RO
Banking	**577,404**	**617,339**	536,020	478,023
Investment	**-**	**-**	12,137	15,345
Services	**124,950**	**193,027**	617,228	514,683
Industrial	**11,110**	**10,032**	170,808	183,230
	713,464	**820,398**	1,336,193	1,191,281
Quoted foreign investments:				
Banking	**1,073,275**	**1,154,674**	724,680	575,633
Investment	**46,209**	**62,163**	93,738	94,222
Services	**926,069**	**1,093,455**	724,237	686,628
Industrial	**1,501,496**	**1,505,692**	1,423,136	1,352,960
	3,547,049	**3,815,984**	2,965,791	2,709,442
	4,260,513	**4,636,382**	4,301,984	3,900,723

b) Summarized sector-wise total of investments as a percentage of net assets are as follows:

Sector	Percentage of net assets of the Fund 2011	2010
Banking	**38.53%**	27.19%
Investment	**1.08%**	2.28%
Services	**24.53%**	28.93%
Industrial	**35.31%**	34.37%
	99.45%	92.77%

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

8 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

c) Investments are also analyzed based on their geographical locations as follows:

Geographical locations	**2011 Fair value RO**	**2011 Cost RO**	2010 Fair value RO	2010 Cost RO
Oman	**713,464**	**820,398**	1,336,193	1,191,281
Saudi Arabia	**2,013,812**	**2,120,870**	1,501,987	1,428,856
Qatar	**836,643**	**844,868**	662,259	532,753
Kuwait	**443,143**	**555,284**	573,013	494,576
United Arab Emirates	**253,451**	**294,962**	228,532	253,257
	4,260,513	**4,636,382**	4,301,984	3,900,723

d) Summarized geographical segment wise total of investments as a percentage of net assets are as follows:

Geographical locations	Percentage of net assets of the Fund **2011**	2010
Oman	**16.65%**	28.82%
Saudi Arabia	**47.01%**	32.39%
Qatar	**19.53%**	14.28%
Kuwait	**10.34%**	12.36%
United Arab Emirates	**5.92%**	4.93%
	99.45%	92.78%

e) Details of the Fund's significant holdings exceeding 5% of the fair value of its investment portfolio at the end of the reporting period are as follows:

2011	**Percentage of Portfolio**	**Fair value RO**	**Cost RO**	**Percentage of net assets**
Saudi Basic Industries Corporation	**8.86%**	**377,378**	**396,330**	**8.81%**
Al Rajhi Bank	**5.82%**	**248,100**	**281,224**	**5.79%**
Bank Muscat SAOG	**5.39%**	**229,800**	**242,066**	**5.36%**
		855,278	**919,620**	

2010	Percentage of portfolio %	Fair value RO	Cost RO	Percentage of net assets
Saudi Basic Industries Corporation	8.69%	373,936	331,470	8.06%
Renaissance Services SAOG	6.44%	277,000	191,250	5.97%
Bank Muscat SAOG	5.81%	250,120	189,871	5.39%
		901,056	712,591	

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

8 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

f) During the year 2003, the Investors' Committee resolved to operate trust accounts with the Investment Manager. The shares in these accounts are registered in the name of the Investment Manager and are traded on the MSM. The carrying value of these investments at the end of the reporting period amounted to RO 11,110 (2010: RO 94,347).

g) During the year 2004, the Investors' Committee resolved to operate a portfolio management account with Shuaa Capital PSC. The shares in these accounts are registered in the name of Shuaa Capital PSC as a non-discretionary portfolio and are traded on GCC's securities trading markets. The carrying value of these investments at 31 December 2011 amounted to RO 3,547,049 (2010: RO 2,965,791).

h) At the end of the reporting period, none of the Fund's investments holding represents 10% or more of the respective issuer's share capital (2010 - Nil).

9 CASH AND CASH EQUIVALENTS

	2011 RO	2010 RO
HSBC (Middle East) Limited	**29,833**	127,729
Cash with Shuaa Capital PSC	**8,186**	268,960
Bank Muscat SAOG	**470**	470
	38,489	397,159

10 TAXATION

In accordance with Royal Decrees 54 and 55 of 2003, which has amended certain provisions of the income tax laws, investment funds incorporated in the Sultanate of Oman are exempt from tax with effect from 1 January 2003. Accordingly, the Fund has not made any provision for tax for the year ended 31 December 2011 (2010: Nil).

The Company is required to file tax returns every year and tax returns are filed upto the year ended December 2010. The Fund's tax assessments have been finalized by the Secretariat General for Taxation upto the years ended 31 December 2002.

11 MANAGEMENT AND CUSTODIAN FEE

Gulf Baader Capital Markets SAOC acts as the investment manager to the Fund (also read note 1) and earns a management fee. HSBC Bank (Middle East) Limited Oman and Shuaa Capital PSC have been appointed as custodians to the Fund.

A management fee of RO 59,041 (2010: RO 60,210) at 1.40% per annum of the net assets value of the Fund (2010: 1.40% per annum) was payable to the Investment manager for the year. A custodian fee of RO 5,875 (2010: RO 10,432) at the rates ranging between 0.175% and 0.05% per annum of the total portfolio of investments held (2010: rates ranging between 0.175% and 0.30% per annum) was payable to the custodians of the Fund for the year.

These fees are calculated on a daily basis on the net asset value of the Fund in accordance with the terms and conditions agreed with the Investment Manager and the Custodians and approved by the Board of Directors and are payable on quarterly basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

12 RELATED PARTY TRANSACTIONS

The Fund has entered into transactions in the ordinary course of business with the unit holders, the Members of the Board of Directors and entities in which certain Members of the Board of Directors or the Investment Manager has an interest. These transactions are entered into on terms and conditions, approved by the Board of Directors.

a) The nature of significant related party transactions and the amounts are as follows:

	2011 RO	2010 RO
Gulf Baader Capital Markets SAOC:		
Management fees	**59,041**	60,210
Performance fees	**-**	16,023
Brokerage commission	**5,318**	10,543
Board of Directors Members' fees	**10,500**	17,900
Ex-gratia to Investment Manager	**-**	3,000
Purchases of trading securities	**404,964**	785,681
Sale of trading securities	**933,504**	2,149,618
Gulf Investment Services Company SAOG:		
Subscription of Units	**499,999**	-

b) The amounts due to related parties are repayable on demand and not subject to interest (2010: similar terms and conditions).

c) The year-end balances arising from the related party transactions are as follows:

	2011 RO	2010 RO
Gulf Baader Capital Markets SAOC:		
Management fees	**14,659**	15,864
Performance fees	**-**	16,023
Board of Directors Members' fees	**-**	10,400
Ex-gratia to Investment Manager	**-**	3,000
	14,659	45,287

13 GENERAL AND ADMINSTRATION

	2011 RO	2010 RO
Insurance	**4,915**	6,294
Bank charges	**908**	657
Legal and professional fees	**1,400**	1,600
Other expenses	**8,741**	14,528
	15,964	23,079

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

14 UNIT CAPITAL

a) The following unit holders own approximately 10% or more of the Fund's units:

	2011 Holding (%)	**2011 Units Owned**	2010 Holding (%)	2010 Units Owned
Gulf Investment Services Company SAOG	**36.97%**	**1,740,122**	27.54%	1,157,256
Public Authority for Social Insurance	**9.01%**	**424,030**	9.61%	403,839
Export Credit Guarantee Agency of Oman SAOC	**9.27%**	**436,269**	9.89%	415,495

b) During the year 828,987 units were purchased at a value of RO 789,109 (2010: 114,745 units at a value of RO 123,184) and 528,699 units were redeemed at a value of RO 521,808 (2010: 74,279 units at a value of RO 82,072).

15 FINANCIAL INSTRUMENTS

31 December 2011	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Total**
	RO	**RO**	**RO**
Assets:			
Investments	**4,260,513**	**-**	**4,260,513**
Cash and cash equivalents	**-**	**38,489**	**38,489**
Due from brokers	**-**	**1,134**	**1,134**
Other receivables	**-**	**1,146**	**1,146**
Total	**4,260,513**	**40,769**	**4,301,282**
Liabilities:			
Amounts due to related parties	**-**	**14,659**	**14,659**
Accruals and other payables	**-**	**2,828**	**2,828**
Total	**-**	**17,487**	**17,487**

31 December 2010	Financial assets at fair value through profit or loss	Loans and receivables	Total
	RO	RO	RO
Assets:			
Investments	4,301,984	-	4,301,984
Cash and cash equivalents	-	397,159	397,159
Due from brokers	-	5,483	5,483
Other receivables	-	1,488	1,488
Total	4,301,984	404,130	4,706,114
Liabilities:			
Amounts due to related parties	-	45,287	45,287
Accruals and other payables	-	8,823	8,823
Total	-	54,110	54,110

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

15 FINANCIAL INSTRUMENTS (continued)

The Fund classifies fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of the inputs used in making these measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices in active markets for identical assets or liabilities;
Level 2: other measurements for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: measurements which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Fund's Article of Association restricts generally it to invest in other form of financial instruments (investments) other than exchange traded equity securities and bonds. At 31 December 2011, all the investments at fair value through profit or loss represents 'Level 1' (31 December 2010: Level 1) in terms of fair value hierarchy.

16 BASIC (LOSS)/EARNINGS PER UNIT

Basic (loss)/earnings per unit is calculated by dividing total comprehensive loss for the year RO 429,817 (2010: total comprehensive income for the year RO 556,493) by the weighted average number of units 4,428,003 (2010: 4,096,189) in issue during the year.

17 LAST VALUATION DAY

The last trading day of all the stock exchanges, where the Fund's investment securities are listed, was Thursday, 29 December 2011 (2010: Thursday, 30 December 2010), except Saudi Arabia where the last trading day was Saturday, 31 December 2011 (2010: Wednesday, 29 December 2010).

18 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk (including price or fair value risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. Main financial instruments of the Fund are its investments at fair value through profit or loss. All investments (exchange traded securities) present a risk of loss of capital. The maximum loss of capital on such exchange traded securities is limited to the fair value of those positions. Other financial instruments are cash and cash equivalents, due from broker, other receivables, due to related parties and accruals and other payables.

The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Fund to transfer the securities might be temporarily impaired.

The Fund's overall risk management programme seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. Risk management is carried out by the Investment Manager under policies approved by the Board of Directors and as set out in the Article of Association and Investment Management Agreement. The objective of risk management is to ensure that the Fund operates within the risk levels set and monitored by the Board of Directors and the Investment Manager.

The 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 Board of Directors on a quarterly basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

18 FINANCIAL RISK MANAGEMENT (continued)

The Investment Manager manages these exposures on an individual securities level. The Fund has specific limits on these instruments to manage the overall potential exposure.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below. Relevant quantitative disclosures are also included in these financial statements.

a) Market risk

Price risk

The Fund trades in exchange traded securities which are susceptible to market price risk arising from uncertainties about future prices of those investment securities. The Fund’s market price risk is managed through the daily monitoring of the Fund’s overall market positions by the Investment Manager. The overall market position, trend and risk levels are reviewed by the Board of Directors on a quarterly basis.

The Fund’s investments are managed in a number of portfolios according to the techniques adopted by the Investment Manager which are consistent with the investment policies and restrictions stated in the Article of Association of the Fund and guidelines of the Board of Directors.

The Fund’s policy is to manage price risk through diversification and selection of securities and within specified limits (either individually or per category) specifically set by the Board of Directors in conformity with overall policies and restrictions set under the Fund's Article of Association. The Fund has invested only in those securities which are actively traded on the stock exchanges of GCC countries including Oman. At 31 December 2011, investments at fair value through profit or loss represent 99.45% (31 December 2010: 92.48%) of total net assets and 99.05% (31 December 2010: 91.41%) of total assets of the Fund. The Fund’s policy also limits investment in individual securities to no more than 10% of its net assets.

The Fund also manages its exposure to price risk by analyzing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the MSM and S&P GCC Index. The Fund's policy is to concentrate the investment portfolio in sectors where Investment Manager believes the Fund can maximize the returns derived for the level of risk to which the Fund is exposed. At 31 December 2011 the Fund had no concentration in individual securities positions exceeding 9.22% (31 December 2010: 8.00%) of its net assets.

The Fund’s investments are publicly traded in the Muscat Securities Market and other GCC securities markets. The Fund's performance will vary depending on the market performance.

The Fund is benchmarked against MSM 30 Index and S&P GCC Index for its local and GCC portfolio of securities. The annualized volatility of the Fund is 19.40% (2010: 20.30%) as compared with 23.30% (2010: 23.90%) of MSM 30 Index and 24.00% (2010: 27.00%) of S&P GCC Index. Change by 1% in the MSM 30 Index or S&P GCC Index will result in change of net asset value of the Fund by 0.75% (2010: 0.78%) or 0.66% (2010: 0.54%) respectively. These stated techniques provide a yardstick to the Investment Manager to analyze the sensitivity of the Fund’s investments and returns.

During 2010, the Investment Manager, after approval of the Investors' Committee, has changed comparative benchmark for GCC securities (other than Oman) to S&P GCC Index. Previously the MSCI GCC Index was used as a comparative benchmark.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

18 FINANCIAL RISK MANAGEMENT (continued)

a) Market risk (continued)

Foreign currency risk

Foreign currency risk arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. The Fund invests in GCC securities markets and holds both monetary and non-monetary assets denominated in currencies other than the Rials Omani. The foreign exchange exposure relating to non-monetary assets and liabilities are taken as a component of market price risk not as foreign currency risk.

In accordance with the Fund’s policy, the Investment Manager monitors the Fund’s monetary and non-monetary foreign exchange exposure on a daily basis, and the Board of Directors reviews it on a quarterly basis.

At the reporting date the carrying value of the Fund's financial assets and liabilities held in individual foreign currencies were as follows:

Non-monetary assets:	**31 December 2011**		31 December 2010	
Investments at fair value through profit or loss denominated in:	**Fair value local currency**	**Fair value RO**	Fair value local currency	Fair value RO
Kuwaiti Dinar (KWD)	**322,472**	**443,143**	421,027	573,013
Qatari Rial (QAR)	**7,975,840**	**836,643**	6,313,405	662,259
Saudi Rial (SAR)	**19,742,750**	**2,013,812**	14,724,575	1,501,989
UAE Dirham (AED)	**2,432,125**	**253,451**	2,193,000	228,532

.	**31 December 2011**		31 December 2010	
Monetary assets:	**Fair value local currency**	**Fair value RO**	Fair value local currency	Fair value RO
Cash with Shuaa Capital PSC denominated in: US Dollars (USD)	**21,428**	**8,186**	704,085	268,960

The Board of Directors believes that there is no significant foreign currency risk as the GCC currencies (other than the Kuwaiti Dinar) are fixed against the US Dollar.

At 31 December 2011, had the exchange rates between Omani Rial and Kuwaiti Dinar increased or decreased by 50 basis points with all other variables held constant, this would have decreased or increased the net asset of the Fund by approximately ±0.05% (31 December 2010: ±0.07%) respectively. This represents Investment Manager's best estimate of a reasonable possible shift in the foreign exchange rates, having regards to historical volatility of those rates.

Interest rate risk

At 31 December 2011, the Fund does not have direct exposure to interest rate changes on the valuation and cash flows as it does not have interest bearing assets and liabilities (31 December 2010: Nil). However, the Fund may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies (i.e. Bank and other financial services companies) in which the Fund invests; these risks are being managed as part of market risk.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

18 FINANCIAL RISK MANAGEMENT (continued)

b) Liquidity risk

The Fund has a contractual obligation to redeem units to unit holders within 3 days. Historical experience indicates that these units are held by the unit holders on a medium or long-term basis. Based on management's estimate, maximum redemption levels are expected to be insignificant during a financial year.

The Fund has the ability to borrow in the short-term to ensure redemption. No such borrowings have been made during the year. Until financial year 31 December 2010, the Fund had a facility to borrow from a commercial bank.

The Fund is exposed to daily cash redemptions of units. The units are redeemed on demand at the option of unit holders. To reduce the liquidity risk the Fund has made investments only in those exchange traded securities which are actively traded on the stock exchanges of GCC countries including Oman. Investments at fair value through profit or loss are representing 99.45% (2010: 92.48%) of total net assets and 99.05% (2010: 91.41%) of total assets of the Fund and are traded in active securities trading markets and can be readily realized into cash within 3 days or less. The table below analyses the Fund's financial liabilities as at the end of the reporting period based on the contractual maturity date. The amounts listed below show undiscounted amounts which are not different from their carrying amounts as all those amounts fall within three months from the end of the reporting period.

31 December 2011	**Less than 1 month RO**	**Between 1-3 months RO**	**Total RO**
Amounts due to related parties	**14,659**	**-**	**14,659**
Accruals and other payables	**2,828**	**-**	**2,828**
	----------	-------	----------
	17,487	**-**	**17,487**
31 December 2010	======	====	======
Amounts due to related parties	45,287	-	45,287
Accruals and other payables	8,823	-	8,823
	----------	-------	----------
	54,110	-	54,110
	======	====	======

c) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from debt securities held, balances due from brokers and cash and cash equivalents. For risk management reporting purposes the Fund considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The Fund's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out in the Fund's Article of Association.

Credit risk is monitored on a daily basis by the Investment Manager in accordance with policies and procedures in place. The Fund's credit risks are monitored on a quarterly basis by the Board of Directors. Where the credit risks are not in accordance with the investment policy or guidelines of the Fund, the Investment Manager is obliged to rebalance the portfolio within 3 days of each determination that the portfolio is not in compliance with the stated investment parameters.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

18 FINANCIAL RISK MANAGEMENT (continued)

c) Credit risk (continued)

The Fund's maximum credit risk exposure at the end of the reporting period is represented by the respective carrying amounts of the financial assets in the statement of financial position.

Balances due from brokers
Balances due from brokers result from sale transactions awaiting settlement. Credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. As at the reporting date 100% (2010: 100%) of the balance due from brokers is concentrated with one broker (2010: 1 broker). The Investment Manager monitors the financial position of the brokers on a daily basis.

Cash and cash equivalents
The Fund's cash and cash equivalents are held mainly with HSBC Bank. The Investment Manager monitors the financial position of HSBC Bank on regular basis.

Settlement risk
The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. The Fund mitigates this risk by conducting settlements through brokers to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

19 CAPITAL MANAGEMENT

The redeemable capital of the Fund is represented by the net assets of the Fund. The amount of net assets can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions.

The Fund's objectives when managing the redeemable capital is to enable the entity to continue as a going concern, so that it can continue to provide adequate returns to the unit holders. There are no externally imposed capital requirements binding on the Fund.

20 DIVIDEND PER UNIT

During the year 2011, the Fund distributed a cash dividend of RO 0.050 per unit and issued stock dividend of RO 0.150 per unit for the financial year 2010 after approval at the Fund's Annual General Meeting.

21 PERFORMANCE FEE

No performance fee has accrued during the year to the Investment Manager, Gulf Baader Capital Markets SAOC (2010: RO 16,023), The performance fee, if any, is calculated as 10% on any profits achieved by the Investment Manager in excess of 10% net profit per annum after deduction of all applicable expenses excluding performance fee. The performance fee is calculated on a daily basis on the net asset value of the Fund in accordance with the terms and conditions agreed by the Investment Manager with the Board of Directors and is payable on yearly basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

22 PERCENTAGE CHANGES

	2011 Change %	2010 Change %
Realized gain/(loss) on investments	(214.16)	(81.21)
Dividend income	(4.55)	24.62
Net changes in fair value of investments	(193.74)	121.64
Operating expenses	(28.41)	(20.58)
Profit/(loss) from operations	(177.24)	(27.56)
Basic earnings/(loss) per unit	(170.91)	(35.69)
Total assets	(8.60)	8.64
Investments at fair value through profit or loss	(0.96)	2.41
Total liabilities	(67.68)	(44.21)
Net assets attributable to unit holders	(7.92)	9.85
Net asset value per outstanding unit (adjusted for dividend)	(9.33)	13.52

23 DEFINITION OF RATIOS

Net asset value (NAV)

Net Asset Value is calculated by subtracting the total liabilities from the total assets of the Fund. The NAV per unit of the Fund is calculated by dividing the net asset value by the number of outstanding units at the year-end.

Average annual total return

Average annual compounded rate of return has been calculated on the assumption that all dividends have been reinvested at the time they were distributed. Average annual total return is based on the net asset value at the time of purchase, and does not reflect payment of initial sales charges.

Expense ratio

Expenses during the year (interest expenses + all management and other expenses - except for brokerage commissions and mark-ups), divided by average NAV amount [(opening NAV + closing NAV) ÷ 2] for the year.

Simple return

Calculated by dividing the per unit after tax profit for the year, 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 year, by the per unit NAV at the beginning of the year.

Brokerage expense ratio

Brokerage commissions and mark-ups during the year (brokerage commissions + mark-ups), divided by average NAV amount for the year.

Portfolio turnover rate

Average of the price of assets bought and the price of the assets sold [(purchases + sales) ÷ 2], during the year, divided by average NAV amount for the year.

Liability ratio

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

24 CUMULATIVE SUBSCRIPTIONS OR REDEMPTIONS

Since the inception of the Fund, cumulative subscription and redemption of the units are reconciled as follows:

	2011	2010
	RO	RO
Units issued at the inception of Fund	**10,330,204**	10,330,204
Cumulative units subscribed	**2,566,741**	1,737,754
Cumulative units redeemed	**(10,451,404)**	(9,922,705)
Cumulative bonus units	**2,261,792**	2,056,099
Unit capital as at 31 December	**4,707,333**	4,201,352

25 COMPARATIVES

Comparative information has been re-presented and re-grouped, wherever necessary, to conform to the presentation adopted for the current year. Such re-presented or re-grouped information has not impacted the net assets of the Fund, net asset value per unit, total comprehensive income for the year or basic earnings per unit of the comparative period.