

The First Mazoon Fund

**Financial Statements
31 December 2016**

Registered office and principal place of business

P O Box 974
Postal Code 112
Sultanate of Oman

THE FIRST MAZOOON FUND

FINANCIAL STATEMENTS

31 December 2016

<i>Contents</i>	<i>Page</i>
Independent auditor's report	1
Statement of financial position	3
Statement of comprehensive income	4
Statement of changes in Unitholders' funds	5
Statement of cash flows	6
Notes to the financial statements	7 - 20

Moore Stephens LLC
2nd floor, Bank Melli Iran Building, CBD
P.O. Box 933, Ruwi, Postal Code 112
Sultanate of Oman

T +968 24812041
F +968 24812043
E stephens@omantel.net.om

www.moorestephens.com

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE FIRST MAZOOON FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The First Mazoon Fund ("The Fund"), set out on pages 3 to 20, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in Unitholders' funds and the statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Fund Management Body for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the disclosure requirements for Investment Funds issued by the Capital Market Authority and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Fund Management Body is responsible for overseeing the Fund's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE FIRST MAZOOON FUND (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Fund Management Body regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Regulatory Requirements

The financial statements also comply, in all material respects, with the disclosure requirements for Investment Funds issued by the Capital Market Authority.

24 January 2017



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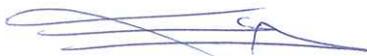
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The First Mazoon Fund
Financial statements for the year ended 31 December 2016

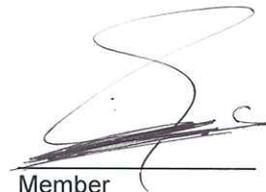
Statement of financial position

	Note	2016 RO	2015 RO
NET ASSETS			
Assets			
Investments at fair value through profit or loss	5	7,540,707	3,739,553
Due from a related party	6 b) & c)	--	1,287
Cash and cash equivalents	4 g)	505,669	4,029,203
Total assets		8,046,376	7,770,043
Liabilities			
Due to related parties	6 c)	34,581	27,995
Accruals and other payables		5,087	5,192
Total liabilities		39,668	33,187
Total net assets		8,006,708	7,736,856
UNITHOLDERS' FUNDS			
Unit capital	8	7,301,106	7,687,223
Retained earnings		705,602	49,633
Total Unitholders' funds		8,006,708	7,736,856
Net asset value per unit	9	1.097	1.006

These financial statements were approved and authorized for issue by the Fund Management Body on 24 January 2017 and were signed on their behalf by:



Chairman
Fund Management Body



Member
Fund Management Body

The attached notes 1 to 19 form part of these financial statements.

The First Mazoon Fund
Financial statements for the year ended 31 December 2016

Statement of comprehensive income

	Note	2016 RO	2015 RO
INCOME			
Dividend income	4 b)	264,614	261,143
Net realized gain / (loss) on investments at fair value through profit or loss	4 c)	490,735	(286,455)
Fair value changes in investments at fair value through profit or loss	5 a)	166,909	(683,991)
Interest income		323	81
		922,581	(709,222)
EXPENSES			
Management fee	14	107,673	122,362
Brokerage commission expenses (transaction cost)		98,760	48,481
General and administration	16	17,087	17,584
Custodian fee	14	9,684	11,556
Fund Management Body's fees	6 a)	16,000	8,000
Foreign exchange loss		3,072	10,352
		252,276	218,335
Profit / (loss) and total comprehensive income for the year		670,305	(927,557)
Profit / (loss) per unit		0.089	(0.120)

Note: The Fund does not have any item of other comprehensive income.

The attached notes 1 to 19 form part of these financial statements.

The First Mazoon Fund
Financial statements for the year ended 31 December 2016

Statement of changes in Unitholders' funds

	Unit capital RO (note 8)	Retained earnings RO	Total RO
At 31 December 2014	7,814,625	993,787	8,808,412
Units redeemed	(176,696)	(23,900)	(200,596)
Units subscribed	49,294	7,303	56,597
Loss and total comprehensive income for the year	--	(927,557)	(927,557)
At 31 December 2015	7,687,223	49,633	7,736,856
At 31 December 2015	7,687,223	49,633	7,736,856
Units redeemed	(386,117)	(14,336)	(400,453)
Profit and total comprehensive income for the year	--	670,305	670,305
At 31 December 2016	7,301,106	705,602	8,006,708

The attached notes 1 to 19 form part of these financial statements.

The First Mazoon Fund
Financial statements for the year ended 31 December 2016

Statement of cash flows

	2016 RO	2015 RO
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) for the year	670,305	(927,557)
<i>Adjustments for:</i>		
Net realized (gain) / loss on investments at fair value through profit or loss	(490,735)	286,455
Fair value changes in investments at fair value through profit or loss	(166,909)	683,991
Decrease in due from brokers, due from a related party and other receivables	1,287	366,992
Increase / (decrease) in due to related parties and other payables	6,481	(5,411)
Payments against purchase of investments	(45,010,098)	(21,019,115)
Proceeds from sale of investments	41,866,588	22,268,515
Net cash (used in) / generated from operating activities	(3,123,081)	1,653,870
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments against redemption of units	(400,453)	(200,596)
Receipts against subscription of units	--	56,597
Net cash used in financing activities	(400,453)	(143,999)
(Decrease) / increase in cash and cash equivalents during the year	(3,523,534)	1,509,871
Cash and cash equivalents at the beginning of the year	4,029,203	2,519,332
Cash and cash equivalents at the end of the year	505,669	4,029,203

The attached notes 1 to 19 form part of these financial statements.

The First Mazoon Fund

Financial statements for the year ended 31 December 2016

Notes to the financial statements

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, Government and corporate bonds in Oman, other GCC countries and the MENA region.

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 Fund Management Body, which is responsible for formulating investment strategy and the related guidelines adopted by the Fund.

On 15 December 2012, the Fund entered into a custodianship agreement with Gulf Custody Company SAOC for all investments owned by the Fund in Oman and GCC countries.

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.

2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and the relevant disclosure requirements for licensed companies issued by the Capital Market Authority. The financial statements are presented in Omani Rials.

2.2 New and amended IFRS adopted by the Fund

The financial statements have been drawn up based on accounting standards, interpretations and amendments effective at 1 January 2016. The Fund has adopted the following new and revised Standards and Interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee, which were effective for the current accounting period:

- Amendments to IAS 1 ‘Presentation of Financial Statements’ issued in December 2014 are part of the disclosure initiative. The minor amendments address a number of areas which include the disclosure of significant accounting policies, the application of materiality to financial statements, presentation of sub-totals, information to be presented in the other comprehensive income section of the performance statement, and the structure of the notes to the financial statements. The amendments are applicable for annual periods commencing on or after 1 January 2016.

The Management believes the adoption of the above and other amendments effective for the current accounting period has not had any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements.

The First Mazoon Fund

Financial statements for the year ended 31 December 2016

Notes to the financial statements

2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS (Continued)

2.3 New and amended IFRS which are in issue but not yet effective

At the end of the reporting period, the following significant new and revised standards were in issue but not yet effective:

- IFRS 15 'Revenue from Contracts with Customers' issued in May 2014 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related IFRICs 13, 15 and 18, and SIC-31. IFRS 15 is applicable for annual periods beginning on or after 1 January 2018. The standard is based on a 5 step approach to recognise revenue and also provides specific principles to apply, when there is a contract modification, when accounting for contract costs and when accounting for refunds and warranties. On application of the standard, the disclosures are likely to increase. The standard includes principles on disclosing the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, by providing qualitative and quantitative information.
- IFRS 9, 'Financial Instruments' issued in July 2014 has an effective date of accounting periods beginning on or after 1 January 2018 now that it has been finalised. IFRS 9 outlines the recognition, measurement and derecognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting. Financial assets are to be measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. The impairment model in IFRS 9 moves to one that is based on expected credit losses rather than the IAS 39 incurred loss model. The derecognition principles of IAS 39, 'Financial Instruments: Recognition and Measurement' have been transferred to IFRS 9. The hedge accounting requirements have been liberalised from that allowed previously. The requirements are based on whether an economic hedge is in existence, with less restriction about proving whether a relationship will be effective than current requirements.
- IFRS 16 issued in January 2016 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with lessor accounting substantially unchanged from IAS 17. IFRS 16 is effective from 1 January 2019.

The Management believes the adoption of the above amendments is not likely to have any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements for future periods.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, the Fund is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgements based on historical experience and other factors are inherent in the formation of estimates that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods effected.

The First Mazoon Fund

Financial statements for the year ended 31 December 2016

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied in dealing with items considered material to the Fund's financial statements.

a) Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the fair valuation of investments at fair value through profit or loss.

b) Dividend income

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

c) Investments at fair value through profit or loss

Investments at fair value through profit or loss have two sub-categories: investments held for trading, and those designated by Management at fair value through profit or loss at inception. Investments held for trading are acquired principally for the purpose of selling or repurchasing in the short-term. The regular purchase and sale of investments are recognised on the trade date, i.e. the date on which the Fund commits to purchase or sell the investment. They are initially recognised at fair value (transaction price). Subsequent to initial recognition, unrealised gains or losses arising from changes in fair values are accounted in the statement of comprehensive income.

Fair values of quoted investments at the end of the reporting period are determined with reference to the closing prices in organised financial markets. Realised gains or losses on sale of investments are determined by the difference between the sale proceeds and the carrying value and are included in the statement of comprehensive income in the year in which they arise. The Fund has classified fair value measurements on a recurring basis using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair valuation of the Fund's investments are determined using the Level 1 hierarchy.

d) Due from and due to brokers

Amounts due from and due to brokers represent receivables for securities sold and payables for securities purchased respectively, that have been contracted for but not yet settled or delivered at the end of the reporting period. These amounts are recognized initially at fair value and subsequently measured at amortised cost, 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.

e) Management fee and performance fee

Management fee and performance fee is payable to the Investment Manager. The Management fee is calculated at 1.40% (2015 – 1.40%) of net assets on a daily basis and payable at the end of each quarter. 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.

The First Mazoon Fund
Financial statements for the year ended 31 December 2016

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Receivables

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. Receivables are recognized initially at fair value plus transaction costs that are directly attributable to their acquisition origination. They are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. 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 against the allowance account for credit losses.

g) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of bank balances, including deposits carrying an original maturity period upto 3 months from the date of placement. Cash and cash equivalents also include cash balances held with brokers at the end of the reporting period which are available for investment at the discretion of the Investment Manager.

h) Other payables

Accruals and other payables are recognized initially at fair value and subsequently stated at amortized cost.

i) Taxation

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

j) Redeemable units

Redeemable units are issued and redeemed at the holder's option at prices based on the Fund's NAV per unit at the time of issue or redemption and are classified as equity. The Fund's NAV per unit is computed by dividing the net assets attributable to the holders of the redeemable units with the total number of outstanding redeemable units on all business days.

k) Foreign currency transactions

Foreign currency purchase and sale transactions are translated into Rials Omani at the exchange rate prevailing on the transaction date. Foreign currency monetary assets and liabilities at the end of the reporting period are translated at the rates of exchange prevailing on that date. Exchange differences arising are taken to the statement of comprehensive income.

l) Distributions payable to the holders of the redeemable units

Proposed distributions to the holders of redeemable units are recognized in the statement of changes in net assets attributable to Unit holders in the year when they are appropriately authorized and no longer at the discretion of the Fund. This typically occurs when proposed distribution is ratified at the Annual General Meeting.

m) Impairment

At the end of each reporting period, the Fund assesses if there is any objective evidence indicating impairment of financial assets. An impairment loss, if any, arrived at as a difference between the carrying amount and the recoverable amount, is recognised in the statement of comprehensive income. The recoverable amount represents the present value of expected future cash flows discounted at the original effective interest rate.

The First Mazoon Fund
Financial statements for the year ended 31 December 2016

Notes to the financial statements

5 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

a) The movement in the investments at fair value through profit or loss during the year is as follows:

	2016 RO	2015 RO
At the beginning of the year	3,739,553	5,959,399
Purchases during the year	45,010,098	21,019,115
Sales during the year	(41,375,853)	(22,554,970)
Fair value changes in investments during the year	166,909	(683,991)
	7,540,707	3,739,553

b) At the end of the reporting period, sector-wise analysis of investments at fair value through profit or loss is as follows:

	31 December 2016		31 December 2015	
	Cost RO	Market value RO	Cost RO	Market value RO
<i>Local investments</i>				
Banking and investment Services	203,009	228,920	--	--
	13,690	13,690	13,514	13,690
	216,699	242,610	13,514	13,690
<i>Foreign investments</i>				
Banking and investment Services	1,662,795	1,757,417	690,798	612,948
Industrial	3,666,024	3,665,636	2,500,398	2,146,356
	1,828,280	1,875,044	1,218,834	966,559
	7,157,099	7,298,097	4,410,030	3,725,863
	7,373,798	7,540,707	4,423,544	3,739,553

c) Summarised sector wise total of investments as a percentage of the net assets is as follows:

	2016 %	2015 %
Banking and investment Services	24.81	7.92
Industrial	45.95	27.92
	23.42	12.49
	94.18	48.33

d) At 31 December 2016, the Fund had no investments for which the Fund's holding represents 10% or more of the investee company's share capital (2015 – none).

e) At 31 December 2016, the Fund's investments for which the market value exceeded 5% of the market value of the Fund's overall investment portfolio were as follows:

Name of the company	Number of shares	Market value RO	31 December 2016	
			Cost RO	% of investment portfolio %
Saudi Basic Industries Corporation	46,200	431,137	415,037	5.72

The First Mazoon Fund
Financial statements for the year ended 31 December 2016

Notes to the financial statements

5 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

e) (Continued)

Name of the company	Number of shares	Market value RO	31 December 2015	
			Cost RO	% of investment portfolio %
Arab International Logistics Company PJSC	699,473	230,317	244,764	6.16
Fawaz Abdulaziz Alhokair Company	28,665	206,598	240,197	5.52
Qatar Electricity and Water	8,443	191,659	188,578	5.13
Emaar Malls PJSC	650,000	186,935	218,327	5.00
		815,509	891,866	21.81

f) The geographical analysis of the investments is as follows:

	31 December 2016		31 December 2015	
	Market value RO	% of net assets %	Market value RO	% of net assets %
Sultanate of Oman	242,610	3.03	13,690	0.18
Saudi Arabia	3,735,391	46.66	2,012,722	26.01
United Arab Emirates	1,658,320	20.71	850,092	10.99
Qatar	1,739,256	21.72	661,789	8.55
Kuwait	165,130	2.06	201,260	2.60
	7,540,707	94.18	3,739,553	48.33

g) Details of ten largest holdings at the end of the reporting period are as follows:

At 31 December 2016	Number of shares	Market value RO	% of net assets %
Saudi Basic Industries Corporation	46,200	431,137	5.38
Qatar National Bank	19,050	325,530	4.07
Emaar Properties	396,911	295,626	3.69
Qatar Electricity and Water Company	10,367	246,862	3.08
Emaar Malls PJSC	898,000	245,158	3.06
Bank Muscat SAOG	485,000	228,920	2.86
Air Arabia	1,299,932	180,152	2.25
Qatar Fuel Company	11,805	180,055	2.25
Qatar Insurance Company	19,859	176,656	2.21
Al Rajhi Bank	25,000	160,880	2.01
		2,470,976	30.86

The First Mazoon Fund
Financial statements for the year ended 31 December 2016

Notes to the financial statements

5 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

g) (Continued)

At 31 December 2015	Number of shares	Market value RO	% of net assets %
Arab International Logistics Company PJSC	699,473	230,317	2.98
Fawaz Abdulaziz Alhokair Company	28,665	206,598	2.67
Qatar Electricity & Water Company	8,443	191,659	2.48
Emaar Malls PJSC	650,000	186,935	2.42
Mouwasat Medical Services Company	14,027	174,266	2.25
Almarai Company	21,629	172,610	2.23
Saudi Ceramic Co	34,783	165,969	2.14
Burgan Bank	325,000	157,270	2.03
Qatar National Bank	8,475	155,580	2.01
Aldrees Petroleum & Transportation	34,281	150,986	1.95
		1,792,190	23.16

h) Details of five largest security purchases during the year are as follows:

31 December 2016	Cost RO
Saudi Basic Industries Corporation	2,745,781
Emaar Properties	1,591,005
Al Rajhi Bank	1,458,008
Advanced Polypropylene Company	1,408,673
Bupa Arabia	1,220,302
31 December 2015	
Saudi Basic Industries Corporation	1,288,119
Samba Financial Group	617,874
Saudi International Petrochemical Co	583,786
Aldrees Petroleum & Transportation	582,856
Savola Group	523,514

i) Details of five largest securities sold during the year are as follows:

31 December 2016	Proceeds RO
Saudi Basic Industries Corporation	2,366,072
Advanced Polypropylene Company	1,342,096
Al Rajhi Bank	1,337,971
Emaar Properties	1,332,635
Bupa Arabia	1,172,560
31 December 2015	
Saudi Basic Industries Corporation	1,712,684
Samba Financial Group	975,213
Air Arabia	697,071
Saudi International Petrochemical Co	659,456
Emaar Properties	645,186

j) The carrying value (fair value) of all the investments for the years 2016 and 2015 has been determined under the level 1 hierarchy [note 4 c)].

The First Mazoon Fund

Financial statements for the year ended 31 December 2016

Notes to the financial statements

6 RELATED PARTY TRANSACTIONS

- a) During the year, the Fund entered into transactions in the ordinary course of business with key management personnel and entities over which certain members of the Fund Management Body or the Investment Manager have a significant control or influence. These transactions are entered into on terms approved by the Fund Management Body and subject to Unitholders' approval in the Annual General Meeting.

The nature and volume of related party transactions entered during the year were as follows:

	2016	2015
	RO	RO
Management fee	107,673	122,362
Fund Management Body's fees	16,000	8,000
Redemption of units	--	56,950

- b) In addition to the above, the Fund purchases and sells investments traded on the MSM through a related party broker. Brokerage on these transactions is paid at the rates prescribed by the market authorities. The summary of these purchase and sale transactions during the year were as follows:

	2016	2015
	RO	RO
Purchase of investments	608,815	147,391
Sale of investments	414,337	1,005,518
Brokerage commission	3,581	4,011

- c) The amounts due from and due to related parties are not subject to interest and payable in accordance with the terms of the contract (2015 – same terms).

7 TAXATION

In accordance with Royal Decrees 54 and 55 of 2003, amending certain provisions of the income tax laws, investment funds incorporated in the Sultanate of Oman are exempt from tax. Accordingly, the Fund has not made any provision for tax for the year ended 31 December 2016 (2015 – Nil).

However, the Fund is required to file tax returns every year and tax returns are filed upto the year ended 31 December 2015. During the year, the tax assessment for the year 2010 has been finalised by the Secretariat General for Taxation with no additional demand for tax.

8 UNIT CAPITAL

- a) The number of units subscribed as at 31 December 2016 comprise 7,301,106 (2015 – 7,687,223) fully paid units of RO 1 each.

During the year, no units were subscribed (2015 – 49,294 units at a value of RO 56,597) and 386,117 units were redeemed at a value of RO 400,453 (2015 – 176,696 units at a value of RO 200,596).

- b) The details of Unit holders who own approximately 10% or more of the Fund's units are as follows:

		2016			2015
	%	Units owned	%	Units owned	Units owned
Gulf Investment Services Company SAOG	41.67	3,042,135	39.57	3,042,135	3,042,135
Nasser Mohammed Ali Al Nowais	14.02	1,023,574	13.32	1,023,574	1,023,574

The First Mazoon Fund
Financial statements for the year ended 31 December 2016

Notes to the financial statements

9 NET ASSET VALUE (NAV) PER OUTSTANDING UNIT

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

	2016	2015
Net assets (in RO)	8,006,708	7,736,856
Number of outstanding units at the year end	7,301,106	7,687,223
NAV per unit (in RO)	1.097	1.006

10 PROFIT / (LOSS) PER UNIT

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

	2016	2015
Profit / (loss) (in RO)	670,305	(927,557)
Weighted average number of units outstanding during the year	7,567,963	7,726,024
Profit / (loss) per unit (in RO)	0.089	(0.120)

11 PERFORMANCE DATA

	Average annual total return %	Growth of an assumed investment of RO 10,000
Year ended 31 December 2016	8.96	10,896
3 years ended 31 December 2016	1.29	10,393
5 years ended 31 December 2016	7.37	14,271
235 months ended 31 December 2016	7.42	40,644
Year ended 31 December 2015	(10.71)	8,929
3 years ended 31 December 2015	8.03	12,610
5 years ended 31 December 2015	3.50	11,875
223 months ended 31 December 2015	7.34	37,301

The average annual total returns, and growth of an assumed investment of RO 10,000, include dividends reinvested (cash and bonus shares). The performance data quoted represent past performance and is no guarantee of future performance. The Fund's performance is calculated by reinvesting the dividend on the date of declaration and adjusting the subsequent net asset values (NAV) on a daily basis to arrive at the adjusted NAVs.

The First Mazoon Fund
Financial statements for the year ended 31 December 2016

Notes to the financial statements

12 PER UNIT RATIOS

	2016	2015
	%	%
Simple return: (% of profit per unit to opening NAV per unit)	8.96	(10.71)
Expense ratio: (Expenses to average NAV)	1.95	2.05
Brokerage expense ratio: (Brokerage expense to average NAV)	1.25	0.59
Portfolio turnover rate: (Securities traded to average NAV)	551.82	261.63
Liability ratio: (% of liabilities to closing NAV)	0.50	0.43

13 FUND PER UNIT TABLE

	2016	2015
	RO	RO
PER-UNIT CHANGES IN NAV		
Income	0.036	0.034
Net investment gains / (losses) [realized and unrealized]	0.090	(0.126)
Expenses	(0.021)	(0.022)
Net profit / [loss] (based on closing outstanding units)	0.105	(0.114)
Net loss on movement in units	(0.014)	(0.007)
Net (decrease) / increase in NAV	0.091	(0.121)
NAV at the beginning of the year (as adjusted)	1.006	1.127
NAV at the end of the year	1.097	1.006
Brokerage commissions	0.013	0.006

14 MANAGEMENT AND CUSTODIAN FEE

Gulf Baader Capital Markets SAOC is the Investment Manager to the Fund (note 1) and earns a Management fee. Gulf Custody Company SAOC is the custodian of the Fund for its investments in Oman and GCC countries (note 1).

A Management fee of RO 107,673 (2015 – RO 122,362) at 1.40% per annum of the net assets value of the Fund (2015 – 1.40% per annum) is payable to the Investment Manager for the year. A custodian fee of RO 9,684 (2015 – RO 11,556) at 0.125% (2015 – 0.125%) of the Net Asset Value, subject to a minimum of RO 5,500 per annum is payable to the custodian 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 Custodian approved by the Fund Management Body and are payable on quarterly basis.

The First Mazoon Fund

Financial statements for the year ended 31 December 2016

Notes to the financial statements

15 PERFORMANCE FEE

The performance fee 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. No performance fee (2015 – Nil) has been accrued during the year to the Investment Manager, Gulf Baader Capital Markets SAOC.

16 GENERAL AND ADMINISTRATION

	2016 RO	2015 RO
Regulatory fees	5,381	5,470
Legal and professional fees	3,527	3,250
Advertising and publication	2,340	2,568
Bank charges	537	356
Tax on GCC dividend	5,086	5,352
Other expenses	216	588
	17,087	17,584

17 DISTRIBUTIONS TO THE UNIT HOLDERS

Subsequent to the end of the reporting period, the Fund Management Body have proposed a cash dividend of 5% (RO ____ per unit) (2015 – Nil), which is subject to Unitholders' approval at the forthcoming Annual General Meeting.

18 FINANCIAL RISK AND CAPITAL MANAGEMENT

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Fund. Risk management is carried out under policies approved by the Fund Management Body as per an Investment Management Agreement and Articles of Association. The objective of risk management is to ensure that the Fund operates within the risk levels set and monitored by the Fund Management Body 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 Fund Management Body on a quarterly basis.

The Fund's activities expose it to various financial risks, primarily being, market price risk, currency risk, credit risk and liquidity risk.

a) Market price risk

The Fund's equity securities are susceptible to market price risk arising from uncertainties about future prices of the instruments. 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 Fund Management Body 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 Articles of Association of the Fund and guidelines of the Fund Management Body.

	31 December 2016		31 December 2015	
	Market value RO	% of net assets	Market value RO	% of net assets
Investments at fair value through profit or loss	7,540,707	94.18	3,739,553	48.33

The First Mazoon Fund

Financial statements for the year ended 31 December 2016

Notes to the financial statements

18 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

a) Market price risk (Continued)

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 2016, the Fund has no concentration in individual securities positions exceeding 5.38% (2015 – 2.98%) 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 S&P GCC Index for its local and GCC portfolio of securities. The annualized volatility of the Fund is 13.70% (2015 – 13.90%) as compared with 12.10% (2015 – 15.60%) 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 0.75% (2015 – 0.84%). These stated techniques provide a yardstick to the Investment Manager to analyze the sensitivity of the Fund's investments and returns.

b) Currency risk

Foreign currency risk arises as the value of future transactions, recognized assets and liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. The Fund invests in GCC securities markets and holds both investments and bank balances denominated in currencies other than the Omani Rials.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's foreign exchange exposure on a daily basis, and the Fund Management Body 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:

	31 December 2016		31 December 2015	
	Amount in foreign currency	Amount in Rials Omani	Amount in foreign currency	Amount in Rials Omani
<i>Investments at fair value through profit or loss denominated in:</i>				
Saudi Arabia Rial (SAR)	36,621,486	3,735,391	19,732,569	2,012,722
UAE Dirham (AED)	15,914,764	1,658,320	8,158,273	850,092
Qatari Rial (QAR)	16,580,144	1,739,256	6,308,761	661,789
Kuwaiti Dinar (KWD)	132,528	165,130	160,124	201,260
<i>Cash in bank / with Broker denominated in:</i>				
Saudi Arabia Rial (SAR)	1,043,418	106,429	24,515,077	2,500,538
UAE Dirham (AED)	1,800,233	187,584	6,266,258	652,944
Qatari Rial (QAR)	1,286,607	134,965	7,423,626	778,738
Kuwaiti Dinar (KWD)	32,924	41,023	11,314	14,221
		7,768,098		7,672,304

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

The First Mazoon Fund

Financial statements for the year ended 31 December 2016

Notes to the financial statements

18 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

c) Credit risk

Credit risk is the risk that 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 Articles 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 Fund Management Body. 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. The carrying value of receivable approximates their fair values due to the short-term nature of those receivables.

d) Liquidity risk

At 31 December 2016, the Fund's holding in cash and cash equivalents represented 6.32% (2015 – 52.08%) of its net assets. Accordingly, the Fund is not subject to significant 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 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 94.18% (2015 – 48.33%) of total net assets and 93.72% (2015 – 48.13%) 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. All financial liabilities are expected to be repaid within 3 months from the end of the reporting period.

e) 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.

The First Mazoon Fund

Financial statements for the year ended 31 December 2016

Notes to the financial statements

19 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 excluding brokerage commissions), divided by average NAV amount $[(\text{opening NAV} + \text{closing NAV}) \div 2]$ 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 during the year 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 $[(\text{purchases} + \text{sales}) \div 2]$, 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.