**THE FIRST MAZOON FUND**

**UNAUDITED FINANCIAL STATEMENTS**

**30 JUNE 2014**

Registered office and principal place of business

P O Box 974
Postal Code 112
Sultanate of Oman

**THE FIRST MAZOON FUND**

**UNAUDITED FINANCIAL STATEMENTS**
*For the Period Ended 30 June 2014*

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THE FIRST MAZOON FUND

**UNAUDITED STATEMENT OF FINANCIAL POSITION**
**at 30 June 2014**

| | Note | **30-06-2014 RO** | 30-06-2013 RO | 31-12-2013 RO |
|---|---|---|---|---|
| **NET ASSETS** | | | | |
| **Assets** | | | | |
| Investments at fair value through profit or loss | 4 | **4,231,838** | 3,872,628 | 5,417,920 |
| Due from brokers | | **3,079,262** | 152,247 | 11,564 |
| Other receivables and prepayments | | **39,376** | 10,216 | 2,300 |
| Cash and cash equivalents | 3 h) | **527,041** | 272,395 | 126,027 |
| Total assets | | **7,877,517** | 4,307,486 | 5,557,811 |
| **Liabilities** | | | | |
| Amounts due to related parties | 5 c) | **294,498** | 52,570 | 197,643 |
| Accruals and other payables | | **50,048** | 3,268 | 3,612 |
| Total liabilities | | **344,546** | 55,838 | 201,255 |
| **Total net assets** | | **7,532,971** | 4,251,648 | 5,356,556 |
| **UNITHOLDERS' FUNDS** | | | | |
| Unit capital | 7 | **6,121,396** | 3,891,247 | 4,286,750 |
| Retained earnings | | **1,411,575** | 360,401 | 1,069,806 |
| **Total Unitholders' funds** | | **7,532,971** | 4,251,648 | 5,356,556 |
| **Net asset value per unit** | 8 | **1.231** | 1.093 | 1.250 |

These financial statements were approved and authorized for issue by the Fund Management Body on **14 July 2014** 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.

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**
**for the period ended 30 June 2014**

| | Note | **30-06-2014** | 30-06-2013 | 31-12-2013 |
|---|---|---|---|---|
| | | **RO** | RO | RO |
| **INCOME** | | | | |
| Dividend income | 3 b) | **181,702** | 155,632 | 188,261 |
| Interest income | 3 b) | **560** | - | - |
| Net realized gain on investments at fair value through profit or loss | 3 c) | **754,861** | 308,585 | 809,605 |
| Fair value changes in investments at fair value through profit or loss | | **88,399** | 249,493 | 520,946 |
| | | **1,025,522** | 713,710 | 1,518,812 |
| **EXPENSES** | | | | |
| Performance fee | 14 | **(47,544)** | (22,892) | (99,972) |
| Management fee | 13 | **(44,409)** | (29,122) | (62,589) |
| Brokerage commission (transaction cost) | | **(31,096)** | (23,283) | (45,249) |
| Fund Management Body fee | 5 a) | **(18,876)** | (18,877) | (53,100) |
| General and administration | 15 | **(11,190)** | (9,524) | (16,785) |
| Custodian fee | 13 | **(4,518)** | (2,795) | (5,903) |
| Foreign exchange loss | | **(8,981)** | (3,052) | (7,064) |
| | | **(166,614)** | (109,545) | (290,662) |
| **Profit and total comprehensive income for the period** | | **858,908** | 604,165 | 1,228,150 |
| **Profit per unit** | 9 | **0.174** | 0.149 | 0.306 |

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

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

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
## for the period ended 30 June 2014

| | Unit capital RO (note 7) | Retained earnings RO | Total RO |
|---|---|---|---|
| At 31 December 2013 | **4,286,750** | **1,069,806** | **5,356,556** |
| Units redeemed | **(248,323)** | **(66,024)** | **(314,347)** |
| Units subscribed | **1,641,797** | **431,229** | **2,073,026** |
| Cash Dividend | **--** | **(441,172)** | **(441,172)** |
| Bonus Dividend | **441,172** | **(441,172)** | **--** |
| Profit and total comprehensive income for the period | **--** | **858,908** | **858,908** |
| At 30 June 2014 | **6,121,396** | **1,411,575** | **7,532,971** |
| At 31 December 2012 | 4,389,424 | (240,741) | 4,148,683 |
| Units redeemed | (498,177) | (3,023) | (501,200) |
| Units subscribed | -- | -- | -- |
| Profit and total comprehensive income for the period | -- | 604,165 | 604,165 |
| At 30 June 2013 | 3,891,247 | 360,401 | 4,251,648 |

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

## STATEMENT OF CASH FLOWS
**for the period ended 30 June 2014**

| | **30-06-2014 RO** | 30-06-2013 RO | 31-12-2013 **RO** |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net profit for the period | **858,908** | 604,165 | 1,228,150 |
| Adjustments for: | | | |
| Net realized profit on investments at fair value through profit or loss | **(754,861)** | (308,585) | (809,605) |
| Net changes in fair value of investments at fair value through profit or loss | **(88,399)** | (249,493) | (520,946) |
| Net cash from / (used in) operating activities | **15,648** | 46,087 | (102,401) |
| *Net changes in other current assets and liabilities:* | | | |
| Increase / (Decrease) in due from brokers and other receivables | **(3,104,774)** | (75,366) | 73,233 |
| Increase in due to related parties and other payables | **143,291** | 38,218 | 183,635 |
| Payments against purchase of investments | **(8,156,629)** | (5,435,704) | (13,738,576) |
| Proceeds from sale of investments | **10,185,971** | 5,959,470 | 13,489,523 |
| Net cash Used / (from) in operating activities | **(916,493)** | 532,705 | (94,586) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Payments against redemption of units | **(314,347)** | (501,200) | (711,841) |
| Receipts against subscription of units | **2,073,026** | - | 691,564 |
| Cash Dividends | **(441,172)** | - | - |
| Net cash used in financing activities | **1,317,507** | (501,200) | (20,277) |
| Increase /(Decrease) in cash and cash equivalents during the period | **401,014** | 31,505 | (114,863) |
| Cash and cash equivalents at the beginning of the year | **126,027** | 240,890 | 240,890 |
| **Cash and cash equivalents [note 3 h)] at the end of the period** | **527,041** | 272,395 | 126,027 |

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

**NOTES TO THE FINANCIAL STATEMENTS**
**for the period ended 30 June 2014**

## 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, interpretations issued by the International Financial Reporting Interpretations Committee.

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 1 'Presentation of Financial Statements' issued in June 2011 improves the consistency and clarity of the presentation of items of other comprehensive income (OCI). The amendments require an entity to group items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

- The revised IAS 19 'Employee benefits' issued in June 2011 has resulted, amongst other amendments, in the removal of 'corridor approach' to defer some gains and losses arising from defined benefit plans. The amendment also introduces a different basis of recognizing the impact of changes in the obligation within the performance statements i.e. net interest cost.

- IFRS 10 'Consolidated Financial Statements' was issued in May 2011 primarily to deal with divergence in practice in applying the existing IAS 27 'Consolidated and Separate Financial Statements' and SIC 12 'Consolidation – Special Purpose Entities'. IFRS 10 and revised IAS 27 'Separate Financial Statements' together supersede the current IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 also applies a substance approach to control and that control will need to be reviewed on application.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**for the period ended 30 June 2014**

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

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

- IFRS 11 'Joint arrangements' was issued in May 2011 and improves on IAS 31 'Joint ventures' by establishing principles to the accounting for all joint arrangements. IFRS 11 also eliminates the option available for accounting of joint ventures by the proportionate consolidation method.

- IFRS 12 'Disclosure of interest in other entities' was issued in May 2011 and requires an entity to disclose information to evaluate the nature of, and risks associated with, its interests in other entities and effects of those interests on its financial position, performance and cash flows. The standard introduces new disclosures for off-balance sheet vehicles.

- Amendments to IFRS 10, IFRS 11 and IFRS 12 issued in June 2012 provide additional transition relief by limiting the requirement to present adjusted comparative information to the period immediately preceding the date of initial application.

- IFRS 13 'Fair value Measurements' was issued in May 2011 and sets out in a single IFRS a framework for measuring and disclosing fair values. The standard also introduces more disclosures on fair value for non-financial assets.

- Amendments to IFRS 7 'Financial Instruments: Disclosures' issued in December 2011 amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

- Annual improvements to IFRS issued in May 2012 (effective for annual periods beginning on or after 1 January 2013) has resulted, amongst other amendments, changes to the following standards:

  - IAS 1 'Presentation of Financial Statements clarifies the requirements for comparative information.
  - IAS 16 'Property, plant and equipment' clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. If they do not meet this definition they shall be classified as inventory.
  - IAS 32 'Financial Instruments: Presentation' addresses the perceived inconsistencies between IAS 12 'Income Taxes' and IAS 32 with regards to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.

The Fund Management Body believes that the adoption of the amendments have not had any material impact on the presentation and disclosure of items in the financial statements for the current period.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**for the period ended 30 June 2014**

## 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 new and revised standards were in issue but not yet effective:

- IFRS 9, 'Financial Instruments', is effective for accounting periods beginning on or after 1 January 2015. The standard was issued in November 2009, which was added to in October 2010 and further amended in December 2011 amending the effective date from 1 January 2013 to 1 January 2015. Currently, IFRS 9 outlines the recognition and measurement of financial assets, financial liabilities and the derecognition criteria for financial assets. Financial assets in accordance with IFRS 9 are to be measured either at amortised cost or fair value through profit and loss, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. A financial asset can only be measured at amortised cost if the entity has a business model to hold the asset to collect contractual cash flows and the cash flows arise on specific dates and are solely for payment of principal and interest on the principal outstanding.

- 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. The amendments are effective for annual periods beginning on or after 1 January 2014.

- 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. The amendments are effective for annual periods beginning on or after 1 January 2014.

- 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. The amendments are effective for annual periods beginning on or after 1 January 2014.

- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' issued in June 2013 relates to the novation of a derivative and the impact on hedge accounting. The amendments are effective for annual periods beginning on or after 1 January 2014. The amendment provides relief from discontinuing hedge accounting when certain criteria are met.

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.

## 3 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**for the period ended 30 June 2014**

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### b) Income

Income mainly comprises dividend income and interest 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.

Interest income is recognized on a time-proportionate basis using the effective interest method. It includes interest income from cash and cash equivalents and on debt securities (bonds) at fair value though profit or loss.

### 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 period 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).

### 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% (30-06-2013 – 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**for the period ended 30 June 2014**

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### 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.

### 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) 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.

### m) 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**for the period ended 30 June 2014**

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### n) 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.

## 4 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

| | **30-06-2014** | | 30-06-2013 | |
|---|---|---|---|---|
| | **Cost** | **Market value** | Cost | Market value |
| | **RO** | **RO** | RO | RO |
| *Local investments* | | | | |
| Banking and investment | **385,308** | **397,973** | 98,944 | 100,125 |
| Services | **412,240** | **402,973** | 96,820 | 102,976 |
| Industrial | **38,468** | **37,800** | -- | -- |
| Bonds | **-** | **1,364** | -- | -- |
| | **836,016** | **840,110** | 195,764 | 203,101 |
| *Foreign investments* | | | | |
| Banking and investment | **931,612** | **927,989** | 1,151,187 | 1,243,200 |
| Services | **835,969** | **887,816** | 948,994 | 1,017,637 |
| Industrial | **1,539,841** | **1,575,923** | 1,327,191 | 1,408,690 |
| | **3,307,422** | **3,391,728** | 3,427,372 | 3,669,527 |
| *Total* | **4,143,438** | **4,231,838** | 3,623,136 | 3,872,628 |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**for the period ended 30 June 2014**

## 4 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

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

| | **30-06-2014** | 30-06-2013 |
|---|---|---|
| | **%** | % |
| Banking and investment | **17.60** | 31.60 |
| Services | **17.14** | 26.36 |
| Industrial | **21.42** | 33.13 |
| Bonds | **0.02** | -- |
| | **----------** | ---------- |
| | **56.18** | 91.09 |
| | **=====** | ===== |

c) At 30 June 2014, the Fund had no investments for which the Fund's holding represents 10% or more of the investee company's share capital (30-06-2014 – none).

e) At 30 June 2014, the Fund's no investments for which the market value exceeds 5% of the market value of the Fund's overall investment portfolio.

At 30 June 2013, 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 | Cost RO | 30-06-2014 % of investment portfolio % |
|---|---|---|---|---|
| Saudi Basic Industries Corporation | 30,000 | 279,990 | 287,218 | 6.59 |
| Qatar National Bank | 15,000 | 247,669 | 208,146 | 5.83 |
| | | ------------- | ------------- | ---------- |
| | | 527,659 | 495,364 | 12.42 |
| | | ======= | ======= | ===== |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**for the period ended 30 June 2014**

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

| | **30-06-2014** | | 30-06-2013 | |
|---|---|---|---|---|
| | **Market value RO** | **% of net assets %** | Market value RO | % of net assets % |
| Sultanate of Oman | **840,109** | **11.15** | 203,101 | 4.78 |
| Saudi Arabia | **2,135,493** | **28.35** | 1,872,950 | 44.05 |
| United Arab Emirates | **591,830** | **7.86** | 497,658 | 11.71 |
| Qatar | **664,406** | **8.82** | 920,945 | 21.66 |
| Kuwait | **--** | **--** | 377,974 | 8.89 |
| | **4,231,838** | **56.18** | 3,872,628 | 91.09 |

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

| **As of 30-06-2014** | **Number of shares** | **Market value RO** | **% of net assets %** |
|---|---|---|---|
| **Saudi Basic Industries Corporation** | **26,000** | **304,237** | **4.04%** |
| **Bank Muscat SAOG** | **438,670** | **298,296** | **3.96%** |
| **Oman Telecommunication** | **141,462** | **230,583** | **3.06%** |
| **Tabuk Cement** | **59,000** | **180,540** | **2.40%** |
| **AL Meera Consumer Goods** | **10,000** | **177,491** | **2.36%** |
| **Almarai Company** | **22,000** | **157,147** | **2.09%** |
| **Arab International Logistics** | **475,000** | **148,485** | **1.97%** |
| **Saudi Industrial Investment Group** | **40,000** | **147,166** | **1.95%** |
| **Savola Group** | **20,000** | **140,842** | **1.87%** |
| **Mouwasat Medical Services Co,** | **11,500** | **120,268** | **1.60%** |
| | | **1,905,055** | **25.29%** |

| As of 30-06-2013 | Number of shares | Market value RO | % of net assets % |
|---|---|---|---|
| Saudi Basic Industries Corporation | 30,000 | 279,990 | 6.59% |
| Qatar National Bank | 15,000 | 247,669 | 5.83% |
| Industries Qatar | 12,500 | 206,653 | 4.86% |
| Al Rajhi Bank | 25,000 | 183,600 | 4.32% |
| Emaar Properties | 300,000 | 161,927 | 3.81% |
| Samba Financial Group | 28,600 | 145,860 | 3.43% |
| Qatar Telecom | 10,614 | 134,500 | 3.16% |
| Saudi Dairy & Foodstuff Co | 15,000 | 132,728 | 3.12% |
| Agility Public Warehousing Company | 157,500 | 131,046 | 3.08% |
| Ras Al Khaimah Ceramic Co. | 659,525 | 127,137 | 2.99% |
| | | 1,751,109 | 41.19% |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**for the period ended 30 June 2014**

## 4 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

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

| **As of 30-06-2014** | Cost **RO** |
|---|---|
| **Arabtec Holding** | **370,298** |
| **Al Tayyar Travel Group** | **344,454** |
| **Emaar Properties** | **339,546** |
| **Industries Qatar** | **327,319** |
| **Saudi Basic Industries Corporation** | **312,718** |

| As of 30-06-2013 | Cost RO |
|---|---|
| Saudi Basic Industries Corporation | 292,766 |
| Qatar National Bank | 257,563 |
| Industries Qatar | 248,948 |
| Emaar Properties | 233,095 |
| Ras Al Khaimah Ceramic Company | 214,344 |

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

| **As of 30-06-2014** | **Proceeds RO** |
|---|---|
| **Emaar Properties** | **611,336** |
| **Arabtec Holding** | **423,017** |
| **Al Tayyar Travel Group** | **374,048** |
| **Rabigh Refining and Petrochimical Co** | **294,277** |
| **Saudi Chemical Company** | **291,333** |

| As of 30-06-2013 | Proceeds RO |
|---|---|
| Saudi Basic Industries Corporation | 342,210 |
| Industries Qatar | 288,583 |
| Qatar National Bank | 240,890 |
| Etihad Etisalat Company | 208,973 |
| Emaar Properties | 207,827 |

i) Since the year 2003, the Fund continues to operate a trust account with the Investment Manager. The shares in this account 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 as confirmed by the Investment Manager amounted to RO NIL (30-06-2013 – NIL).

j) 30-06-2013, the Fund operated a portfolio management account with Shuaa Capital PSC. The shares in these accounts were registered in the name of Shuaa Capital PSC as a non-discretionary portfolio and were traded on GCC's securities trading markets. The carrying value of these investments at 30-06-2014 NIL (30-06-2013 – RO 372,010)

k) The carrying value (fair value) of all the investments for the period ended has been determined under the level 1 hierarchy [note 3 c)].

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**for the period ended 30 June 2014**

## 5 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 Investment Manager have a significant 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:

| | **30-06-2014** | 30-06-2013 |
|---|---|---|
| | **RO** | RO |
| Performance fee | **47,544** | 22,892 |
| Management fee | **44,409** | 29,122 |
| Management Body fee | **18,876** | 18,877 |

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:

| | **30-06-2014** | 30-06-2013 |
|---|---|---|
| | **RO** | RO |
| Purchase of investments | **1,044,361** | 778,192 |
| Sale of investments | **1,073,513** | 1,117,992 |
| Brokerage commission | **7,380** | 6,627 |

c) Amounts due to related parties are interest free and repayable on demand (30-06-2013 – same terms).

## 6 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 30-06- 2014 (30-06-2013 – Nil).

The Fund is required to file tax returns every year and tax returns are filed upto the year ended 31 December 2013. The Fund's tax assessments have been finalised by the Secretariat General for Taxation upto tax year 2002.

## 7 UNIT CAPITAL

a) During the period 1,641,797 units were purchased at a value of RO 2,073,026 (30-06-2013 NIL) and 248,323 units were redeemed at a value of RO 314,347 (30-06-2013 – 498,177 units were redeemed at a value of RO 501,200).

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

| | | **30-06-2014** | | 30-06-2013 |
|---|---|---|---|---|
| | **%** | **Units owned** | % | Units owned |
| Gulf Investment Services Company SAOG | **33.44** | **2,047,177** | 44.72 | 1,740,122 |
| Naser Mohamed Ali Nasser Al Nuwais | **16.72** | **1,023,574** | -- | -- |
| Export Credit Guarantee Agency of Oman SAOC | **9.86** | **603,722** | 10.90 | 424,030 |
| Public Authority for Social Insurance | **7.62** | **466,433** | 11.21 | 436,269 |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**for the period ended 30 June 2014**

## 8 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 ended as follows:

| | **30-06-2014** | 30-06-2013 |
|---|---|---|
| Net assets (in RO) | **7,532,971** | 4,251,648 |
| | **========** | ======== |
| Number of outstanding units at the end of the period | **6,121,396** | 3,891,247 |
| | **========** | ======== |
| NAV per unit (in RO) | **1.231** | 1.093 |
| | **====** | ==== |

The disclosed NAV for the comparative period are cum dividend figure. The Fund distributed a cash dividend of 10% and a stock dividend of 10% for the financial year 2013 after approval at the Fund's Annual General Meeting held on March 25, 2014.

## 9 PROFIT PER UNIT

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

| | **30-06-2014** | 30-06-2013 |
|---|---|---|
| Profit (in RO) | **858,908** | 604,165 |
| | **========** | ======== |
| Weighted average number of units outstanding during the period | **4,927,978** | 4,052,240 |
| | **========** | ======== |
| Profit per unit (in RO) | **0. 174** | 0.149 |
| | **=====** | ===== |

## 10 PERFORMANCE DATA

| | **Average annual Total return %** | **Growth of an assumed investment of RO 10,000** |
|---|---|---|
| Period ended 30 June 2014 | **16.62** | **11,662** |
| 3 years ended 30 June 2014 | **18.29** | **15,487** |
| 5 years ended 30 June 2014 | **16.35** | **18,174** |
| 205 months ended 30 June 2014 | **20.84** | **45,608** |
| | | |
| Period ended 30 June 2013 | **15.60** | 11,560 |
| 3 years ended 30 June 2013 | **8.91** | 12,674 |
| 5 years ended 30 June 2013 | **(3.65)** | 8,173 |
| 193 months ended 30 June 2013 | **15.04** | 34,195 |

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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**for the period ended 30 June 2014**

## 11 PER UNIT RATIOS

| | 30-06-2014 % | 30-06-2013 % | 31-12-2013 % |
|---|---|---|---|
| Simple return: [% of profit per unit to opening NAV per unit] | **16.62** | 15.60 | 32.21 |
| Expense ratio: (Expenses to average NAV) | **2.10** | 2.54 | 5.16 |
| Brokerage expense ratio: (Brokerage expense to average NAV) | **0.48** | 0.55 | 0.95 |
| Portfolio turnover rate: (Securities traded to average NAV) | **142.30** | 135.65 | 286.45 |
| Liability ratio: (% of liabilities to closing NAV) | **4.57** | 1.31 | 3.76 |

## 12 FUND PER UNIT TABLE

| | 30-06-2014 RO | 30-06-2013 RO | 31-12-2013 RO |
|---|---|---|---|
| PER-UNIT CHANGES IN NAV | | | |
| Income | **0.030** | 0.041 | 0.044 |
| Net investment gains (realized and unrealized) | **0.138** | 0.143 | 0.310 |
| Expenses | **(0.022)** | (0.027) | (0.068) |
| Net profit (based on closing outstanding units) | **0.146** | 0.157 | 0.286 |
| Net profit / (loss) on movement in units | **0.030** | (0.009) | 0.019 |
| Net increase in NAV | **0.176** | 0.148 | 0.305 |
| NAV at the beginning of the year | **1.055** | 0.945 | 0.945 |
| NAV at the end of the period | **1.231** | 1.093 | 1.250 |
| Brokerage commissions | **0.005** | 0.006 | 0.011 |

## 13 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 and Shuaa Capital PSC were the custodians of the Fund's investments for the period 2013. On 15 December 2012, the Fund had appointed Gulf Custody Company SAOC, as the new custodian in Oman and GCC countries (note 1).

A management fee of RO 44,409 (30-06-2013 – RO 29,122) at 1.40% per annum of the net assets value of the Fund (30-06-2013 – 1.40% per annum) is payable to the Investment Manager for the period. A custodian fee of RO 4,518 (30-06-2013 – RO 2,795) at 0.125% (30-06-2013 – rates ranging between 0.05% to 0.30%) 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**for the period ended 30 June 2014**

## 14 PERFORMANCE FEE

A performance fee amounting to RO 47,544 (30-06-2013 – R.O 22,892) has been accrued during the period 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.

## 15 GENERAL AND ADMINISTRATION

| | **30-06-2014** | 30-06-2013 | 31-12-2013 |
|---|---|---|---|
| | **RO** | RO | RO |
| Legal and professional fees | **1,462** | 1,663 | 3,150 |
| Muscat Securities Market and CMA fees | **1,439** | 1,088 | 2,195 |
| Advertising and publication | **1,470** | 1,000 | 1,933 |
| Insurance | **-** | 978 | 978 |
| Bank charges | **1,636** | 454 | 750 |
| Tax on GCC Dividend | **3,645** | 2,292 | 5,637 |
| Other expenses | **1,538** | 2,049 | 2,142 |
| | **11,190** | 9,524 | 16,785 |

## 16 DISTRIBUTIONS TO THE UNIT HOLDERS

During the year 2014, the Fund distributed a cash dividend of 10% (RO 0.100 per unit) and a stock dividend of 10% (1 unit for every 10 units held) for the financial year 2013 after approval at the Fund's Annual General Meeting held on March 25, 2014 (30-06-2013 NIL).

## 17 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 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 Fund Management Body.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**for the period ended 30 June 2014**

## 17 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

### a) Market price risk (Continued)

| | **30-06-2014** | | 30-06-2013 | |
|---|---|---|---|---|
| | **Market value RO** | **% of net assets** | Market value RO | % of net assets |
| Investments at fair value through profit or loss | **4,231,838** | **56.18** | 3,729,610 | 90.88 |

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 30-06-2014, the Fund has no concentration in individual securities positions exceeding 4.04% (30-06-2013 – 6.59 %) 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% (30-06-2013 – 18.40%) as compared with 12.9% (30-06-2013 – 21.6%) 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 0.98% (30-06-2013 – 0.78%). 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:

| | **30-06-2014** | | 30-06-2013 | |
|---|---|---|---|---|
| | **Fair value in foreign currency** | **Fair value in Rials Omani** | Fair value in foreign currency | Fair value in Rials Omani |
| *Investments at fair value through profit or loss denominated in:* | | | | |
| Saudi Rial (SAR) | **20,936,206** | **2,135,493** | 17,976,214 | 1,833,574 |
| UAE Dirham (AED) | **5,679,750** | **591,830** | 6,732,458 | 701,522 |
| Qatari Rial (QAR) | **6,333,708** | **664,406** | 7,688,994 | 806,575 |
| Kuwaiti Dinar (KWD) | **--** | **--** | 127,881 | 174,123 |
| *Cash in bank / with Broker denominated in:* | | | | |
| Kuwaiti Dinar (KWD) | **--** | **--** | -- | -- |
| Saudi Rial (SAR) | **15,049,522** | **1.535,051** | -- | -- |
| UAE Dirham (AED) | **6,752,031** | **703,562** | -- | -- |
| Qatari Rial (QAR) | **8,030,031** | **842,350** | 688,728 | 263,095 |
| | | **5,630,342** | | 3,778,889 |

## 17 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

### b) Currency risk (continued)

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. However, at the end of the reporting period, the investments denominated in KWD is nil and accordingly the management believes that the Fund is not subject to significant currency risk.

### 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.

### 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 56.18% (30-06-2013: 91.09%) of total net assets and 53.72% (30-06-2013: 89.9%) 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
**for the period ended 30 June 2014**

## 18 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.

## 19 Cash Holding

As of 30-06-2014, the fund holding in cash and receivable from broker with represents 47.87%. The net cash inflow through subscription was 23.35% and cash generated though sale proceeds was 24.52%. The increase in cash holding was due to uncertainties and extreme volatility in the GCC region, arising out of selling pressure in UAE owing to inflated valuation, possible withdrawal of FIFA world cup 2022 from Qatar and the recent violence in Iraq. The cash will be redeployed as the overall condition improves.

## 20 COMPARATIVES

Certain prior period corresponding figures presented for comparative purposes have been reclassified to be consistent with the presentation adopted in this year.