

The First Mazoon Fund

**Unaudited Financial Statements
30 June 2016**

Registered office and principal place of business

P O Box 974
Postal Code 112
Sultanate of Oman

THE FIRST MAZOOON FUND

UNAUDITED FINANCIAL STATEMENTS

30 June 2016

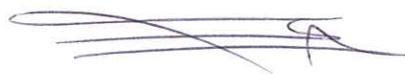
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Statement of financial position

	Note	30-06-2016 RO	30-06-2015 RO	31-12-2015 RO
NET ASSETS				
Assets				
Investments at fair value through profit or loss	5	5,932,495	5,684,525	3,739,553
Due from brokers	4 e)	--	-	--
Due from a related party	6 b) & c)	--	-	1,287
Other receivables and prepayments		13,559	37,962	--
Cash and cash equivalents	4 h)	1,929,713	3,552,487	4,029,203
Total assets		7,875,767	9,274,974	7,770,043
Liabilities				
Due to related parties	6 c)	42,615	47,709	27,995
Accruals and other payables		4,689	4,262	5,192
Total liabilities		47,304	51,971	33,187
Total net assets		7,828,463	9,223,003	7,736,856
UNITHOLDERS' FUNDS				
Unit capital	8	7,664,422	7,718,275	7,687,223
Retained earnings		164,041	1,504,728	49,633
Total Unitholders' funds		7,828,463	9,223,003	7,736,856
Net asset value per unit	9	1.021	1.195	1.006

These financial statements were approved and authorized for issue by the Fund Management Body on 25 July 2016 and were signed on their behalf by:



Chairman
Fund Management Body



Member
Fund Management Body

The attached notes 1 to 18 form part of these financial statements.

The First Mazoon Fund
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Statement of comprehensive income

	Note	30-06-2016 RO	30-06-2015 RO	31-12-2015 RO
INCOME				
Dividend income	4 b)	228,692	229,080	261,143
Net realized (loss) / gain on investments at fair value through profit or loss	4 c)	125,034	531,107	(286,455)
Fair value changes in investments at fair value through profit or loss	5 a)	(111,202)	(94,828)	(683,991)
Interest income & Others		768	-	81
		243,292	665,359	(709,222)
EXPENSES				
Management fee	14	53,846	63,508	122,362
Brokerage commission expenses (transaction cost)		41,883	33,626	48,481
General and administration	16	8,977	10,288	17,584
Custodian fee	14	4,843	6,020	11,556
Fund Management Body fee	6 a)	18,918	18,877	8,000
Foreign exchange loss		-	-	10,352
		128,467	141,968	218,335
Profit and total comprehensive income for the period		114,825	523,391	(927,557)
Profit per unit	10	0.015	0.067	(0.120)

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

The attached notes 1 to 18 form part of these financial statements.

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Statement of changes in Unitholders' funds

	Unit capital RO (note 8)	Retained earnings RO	Total RO
At 31 December 2014	7,814,625	993,787	8,808,412
Units redeemed	(145,644)	(19,753)	(163,397)
Units subscribed	49,294	7,303	56,597
Gain and total comprehensive income for the period	--	523,391	523,391
At 30 June 2015	7,718,275	1,504,728	9,223,003
At 31 December 2015	7,687,223	49,633	7,736,856
Units redeemed	(22,801)	(417)	(23,218)
Units subscribed	--	--	--
Gain and total comprehensive income for the period	--	114,825	114,825
At 30 June 2016	7,664,422	164,041	7,828,463

The attached notes 1 to 18 form part of these financial statements.

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Statement of cash flows

	30-06-2016	30-06-2015	31-12-2015
	RO	RO	RO
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	114,825	523,391	(927,557)
<i>Adjustments for:</i>			
Net realized loss / (profit) on investments at fair value through profit or loss	(125,034)	(531,107)	286,455
Fair value changes in investments at fair value through profit or loss	111,202	94,828	683,991
Decrease / (increase) in due from brokers, due from a related party and other receivables	(12,272)	330,317	366,992
(Increase) in due to related parties and other payables	14,117	13,373	(5,411)
Payments against purchase of investments	(20,661,573)	(13,780,743)	(21,019,115)
Proceeds from sale of investments	18,482,463	14,491,896	22,268,515
Net cash generated from / (used in) operating activities	(2,076,272)	1,141,955	1,653,870
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid during the period	--	-	--
Payments against redemption of units	(23,218)	(165,397)	(200,596)
Receipts against subscription of units	--	56,597	56,597
Net cash (used in) / generated from financing activities	(23,218)	(108,800)	(143,999)
(Decrease) in cash and cash equivalents during the Period	(2,099,490)	1,033,155	1,509,871
Cash and cash equivalents at the beginning of the year	4,029,203	2,519,332	2,519,332
Cash and cash equivalents at the end of the period	1,929,713	3,552,487	4,029,203

The attached notes 1 to 18 form part of these financial statements.

The First Mazoon Fund

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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 financial statements have been drawn up based on accounting standards, interpretations and amendments effective at 1 January 2015. The Fund Management Body believes the adoption of the amendments effective for the current accounting period has not had any material impact on the presentation and disclosure of items in the financial statements.

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

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

- IFRS 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 Instruments: Recognition and Measurement' have been transferred to IFRS 9. The hedge accounting requirements have been liberalised from that allowed previously. The requirements are based on whether an economic hedge is in existence, with less restriction about proving whether a relationship will be effective than current requirements.

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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)

- Amendments to IAS 1 'Presentation of Financial Statements' issued in December 2014 are part of the disclosure initiative. The minor amendments address a number of areas which include the disclosure of significant accounting policies, the application of materiality to financial statements, presentation of sub-totals, information to be presented in the other comprehensive income section of the performance statement, and the structure of the notes to the financial statements.

The Fund Management Body believes the adoption of the above new and amended IFRS and certain other amendments, which are in issue, is not likely to have any material impact on the presentation and disclosure of items in the financial statements for future periods.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, the Fund is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgements based on historical experience and other factors are inherent in the formation of estimates that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods effected.

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.

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Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Investments at fair value through profit or loss (Continued)

The fair value hierarchy has the following levels:

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

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

d) 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% (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.

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Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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) 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 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.

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:

	30-06-2016	30-06-2015
	RO	RO
At the beginning of the year	3,739,553	5,959,399
Purchases during the period	20,661,573	13,780,743
Sales during the period	(18,357,429)	(13,960,789)
Fair value changes in investments during the period	(111,202)	(94,828)
	5,932,495	5,684,525

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

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

	30-06-2016		30-06-2015	
	Cost RO	Market value RO	Cost RO	Market value RO
<i>Local investments</i>				
Banking and investment	--	--	20,449	20,904
Services	218,594	222,192	56,078	59,153
Industrial	--	--	-	-
Bonds	--	--	1,351	1,300
	218,594	222,192	77,878	81,357
<i>Foreign investments</i>				
Banking and investment	1,632,029	1,560,428	1,416,794	1,842,597
Services	3,197,656	3,173,933	2,579,635	2,736,560
Industrial	995,418	975,942	1,319,468	1,246,463
	5,825,103	5,710,303	5,701,476	5,603,168
	6,043,697	5,932,495	5,779,354	5,684,525

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

	30-06-2016	30-06-2015
	%	%
Banking and investment	19.93	15.27
Services	43.38	28.50
Industrial	12.47	17.85
Bonds	--	0.01
	75.78	61.63

- d) At 30-06-2016, the Fund had no investments for which the Fund's holding represents 10% or more of the investee company's share capital (30-06-2015 – none).
- e) At 30-06-2016, the Fund had no investments for which the market value exceeded 5% of the market value of the Fund's overall investment portfolio (30-06-2015 – none).

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

	30-06-2016		30-06-2015	
	% of		% of	
Market value	net assets	Market value	net assets	
RO	%	RO	%	
Sultanate of Oman	222,193	2.84	81,357	0.88
Saudi Arabia	2,840,071	36.28	3,637,183	39.43
United Arab Emirates	1,460,447	18.66	979,976	10.63
Qatar	1,241,611	15.86	779,058	8.45
Kuwait	168,173	2.15	206,952	2.24
	5,932,495	75.78	5,684,525	61.63

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

At 30-06-2016	Number of	Market	% of net
	shares	value	assets
		RO	%
Air Arabia	2,112,932	288,419	3.68
Saudi Telecom	36,371	238,877	3.05
Qatar National Bank	16,189	237,752	3.04
Arab International Logistics - Aramex	699,473	236,148	3.02
Phoenix Power	1,303,141	208,503	2.66
Tabreed - National Central Cooling Co PJSC	1,388,056	202,490	2.59
Abu Dhabi Commercial Bank	302,000	190,384	2.43
Qatar Electricity & Water Company	8,443	184,220	2.35
Mouwasat Medical Services Company	13,717	180,139	2.30
Al Meera Consumer Goods	8,019	177,660	2.27
		2,144,589	27.39

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

g) (Continued)

At 30-06-2015	Number of shares	Market value RO	% of net assets %
Arab National Bank	81,681	275,272	2.98%
Samba Financial Group	100,000	265,812	2.88%
Qatar National Bank	12,895	260,933	2.83%
Arab International Logistics - Aramex	699,473	253,640	2.75%
National Agricultural Development Co	67,800	232,710	2.52%
Emaar Properties	252,269	207,137	2.25%
Mouwasat Medical Services Company	14,027	204,068	2.21%
Tabreed - National Central Cooling PJSC	1,157,624	180,937	1.96%
Abdullah Al-Khodari Sons Company	58,000	165,766	1.80%
Saudi Electricity Company	94,127	165,328	1.79%
		2,211,603	23.98%

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

30-06-2016	Cost RO
Saudi Basic Industries Corporation	107,877
Advanced Polypropylene Company	192,700
Industries Qatar	66,539
Bupa Arabia	53,700
Saudi International Petrochemical Co	548,939
30-06-2015	
Saudi Basic Industries Corporation	656,225
Aldrees Petroleum & Transportation	499,181
The National Shipping Co. - Bahri	472,868
Emaar Properties	423,660
Savola Group	403,843

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

30-06-2016	Proceeds RO
Saudi Basic Industries Corporation	107,877
Advanced Polypropylene Company	177,100
Saudi International Petrochemical Co	548,939
Industries Qatar	59,877
Emaar Properties	965,500
30-06-2015	
Saudi Basic Industries Corporation	1,101,884
Air Arabia	584,019
Aldrees Petroleum & Transportation	518,697
The National Shipping Co. - Bahri	514,951
Alinma Bank	441,242

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Notes to the financial statements

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

- j) The carrying value (fair value) of all the investments for the period 30-06-2016 (30-06-2015 - same) 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:

	30-06-2016	30-06-2015
	RO	RO
Management fee	53,846	63,508
Fund Management Body fee	18,918	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:

	30-06-2016	30-06-2015
	RO	RO
Purchase of investments	245,461	147,391
Sale of investments	36,780	939,461
Brokerage commission	988	3,784

- c) The amounts due from and due to related parties are not subject to interest and payable in accordance with the terms of the contract (30-06-2015 – same terms).

7 TAXATION

In accordance with Royal Decrees 54 and 55 of 2003, amending certain provisions of the income tax laws, investment funds incorporated in the Sultanate of Oman are exempt from tax. Accordingly, the Fund has not made any provision for tax for the period ended 30-06-2016 (30-06-2015 – Nil).

However, 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 has been finalised by the Secretariat General for Taxation upto tax year 2009.

8 UNIT CAPITAL

- a) During the period, NIL units were purchased (30-06-2015 – 49,294 units at a value of RO 56,597) and 22,801 units were redeemed at a value of RO 23,218 (30-06-2015 – 145,644 units at a value of RO 165,397).

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8 UNIT CAPITAL (Continued)

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

	%	30-06-2016 Units owned	%	30-06-2015 Units owned
Gulf Investment Services Company SAOG	39.69	3,042,135	39.41	3,042,135
Nasser Mohammed Ali Al Nowais	13.35	1,023,574	13.26	1,023,574

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:

	30-06-2016	30-06-2015
Net assets (in RO)	7,828,463	9,223,003
Number of outstanding units at the period end	7,664,422	7,718,275
NAV per unit (in RO)	1.021	1.195

10 PROFIT / (LOSS) PER UNIT

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

	30-06-2016	30-06-2015
Gain (in RO)	114,825	523,391
Weighted average number of units outstanding during the period	7,683,229	7,755,416
Gain per unit (in RO)	0.015	0.067

11 PERFORMANCE DATA

	Average annual total return %	Growth of an assumed investment of RO 10,000
Period ended 30 June 2016	1.49	10,149
3 years ended 30 June 2016	3.43	11,066
5 years ended 30 June 2016	5.14	12,848
229 months ended 30 June 2016	7.22	37,855
Period ended 30 June 2015	6.01	10,601
3 years ended 30 June 2015	15.76	15,519
5 years ended 30 June 2015	10.42	16,414
217 months ended 30 June 2015	8.85	44,287

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.

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12 PER UNIT RATIOS

	30-06-2016	30-06-2015
	%	%
Simple return: (% of profit per unit to opening NAV per unit)	1.49	6.01
Expense ratio: (Expenses to average NAV)	1.11	1.20
Brokerage expense ratio: (Brokerage expense to average NAV)	0.54	0.37
Portfolio turnover rate: (Securities traded to average NAV)	251.48	156.80
Liability ratio: (% of liabilities to closing NAV)	0.60	0.56

13 FUND PER UNIT TABLE

	30-06-2016	30-06-2015
	RO	RO
PER-UNIT CHANGES IN NAV		
Investment Income	0.030	0.030
Net investment Gain (realized and unrealized)	0.002	0.057
Expenses	(0.017)	(0.015)
Net Gain (based on closing outstanding units)	0.015	0.072
Net (loss) / profit on movement in units	--	(0.004)
Net (decrease) / increase in NAV	0.015	0.068
NAV at the beginning of the year (as adjusted)	1.006	1.127
NAV at the end of the period	1.021	1.195
Brokerage commissions	0.005	0.004

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 53,846 (30-06-2015 – RO 63,508) at 1.40% per annum of the net assets value of the Fund (30-06-2015 – 1.40% per annum) is payable to the Investment Manager quarterly. A custodian fee of RO 4,843 (30-06-2015 – RO 6,020) at 0.125% (30-06-2015 – 0.125%) of the Net Asset Value, subject to a minimum of RO 5,500 per annum is payable to the custodian of the Fund quarterly.

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.

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15 PERFORMANCE FEE

No performance fee (30-06-2015 – Nil) 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

	30-06-2016	30-06-2015
	RO	RO
Regulatory fees	2,676	2,713
Legal and professional fees	1,542	1,613
Advertising and publication	1,340	1,568
Bank charges	113	285
Other Expenses	335	336
Tax on GCC dividend	2,971	3,773
	8,977	10,288

17 FINANCIAL RISK AND CAPITAL MANAGEMENT

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

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

a) Market price risk

The Fund's equity securities are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Fund's market price risk is managed through the daily monitoring of the Fund's overall market positions by the Investment Manager. The overall market position, trend and risk levels are reviewed by the Fund Management Body on a quarterly basis. The Fund's investments are managed in a number of portfolios according to the techniques adopted by the Investment Manager which are consistent with the investment policies and restrictions stated in the Articles of Association of the Fund and guidelines of the Fund Management Body.

	Market value RO	30-06-2016 % of net assets	Market value RO	30-06-2015 % of net assets
Investments at fair value through profit or loss	5,932,495	75.78	5,684,525	61.29

The First Mazoon Fund

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Notes to the financial statements

17 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

a) Market price risk (Continued)

The Fund also manages its exposure to price risk by analyzing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the MSM and S&P GCC Index. The Fund's policy is to concentrate the investment portfolio in sectors where Investment Manager believes the Fund can maximize the returns derived for the level of risk to which the Fund is exposed. At 30-06-2016, the Fund has no concentration in individual securities positions exceeding 4.86% (30-06-2015 – 2.98%) of its net assets.

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

The Fund is benchmarked against S&P GCC Index for its local and GCC portfolio of securities. The annualized volatility of the Fund is 13.50% (30-06-2015 – 13.40%) as compared with 16.10% (30-06-2015 – 14.70%) of S&P GCC Index. A change by 1% in the S&P GCC Index will result in change of net asset value of the Fund by 0.79% (30-06-2015 – 0.88%). 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:

	30-06-2016		30-06-2015	
	Amount in foreign currency	Amount in Rials Omani	Amount in foreign currency	Amount in Rials Omani
<i>Investments at fair value through profit or loss denominated in:</i>				
Saudi Arabia Rial (SAR)	27,843,833	2,840,071	35,658,655	3,637,183
UAE Dirham (AED)	14,015,806	1,460,447	9,404,758	979,976
Qatari Rial (QAR)	11,836,139	1,241,611	7,426,670	779,058
Kuwaiti Dinar (KWD)	133,800	168,173	154,212	206,952
<i>Cash in bank / with Broker denominated in:</i>				
Saudi Arabia Rial (SAR)	11,343,107	1,156,997	18,258,937	1,862,412
UAE Dirham (AED)	5,566,696	580,050	7,139,358	743,921
Qatari Rial (QAR)	1,420,111	148,970	7,728,033	810,671
Kuwaiti Dinar (KWD)	10,533	13,239	43,710	58,658
		7,609,558		9,078,831

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

The First Mazoon Fund

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Notes to the financial statements

17 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

c) Credit risk

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

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

Credit risk is monitored on a daily basis by the Investment Manager in accordance with policies and procedures in place. The Fund's credit risks are monitored on a quarterly basis by the Fund Management Body. Where the credit risks are not in accordance with the investment policy or guidelines of the Fund, the Investment Manager is obliged to rebalance the portfolio within 3 days of each determination that the portfolio is not in compliance with the stated investment parameters. The carrying value of receivable approximates their fair values due to the short-term nature of those receivables.

d) Liquidity risk

As of 30-06-2016, the Fund's holding in cash and cash equivalents represented 24.65% (30-06-2015 – 38.52%) of its net assets. Accordingly, as of reporting date - the Fund is not subject to any significant liquidity risk. During the corresponding period of last year viz. 30-06-2015, the fund had a sizeable cash and cash equivalents. This was due to uncertainties and extreme volatility in the GCC region, arising out of Greece related uncertainty and a slowing Chinese economy. Since then, the market risk has been mitigated and the Fund has reduced its cash holding over this period.

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 75.78% (30-06-2015 – 61.63%) of total net assets and 75.33% (30-06-2015 – 61.29%) of total assets of the Fund and are traded in active securities trading markets and can be readily realized into cash within 3 days or less. All financial liabilities are expected to be repaid within 3 months from the end of the reporting period.

e) Capital management

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

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

The First Mazoon Fund

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Notes to the financial statements

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 $[(\text{opening NAV} + \text{closing NAV}) \div 2]$ 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 year, by the per unit NAV at the beginning of the period.

Brokerage expense ratio

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

Portfolio turnover rate

Average of the price of assets bought and the price of the assets sold $[(\text{purchases} + \text{sales}) \div 2]$, during the year, 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.