The First Mazoon Fund

Unaudited Financial Statements
31 Mach 2015

Registered office and principal place of business

P O Box 974
Postal Code 112
Sultanate of Oman

THE FIRST MAZOON FUND

UNAUDITED FINANCIAL STATEMENTS
31 March 2015

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Statement of financial position

	Note	**31-03-2015 RO**	31-03-2014 RO	31-12-2014 RO
NET ASSETS				
Assets				
Investments at fair value through profit or loss	5	**5,981,531**	5,653,763	5,959,399
Due from brokers	4 e)	**-**	470,413	151,441
Due from a related party	6 b) & c)	**-**	-	183,831
Other receivables and prepayments		**56,170**	78,558	33,007
Cash and cash equivalents	4 h)	**2,781,846**	125,434	2,519,332
Total assets		**8,819,547**	6,328,168	8,847,010
Liabilities				
Due to related parties	6 c)	**38,667**	50,284	33,641
Accruals and other payables		**49,830**	443,755	4,957
Total liabilities		**88,497**	494,039	38,598
Total net assets		**8,731,050**	5,834,129	8,808,412
UNITHOLDERS' FUNDS				
Unit capital	8	**7,720,208**	4,852,892	7,814,625
Retained earnings		**1,010,842**	981,237	993,787
Total Unitholders' funds		**8,731,050**	5,834,129	8,808,412
Net asset value per unit	9	**1.131**	1.202	1.127

These financial statements were approved and authorized for issue by the Fund Management Body on 28 April 2015 and were signed on their behalf by:

Chairman
Fund Management Body

Member
Fund Management Body

The attached notes 1 to 20 form part of these financial statements.

Statement of comprehensive income

	Note	**31-03-2015 RO**	31-03-2014 RO	31-12-2014 RO
INCOME				
Dividend income	4 b)	**127,676**	120,462	252,904
Net realized gain on investments at fair value through profit or loss	4 c)	**205,935**	395,076	517,399
Fair value changes in investments at fair value through profit or loss	5 a)	**(228,625)**	322,072	(613,186)
Interest income		**-**	558	619
		104,986	838,168	157,736
EXPENSES				
Management fee	14	**(30,973)**	(20,510)	(110,100)
Brokerage commission expenses (transaction cost)		**(19,014)**	(17,546)	(83,760)
General and administration	16	**(3,784)**	(5,238)	(17,589)
Custodian fee	14	**(3,007)**	(2,310)	(10,529)
Fund Management Body fee	6 a)	**(9,397)**	(9,397)	(8,000)
Performance fee	15	**--**	(22,378)	--
Foreign exchange loss		**(9,716)**	(3,646)	(22,567)
		(75,891)	(81,025)	(252,545)
Profit / (Loss) and total comprehensive income for the Period		**29,095**	757,143	(94,809)
Profit / (Loss) per unit	10	**0.004**	0.171	(0.015)

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

The attached notes 1 to 20 form part of these financial statements.

Statement of changes in Unitholders' funds

	Unit capital RO (note 8)	Retained earnings RO	Total RO
At 31 December 2013	4,286,750	1,069,806	5,356,556
Dividend paid during the period	--	(441,172)	(441,172)
Bonus shares issued during the period	441,172	(441,172)	--
Units redeemed	(2,836)	(1,061)	(3,897)
Units subscribed	127,806	37,693	165,499
Profit and total comprehensive income for the period	--	757,143	757,143
At 31 March 2014	4,852,892	981,237	5,834,129
At 31 December 2014	**7,814,625**	**993,787**	**8,808,412**
Units redeemed	**(143,711)**	**(19,343)**	**(163,054)**
Units subscribed	**49,294**	**7,303**	**56,597**
Profit and total comprehensive income for the period	**--**	**29,095**	**29,095**
At 31 March 2015	**7,720,208**	**1,010,842**	**8,731,050**

The attached notes 1 to 20 form part of these financial statements.

Statement of cash flows

	31-03-2015 RO	31-03-2014 RO	31-12-2014 RO
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) for the period	**29,095**	**757,143**	**(94,809)**
Adjustments for:			
Net realized profit on investments at fair value through profit or loss	**(205,935)**	**(395,076)**	**(517,399)**
Net fair value changes in investments at fair value through profit or loss	**228,625**	**(322,072)**	**613,186**
Decrease / (Increase) in due from brokers, due from a related party and other receivables	**312,109**	**(535,107)**	**(354,415)**
Increase / (Increase) in due to related parties and other payables	**49,899**	**292,784**	**(162,657)**
Payments against purchase of investments	**(7,503,361)**	**(4,535,255)**	**(30,303,982)**
Proceeds from sale of investments	**7,458,539**	**5,016,560**	**29,666,716**
Net cash from / (used in) operating activities	**368,971**	**278,977**	**(1,153,360)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid during the period	**-**	**(441,172)**	**(441,172)**
Payments against redemption of units	**(163,054)**	**(3,897)**	**(318,769)**
Receipts against subscription of units	**56,597**	**165,499**	**4,306,606**
Net cash (used in) / from financing activities	**(106,457)**	**(279,570)**	**3,546,665**
Increase / (decrease) in cash and cash equivalents during the period	**262,514**	**(593)**	**2,393,305**
Cash and cash equivalents at the beginning of the year	**2,519,932**	**126,027**	**126,027**
Cash and cash equivalents [note 4 h)] at the end of the period	**2,781,846**	**125,434**	**2,519,332**

The attached notes 1 to 20 form part of these financial statements.

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 period.

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 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 32 'Financial Instruments: Presentation' issued in December 2011 clarifies the existing offsetting requirements for a financial asset and a financial liability.

- Amendments to IFRS 10, IFRS 12 and IAS 27 issued in October 2012 define an investment entity and introduce an exception to consolidating particular subsidiaries of an investment entity. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27.

- Amendments to IAS 36 'Impairment of assets' issued in May 2013 corrects certain consequential amendments to IAS 36 disclosures when IFRS 13 was issued. The amendments also clarify other disclosure requirements relating to recoverable amount for non-financial assets.

- IFRIC 21 'Levies' issued in May 2013 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 'Provisions, Contingent liabilities and Contingent assets'. It clarifies the accounting for a liability to pay a levy whose timing and amount is certain.

Notes to the financial statements

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

2.2 New and amended IFRS adopted by the Fund (Continued)

- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' issued in June 2013 clarifies that there is no expiration or termination of hedging instrument if as a consequence of change in laws or regulations, there is a change in the clearing counter-parties.

The Fund management body believes the adoption of the above amendments has not had any material impact on the presentation and disclosure of items in the financial statements for the current accounting period.

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

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

- IFRS 9, 'Financial Instruments' has an effective date for 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 Instrument: 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 to prove whether a relationship will be effective than current requirements.

- Annual amendments to IFRSs (2010 - 2012 cycle and 2011 - 2013 cycle) issued in December 2013 covers the following IFRSs and the related subject amendments in those standards:

  - IFRS 2 – Definition of vesting condition;
  - IFRS 3 – Accounting for contingent consideration in a business combination;
  - IFRS 8 – Aggregation of operating segments and reconciliation of the total of the reporting segments' assets to the total assets;
  - IFRS 13 – Short term receivables and payables;
  - IAS 24 – Inclusion of 'management entity' within key management personnel;
  - IAS 16 and IAS 38 – Proportional restatement of accumulated depreciation or amortization under revaluation method;
  - IFRS 3 – Exclusion of joint arrangements (previously worded as joint ventures) from the scope of business combination;
  - IFRS 13 – Clarification on portfolio exception rule and its applicability to all contracts under IAS 39 and IFRS 9;
  - IAS 40 – Judgement required on whether an acquisition of investment property is an acquisition of asset / group of assets / business combination under IFRS 3.

  The amendments are applicable for annual periods commencing on or after 1 July 2014.

- IFRS 14 Regulatory Deferral Accounts issued in January 2014 permits first time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. IFRS 14 is applicable for annual periods beginning on or after 1 January 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 (Continued)

- 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 supercedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related IFRICs 13, 15 and 18. IFRS 15 is applicable for annual periods beginning on or after 1 January 2017. 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, accounting for contract costs and 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.

- Amendments to IFRS 11 'Joint Arrangements' issued In May 2014 provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments are applicable for annual periods beginning on or after 1 January 2016. The amendments clarify that a joint operator that acquires an asset or group of assets in a joint operation that represents a business in accordance with IFRS 3, applies the principles in IFRS 3 in accounting for business combinations to the acquisition. This will result in separate recognition of goodwill if any arises on the acquisition. If the asset or group of assets acquired does not constitute a business the principles of IFRS 3 are not applied.

- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' were issued in May 2014 clarifying the acceptable methods of depreciation and amortization. The amendments are applicable for annual periods beginning on or after 1 January 2016.

- Amendments to IAS 16 'Property, plant and equipment' and IAS 41 'Biological assets' were issued in June 2014. The amendments define a bearer plant and include bearer plants within the scope of IAS 16. Previously, bearer plants were not defined and bearer plants related to agricultural activity were included within the scope of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The amendments are applicable for annual periods beginning on or after 1 January 2016.

- Amendments to IAS 27 'Separate Financial Statements' issued in August 2014 permits the use of equity method for investments in subsidiaries, associates and joint ventures when an entity prepares its separate financial statements. The amendments are applicable for annual periods beginning on or after 1 January 2016.

- Annual amendments to IFRSs (2012-2014 cycle) issued in September 2014 covers the following IFRSs and the related subject amendments in those standards:

  - IFRS 5 – Change in the method of disposal from 'held for sale' to 'held for distribution' to be treated as continuation of the original plan;
  - IFRS 7 - Clarifies 'servicing contracts' create continuing involvement of the transferred financial asset if the service fee is contingent upon the timing and amount of cash flows;
  - IAS 19 - Discount rate under actuarial assumptions for employee benefits to be based at currency level and not at country level;
  - IAS 34 – A reference to 'elsewhere in the interim financial report disclosure includes cross-referencing to information in any statement which is available at the same time the interim financial report is made available

  The amendments are applicable for annual periods commencing on or after 1 January 2016.

The Fund management body believes the adoption of the above amendments is not likely to have any material impact on the presentation and disclosure of items in the financial statements for future periods.

Notes to the financial statements

3 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.

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.

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) 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.

e) 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.

f) Management fee and performance fee

Management fee and performance fee is payable to the Investment Manager. The management fee is calculated at 1.40% (31-03-2014 – 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.

g) 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.

h) 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.

i) Other payables

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

j) Taxation

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

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) 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.

l) 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.

m) 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 period 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.

5 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	31-03-2015 RO	31-03-2014 RO
At the beginning of the year	**5,959,399**	5,417,920
Purchases during the period	**7,503,361**	4,535,255
Sales during the period	**(7,252,604)**	(4,621,484)
Fair value changes in investments during the period	**(228,625)**	322,072
	5,981,531	5,653,763

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

	31-03-2015		31-03-2014	
	Cost RO	**Market value RO**	Cost RO	Market value RO
Local investments				
Banking and investment	**5**	**4**	164,065	160,520
Services	**146,545**	**138,785**	139,752	137,197
Industrial	**15,801**	**15,771**	-	-
Bonds	**1,351**	**1,351**	-	1,338
	163,702	**155,911**	303,817	299,055
Foreign investments				
Banking and investment	**1,946,954**	**1,842,597**	1,045,451	1,107,012
Services	**2,780,033**	**2,736,560**	2,038,278	2,212,792
Industrial	**1,319,468**	**1,246,463**	1,944,145	2,034,904
	6,046,455	**5,825,620**	5,027,874	5,354,708
	6,210,157	**5,981,531**	5,331,691	5,653,763

Notes to the financial statements

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

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

	31-03-2015 %	31-03-2014 %
Banking and investment	**21.10**	21.73
Services	**32.93**	40.28
Industrial	**14.46**	34.88
Bonds	**0.02**	0.02
	68.51	96.91

d) At 31 March 2015, the Fund had no investments for which the Fund's holding represents 10% or more of the investee company's share capital (31-03-2014 – none).

e) At 31 March 2015, the Fund's had no investments for which the market value exceeded 5% of the market value of the Fund's overall investment portfolio.

At 31 March 2014, the Fund investments for which the market value exceeds 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	Cost RO	31-03-2014 % of investment portfolio %
Saudi Basic Industries Corporation	34,500	413,483	396,500	7.31
		413,483	396,500	7.31

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

	31-03-2015 Market value RO	31-03-2015 % of net assets %	31-03-2014 Market value RO	31-03-2014 % of net assets %
Sultanate of Oman	**155,912**	**1.79**	299,055	5.13
Saudi Arabia	**3,081,676**	**35.30**	2,908,890	49.86
United Arab Emirates	**1,128,803**	**12.93**	1,234,009	21.15
Qatar	**1,404,849**	**16.09**	1,211,809	20.77
Kuwait	**210,291**	**2.41**	--	--
	5,981,531	**68.51**	5,653,763	96.91

Notes to the financial statements

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

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

31-03-2015	**Number of shares**	**Market value RO**	**% of net assets %**
Qatar Electricity & Water Company	**16,500**	**338,035**	**3.87%**
Arab National Bank	**93,081**	**305,430**	**3.50%**
Mouwasat Medical Services Company	**20,162**	**274,032**	**3.14%**
Qatar National Bank	**12,895**	**261,745**	**3.00%**
National Agricultural Development Co	**67,800**	**246,334**	**2.82%**
First Gulf Bank	**152,447**	**231,921**	**2.66%**
Saudi Fransi Bank	**62,000**	**211,222**	**2.42%**
Gulf International Services	**19,850**	**199,897**	**2.29%**
Al Meera Consumer Goods	**8,152**	**186,422**	**2.14%**
Aldrees Petroleum & Transportation	**28,395**	**173,777**	**1.99%**
		2,428,815	**27.82%**

31-03-2014	Number of shares	Market value RO	% of net assets %
Saudi Basic Industries Corporation	34,500	413,483	7.09%
Doha Bank	35,000	226,899	3.89%
Rabigh Refining and petrochemical Co.	85,000	226,287	3.88%
Saudi International Petrochemical Co	53,500	177,353	3.04%
The National Shipping Co.	50,000	172,380	2.95%
Saudi Telecom	25,000	168,300	2.88%
Saudi Chemical Company	25,000	155,550	2.67%
Drake & Scull International	800,000	144,213	2.47%
Aldar Properties	400,000	143,796	2.46%
Saudi Industrial Investment Group	40,000	140,760	2.41%
		1,969,020	33.75%

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

31-03-2015	**Cost RO**
Savola Group	**316,021**
The National Shipping Co- Bahri	**286,853**
Qatar National Bank	**282,680**
Aldrees Petroleum & Transportation	**267,018**
National Agricultural Development Co	**247,475**

31-03-2014	Cost RO
Al Tayyar Travel Group	344,454
Emaar Properties	286,925
Arabtec Holding	257,776
RAK Properties	181,673
Saudi Basic Industries Corporation	174,726

Notes to the financial statements

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

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

31-03-2015	**Proceeds RO**
Emaar Properties	**405,515**
Al Tayyar Travel Group	**332,611**
Ras Al Khaimah Ceramic Co.	**246,317**
Arabtec Holding	**202,669**
Etihad Etisalat Co	**185,640**

31-03-2014	Proceeds RO
Saudi Basic Industries Corporation	925,013
Industries Qatar	657,306
Al Tayyar Travel Group	639,480
Emaar Properties	616,952
Qatar National Bank	508,385

j) The carrying value (fair value) of all the investments for the period 31-03-2015 and 31-03-2014 has been determined under the level 1 hierarchy [note 4 c)].

6 RELATED PARTY TRANSACTIONS

a) During the period, 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 significant related party transactions entered during the period was as follows:

	31-03-2015 RO	31-03-2014 RO
Management fee	**30,973**	20,510
Fund Management body fee	**9,397**	9,397
Performance Fee	**--**	22,378

Notes to the financial statements

6 RELATED PARTY TRANSACTIONS (Continued)

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 CMA. The summary of these purchase and sale transactions during the period were as follows:

	31-03-2015	31-03-2014
	RO	RO
Purchase of investments	**84,384**	471,760
Sale of investments	**795,580**	970,541
Brokerage commission	**3,080**	4,686

At the end of the reporting period, the amount due from a related party represents receivables from the related party broker for securities sold that have been contracted for but not yet settled at the end of the reporting period.

c) The amounts due from and due to related parties are not subject to interest free and payable in accordance with the terms of the contract. (31-03-2014 – 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 period ended 31 March 2015 (31-03-2014 – Nil).

The Fund is required to file tax returns every year and tax returns are filed upto the year ended 31 December 2014. The Fund's tax assessments have been finalised by the Secretariat General for Taxation upto tax year 2002.

8 UNIT CAPITAL

a) During the period, 49,294 units were purchased at a value of RO 56,597 (31-03-2014 – 127,806 units at a value of RO 165,499) and 143,711 units were redeemed at a value of RO 163,054 (31-03-2014 – 2,836 units at a value of RO 3,897).

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

		31-03-2015		31-03-2014
	%	**Units owned**	%	Units owned
Gulf Investment Services Company SAOG	**39.40**	**3,042,135**	42.18	2,047,177
Nasser Mohammed Ali Al Nowais	**13.26**	**1,023,574**	--	--
Export Credit Guarantee Agency of Oman SAOC	**7.82**	**603,722**	9.89	479,895
Public Authority for Social Insurance	**6.04**	**466,433**	9.61	466,433

9 NET ASSET VALUE (NAV) PER OUTSTANDING UNIT

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

	31-03-2015	31-03-2014
Net assets (in RO)	**8,731,050**	5,834,129
Number of outstanding units at the period end	**7,720,208**	4,852,892
NAV per unit (in RO)	**1.131**	1.202

Notes to the financial statements

10 PROFIT / (LOSS) PER UNIT

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

	31-03-215	31-03-2014
Profit / (loss) (in RO)	**29,905**	757,143
Weighted average number of units outstanding during the period	**7,792,391**	4,431,843
Profit / (loss) per unit (in RO)	**0.004**	0.171

11 PERFORMANCE DATA

	Average annual total return %	**Growth of an assumed investment of RO 10,000**
Period ended 31 March 2015	**0.33**	**10,033**
3 years ended 31 March 2015	**9.33**	**13,070**
5 years ended 31 March 2015	**6.85**	**13,927**
214 months ended 31 March 2015	**8.37**	**41,914**
Period ended 31 March 2014	13.93	11,393
3 years ended 31 March 2014	16.74	15,021
5 years ended 31 March 2014	21.72	20,861
202 months ended 31 March 2014	20.53	44,556

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.

12 PER UNIT RATIOS

	31-03-2015 %	31-03-2014 %
Simple return: (% of profit per unit to opening NAV per unit)	**0.33**	13.93
Expense ratio: (Expenses to average NAV)	**0.65**	1.13
Brokerage expense ratio: (Brokerage expense to average NAV)	**0.22**	0.31
Portfolio turnover rate: (Securities traded to average NAV)	**85.30**	243.31
Liability ratio: (% of liabilities to closing NAV)	**1.01**	8.47

Notes to the financial statements

13 FUND PER UNIT TABLE

	31-03-2015 RO	31-03-2014 RO
PER-UNIT CHANGES IN NAV		
Income	**0.016**	0.025
Net investment (losses) / gains (realized and unrealized)	**(0.003)**	0.148
Expenses	**(0.007)**	(0.013)
Net (loss) / profit (based on closing outstanding units)	**0.006**	0.160
Net profit on movement in units	**(0.002)**	(0.013)
Net increase in NAV	**0.004**	0.147
NAV at the beginning of the period (as adjusted)	**1.127**	1.055
NAV at the end of the period	**1.131**	1.202
Brokerage commissions	**0.002**	0.003

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 30,973 (31-03-2014 – RO 20,510) at 1.40% per annum of the net assets value of the Fund (31-03-2014 – 1.40% per annum) is payable to the Investment Manager for the year. A custodian fee of RO 3,007 (31-03-2014 – RO 2,310) at 0.125% (31-03-2014 – 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.

15 PERFORMANCE FEE

No performance fee (31-03-2014 – RO 22,378) has been accrued during the year to the Investment Manager, Gulf Baader Capital Markets SAOC. 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. 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 Fund Management Body and is payable on yearly basis.

16 GENERAL AND ADMINISTRATION

	31-03-2015 RO	31-03-2014 RO
Legal and professional fees	**877**	726
Muscat Securities Market and CMA fees	**1,349**	716
Advertising and publication	**840**	840
Bank charges	**244**	1,110
Tax on GCC dividend	**474**	1,259
Other expenses	**-**	587
	3,784	5,238

Notes to the financial statements

17 DISTRIBUTIONS TO THE UNIT HOLDERS

During the period nil, (31-03-2014, the cash dividend of 10% and stock dividend of 10% was distributed to the Unitholders for the year 2013 after Unitholders' approval at the Annual General Meeting held on 25 March 2014).

18 FINANCIAL RISK AND CAPITAL MANAGEMENT

The fair values of the Fund's financial assets and liabilities approximate their carrying values.

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.

		31-03-2015		31-03-2014
	Market value RO	**% of net assets**	Market value RO	% of net assets
Investments at fair value through profit or loss	**5,981,531**	**68.51**	5,653,763	96.91

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 31-03-2015, the Fund has no concentration in individual securities positions exceeding 3.87% (31-03-2014 – 7.31%) 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% (31-03-2014 – 13.60%) as compared with 14.70% (31-03-2014 – 14.50%) 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 0.88% (31-03-2014 – 0.89%). These stated techniques provide a yardstick to the Investment Manager to analyze the sensitivity of the Fund's investments and returns.

Notes to the financial statements

18 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

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:

		31-03-2015		31-03-2014
	Amount in foreign currency	**Amount in Rials Omani**	Amount in foreign currency	Amount in Rials Omani
Investments at fair value through profit or loss denominated in:				
Saudi Arabia Rial (SAR)	**30,212,510**	**3,081,676**	28,518,529	2,908,890
UAE Dirham (AED)	**10,833,042**	**1,128,803**	11,842,697	1,234,009
Qatari Rial (QAR)	**13,392,269**	**1,404,849**	11,552,040	1,211,809
Kuwaiti Dinar (KWD)	**156,700**	**210,291**	--	--
Cash in bank / with Broker denominated in:				
Saudi Arabia Rial (SAR)	**16,340,736**	**1,666,755**	767,275	78,262
UAE Dirham (AED)	**3,948,613**	**411,445**	3,285,470	342,346
Qatari Rial (QAR)	**5,423,428**	**568,918**	4,819,561	505,572
Kuwaiti Dinar (KWD)	**41,754**	**56,034**	--	--
		8,528,771		6,280,888

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.

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.

Notes to the financial statements

18 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

d) 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 period.

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 68.51% (31-03-2014 – 96.91%) of total net assets and 67.82% (31-03-2014 – 89.34%) 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.

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 period-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 period (interest expenses + all management and other expenses excluding brokerage commissions), divided by average NAV amount [(opening NAV + closing NAV) ÷ 2] for the period.

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

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

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

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

Notes to the financial statements

20 Cash Holding

As of 31-03-2015, the fund holding in cash and cash equivalents which represents 31.86%. The increase in cash holding was due to uncertainties and extreme volatility in the GCC region, arising out of weak crude oil prices and regional uncertainty. The cash will be redeployed as the overall condition improves.

21 COMPARATIVES

Comparatives have been reclassified wherever necessary to conform to the presentation adopted in this year's financial statements.