

SICO FIXED INCOME FUND

31 DECEMBER 2015

FINANCIAL STATEMENTS

Fund Manager, Operator and Placement agent	Securities & Investment Company B.S.C. (c) P.O. Box 1331, Manama, Kingdom of Bahrain
Administrator	HSBC Bank Middle East Limited, Bahrain P.O. Box 57, Manama, Kingdom of Bahrain
Registrar	HSBC Bank Middle East Limited, Bahrain P.O. Box 57, Manama, Kingdom of Bahrain
Directors	Najla Mohammed Qassim Alshirawi Amal Ahmed Yusuf Alnaser Hanan Yusuf Hasan Sater Anantha Narayanan
Fund Company	SICO Funds Company VI B.S.C. (c) P.O. Box 1331, Manama, Kingdom of Bahrain
Registered office	SICO Funds Company VI B.S.C. (c) P.O. Box 1331, Manama, Kingdom of Bahrain
Custodian	HSBC Bank Middle East Limited, Bahrain P.O. Box 57, Manama, Kingdom of Bahrain
Auditor	KPMG Fakhro Jalil AlAali, <i>Partner</i> P.O. Box 710, Manama, Kingdom of Bahrain

SICO Fixed Income Fund

FINANCIAL STATEMENT

For the year ended 31 December 2015

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SICO Fixed Income Fund

DIRECTOR'S REPORT

For the year ended 31 December 2015

Bahraini dinars

Dear Unit holders,

Following is the performance of SICO Fixed Income Fund (the "Fund") for the year ended 31 December 2015.

	2015 BHD	2014 BHD
Net increase in net assets	65,566	272,383
Net assets attributable to holders of redeemable units as at 31 December	3,676,519	3,308,486
Net asset value (NAV) per unit as at 31 December		
- Class A	39.168	39.628
- Class B	39.456	39.804

Representations and audit

We have maintained proper and complete accounting records and these, together with all other information and explanation, have been freely available to the auditors KPMG.

There have been no events subsequent to 31 December 2015, which would in any way invalidate the financial statements on pages 3 to 21.

On behalf of the board,



Anantha Narayanan
Director



Amal Al Nasser
Director

26 April 2016



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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS
SICO Fixed Income Fund
Kingdom of Bahrain

Report on the financial statements

We have audited the accompanying financial statements of SICO Fixed Income Fund (the "Fund"), a fund established by SICO Funds Company II B.S.C. (c) (the "Company") which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the board of directors for the financial statements

The board of directors of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2015, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards.

Report on other regulatory requirements

As required by Volume 7 of the Rule Book issued by the Central Bank of Bahrain, we report that:

- a) the Fund has maintained proper accounting records and the financial statements are in agreement therewith; and
- b) we are not aware of any violations during the year of the Central Bank of Bahrain and Financial Institutions Law and the CBB Rule Book (Volume 7, applicable provisions of Volume 6 and CBB directives) that would have had a material adverse effect on the business of the Fund or on its financial position.

KPMG Fakhro
Partner Registration No.100
26 April 2016


SICO Fixed Income Fund

STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

Bahraini dinars

	Note	31 December 2015	31 December 2014
Assets			
Cash and cash equivalents		914,709	749,811
Investments at fair value through profit or loss	7	3,422,172	3,204,170
Other receivables		46,572	58,186
Total assets		4,383,453	4,012,167
Liabilities			
Short-term borrowings	8	695,985	693,552
Payables and accruals	4	10,949	10,129
Total liabilities (excluding net assets attributable to unit holders)		706,934	703,681
Net assets attributable to holders of:			
- Class A units		469,407	99,051
- Class B units		3,207,112	3,209,435
Net assets attributable to unit holders		3,676,519	3,308,486
Net Asset Value ("NAV") per unit at book value based on 11,984.31 units (31 December 2014: 2,499.50) outstanding with respect to class A units.			
	6	39.168	39.628
Net Asset Value ("NAV") per unit at book value based on 81,282.58 (31 December 2014: 80,631.05) units outstanding with respect to class B units.			
	6	39.456	39.804


Anantha Narayanan
Director


Amal Al Nasser
Director

The financial statement consisting of pages 3 to 21 were approved by the Board of Directors on 20 April 2016


SICO Fixed Income Fund

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2015

Bahraini dinars

		31 December 2015	31 December 2014
Net change in fair value of investments at fair value through profit or loss		(97,309)	106,640
Interest income		210,269	205,878
Total income		112,960	312,518
Management fees	9	26,458	25,129
Custody and administration fees	10	7,022	6,400
Registrar fees		2,210	1,199
Audit fees		2,599	2,640
Transaction costs		3,271	3,309
Other operating expenses		5,834	1,458
Total expenses		47,394	40,135
Profit for the year		65,566	272,383
Other comprehensive income		-	-
Total comprehensive income for the year		65,566	272,383


 Anantha Narayanan
 Director


 Amal Al Nasser
 Director

The financial statement consisting of pages 3 to 21 were approved by the Board of Directors on 20 April 2016.

SICO Fixed Income Fund

STATEMENT OF CHANGES NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
For the year ended 31 December 2015

Bahraini dinars

	Number of units	Unit capital	Unit surplus	Retained earnings	Total
2015					
Balance at 1 January 2015	83,131	3,134,022	7,140	167,324	3,308,486
Comprehensive income Profit for the year	-	-	-	65,566	65,566
Total comprehensive income for the year	-	-	-	65,566	65,566
Issue of units during the year	10,136	382,140	16,202	-	398,342
Distribution to unit holders	-	-	-	(95,875)	(95,875)
Balance at 31 December 2015	93,267	3,516,162	23,342	137,015	3,676,519

	Number of units	Unit capital	Unit surplus	Retained earnings	Total
2014					
Balance at 1 January 2014	101,499	3,826,521	4,864	(34,957)	3,796,428
Comprehensive income Profit for the year	-	-	-	272,383	272,383
Total comprehensive income for the year	-	-	-	272,383	272,383
Issue of units during the year	60,488	2,280,388	122,862	-	2,403,250
Redemption of units during the year	(78,856)	(2,972,887)	(120,586)	-	(3,093,473)
Distribution to unit holders	-	-	-	(70,102)	(70,102)
Balance at 31 December 2014	83,131	3,134,022	7,140	167,324	3,308,486

The financial statements consist of pages 3 to 21.

SICO Fixed Income Fund

STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

Bahraini dinars

	31 December 2015	31 December 2014
Cash flow from operating activities		
Increase in net assets attributable to unit holders	65,566	272,383
<i>Adjustments for:</i>		
(Increase) / decrease in investments at fair value through profit or loss	(218,002)	327,125
Decrease / (increase) in other receivables	11,614	(551)
Increase in short-term borrowings	2,433	693,552
Increase in payables and accruals	820	259
Net cash (used in) / generated from operating activities	(137,569)	1,292,768
Cash flow from financing activities		
Subscription of units during the year	398,342	2,403,250
Redemption of units during the year	-	(3,093,473)
Distribution to unit holders	(95,875)	(70,102)
Net cash generated from / (used in) financing activities	302,467	(760,325)
Net increase in cash and cash equivalents	164,898	532,443
Cash and cash equivalents at beginning of the year	749,811	217,368
Cash and cash equivalents at end of the year	914,709	749,811

The financial statements consist of pages 3 to 21.

1. Reporting entity

SICO Fixed Income Fund ("SFIF" or the "Fund") is an open ended expert fund launched by SICO Funds Company VI B.S.C. (c) (the "Company"), a closed joint stock company incorporated in the Kingdom of Bahrain with commercial registration number 73587. The Fund has been classified as an expert fund under the CIU Module Volume 7 of the CBB Rule Book. Although the Fund's units are listed on the Bahrain Bourse all unit transactions are carried out directly by the Fund.

The share capital of the Company is BD 1,000 and the shareholders of the Company are Securities & Investment Company B.S.C. (c) 99% and SICO Ventures Company SPC 1%.

The duration of the Fund is subject to the duration of the Company, which is twenty five calendar years from 15 December 2009, the date of registration of the Company. This period may be extended by resolution of the Company's shareholders with the prior approval of the Ministry of Industry and Commerce of Bahrain and the Central Bank of Bahrain. The Fund commenced operations on 2 April 2013.

The primary objective of the Fund is to generate income and seek capital appreciation over the medium to long term. The Fund will aim to achieve this investment objective by actively investing in diversified portfolio of Government and Corporate fixed income, sukuk, Repo, Reverse Repo, money market instruments, and other fixed income related instruments for hedging purposes.

The investment management activities of the Fund are undertaken by Securities & Investment Company B.S.C. (c) (the "Fund Manager"). The Fund's custody and administration activities are undertaken by HSBC Bank Middle East Limited Bahrain Branch.

2. Basis of preparation

a) Statement of compliance

The financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS").

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for investments that are measured at fair value through profit or loss.

c) Functional and presentation currency

The financial statements are prepared in Bahrain Dinars (BHD), which is the functional and presentation currency of the Fund.

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2015

Bahraini dinars

2. Basis of preparation (continued)

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 if the revision affects only that period or in the period of the revision and future period if the revision affects both the current and future periods and in any future periods affected. Actual results may differ from these estimates.

Information about significant areas of uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described below:

Critical accounting judgments, estimates and assumptions in applying accounting policies

Management makes judgments, estimates and assumptions in the application of accounting policies concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below:

(i) Functional and presentation currency

Functional currency is the currency of the primary economic environment in which the Fund operates. When indicators of the primary economic environment are mixed, management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Fund's units are denominated in Bahrain Dinars (BHD).

(ii) Classification of investments

Management designates all its investments as at fair through profit or loss.

e) New International Financial Reporting Standards and Interpretations

(i) New standards, amendments and interpretations effective from 1 January 2015

The following standards, amendments and interpretations, which became effective as of 1 January 2015, are relevant to the Fund.

Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle

The annual improvements to IFRSs to 2010-2012 and 2011 -2013 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 July 2014; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The adoption of this amendment had no significant impact on the financial statements.

(ii) New standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these financial statements. Those which are relevant to the Fund are set out below. The Fund does not plan to early adopt these standards.

2. *Basis of preparation (continued)*

IFRS 9 - Financial Instruments

IFRS 9 published in July 2014, replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Fund is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

Annual Improvements to IFRSs 2012–2014 Cycle – various standards

The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The Fund is assessing the potential impact on its financial statements resulting from the application.

Given the nature of the Fund's operations, this standard is not expected to have a significant impact on the Fund's financial statements.

(iii) **Early adoption of standards**

The Fund did not early adopt new or amended standards in 2015.

3. **Significant accounting policies**

The accounting policies set out below have been applied consistently by the Fund to all periods presented in the financial statements.

a) **Foreign currency transactions**

Foreign currency transactions are recorded in Bahraini Dinars ("BHD") at the rate of exchange ruling at the date of the transactions.

All monetary assets and liabilities denominated in foreign currencies are translated into BHD at the exchange rates ruling at the reporting date. Resulting gains / losses are recognized in statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to BHD at the foreign exchange rates ruling at the dates that the values were determined. Resulting gains and losses are recognized in the statement of comprehensive income for investments at fair value through profit or loss. Non-monetary assets and liabilities carried at cost are recorded in BHD at the rate of exchange ruling at the date of the transactions.

3. *Significant accounting policies (continued)*

b) Financial assets and financial liabilities

(i) Recognition and initial measurement

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Branch becomes a party to the contractual provisions of the instrument. This includes "regular way trades" purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

At inception a financial asset is classified in one of the following categories:

- loans and receivables, which comprise cash and cash equivalents and other assets; and
- at fair value through profit or loss which comprises the Fund's investments in quoted equities

The Fund classifies all its financial liabilities as measured at amortized cost.

(iii) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at a closing price.

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

(iv) Amortised cost measurement

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

3. *Significant accounting policies (continued)*

(v) Derecognition

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss. Any interest in such transferred financial assets that is created or retained by the Fund is recognized as a separate asset or liability.

The Fund enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them.

If all or substantially all of the risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

c) Cash and cash equivalents

Cash and cash equivalents comprise balances held in current accounts and deposits with banks with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value and are used by the fund in the management of its short term commitments. Cash and cash equivalents are stated at amortised cost in the statement of financial position.

d) Investments at fair value through profit or loss

Investments at fair value through profit or loss are those that the Fund principally holds for the purpose of short-term profit taking. These comprise debt investments.

Investments at fair value through profit or loss are measured initially at fair value (transaction price). Transaction costs on investments at fair value through profit or loss are expensed immediately.

3. *Significant accounting policies (continued)*

e) Investments at fair value through profit or loss (continued)

Subsequent to initial recognition, all investments classified at fair value through profit or loss is measured at fair value with changes in their fair value recognized in the statement of comprehensive income.

Financial investments are recognized/derecognized by the Fund on the date it commits to purchase/sell the investments.

f) Other assets

Other assets include financial assets stated at their cost less impairment losses, if any.

g) Payables and other liabilities

Payables and other liabilities are stated at their amortized cost.

h) Provisions

A provision is recognized in the statement of financial position when the Fund has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

i) Borrowings

Borrowings are initially measured at fair value plus transactions costs and subsequently measured at their amortised cost using the effective interest method.

j) Repurchase agreement

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) are not derecognised. As the Fund retains all or substantially all the risks and rewards of the transferred assets, amounts received under these agreements are treated as liabilities and the difference between the sales and repurchase price treated as interest expense using the effective interest method.

k) Redeemable units

The Fund issues three classes of redeemable units, which are redeemable at the holder's option and do not have identical rights. Such shares are classified as financial liabilities. Redeemable shares can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value attributable to the share class.

l) Unit surplus/ (deficit)

On the issue of units, the difference between the issue price and the nominal value is credited to unit surplus / deficit account. On redemption, the premium repayable is debited to the unit surplus account. For units redeemed at a discount, the difference between redemption value and par value is credited to unit surplus account. Unit surplus/ deficit will be adjusted against retained earnings at closure of the fund.

m) Income and expenses

Interest income is recognized in the statement of comprehensive income on a time apportionment basis using the effective interest method.

Dividend income is recognized when the right to receive such dividend is established.

All expenses are recognized on an accrual basis.

SICO Fixed Income Fund

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2015

Bahraini dinars

3. Significant accounting policies (continued)

n) Distributions payable to holders of redeemable shares

Proposed distributions to holders of redeemable shares are recognized in the statement of comprehensive income when they are appropriately authorized and no longer at the discretion of the Fund. The distribution on the redeemable shares is recognized as a finance cost in the statement of comprehensive income.

Income not distributed is included in net assets attributable to holders of redeemable shares.

4. Payables and accruals

	31 December 2015	31 December 2014
Management fees	7,845	6,655
Custodian and administrator's fees	603	529
Others	2,501	2,945
	10,949	10,129

5. Unit capital

As at 31 December 2015, the issued and paid up unit capital of the fund was BHD 3,516,162 (31 December 2014: 3,134,022) divided into 11,984.31 (2014: 2,499.500) units of class A and 81,282.58 (2014: 80,631.05) units of class B of BHD 37.7 each.

The Fund's redemption policy allows for units to be redeemed weekly on the valuation day. After the lock-up period, unit holders are allowed to redeem for cash as on the redemption date at the redemption price equal to the NAV per share on the same day.

6. Net Asset Value per unit

Class A	NAV	No. of units	NAV per unit
2015	469,407	11,984.31	39.168
2014	99,051	2,499.50	39.628
2013	241,359	6,463.24	37.340

Class B	NAV	No. of units	NAV per unit
2015	3,207,112	81,282.58	39.456
2014	3,209,435	80,631.05	39.804
2013	3,555,069	95,035.98	37.408

	Class A		Class B	
	Highest redemption price	Lowest redemption price	Highest redemption price	Lowest redemption price
2015	-	-	-	-
2014	38.18	37.45	39.73	37.58
2013	-	-	-	-

NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2015

Bahraini dinars

7. Investments at fair value through profit or loss

This represents investments in quoted debt securities. The fair value of these securities is based on their quoted market bid price as at the reporting date.

Movements during the year	31 December 2015	31 December 2014
Opening balance	3,204,170	3,531,295
Additions during the year	510,530	944,064
Disposals during the year	(195,437)	(1,377,829)
Change in fair value of investments	(97,091)	106,640
Closing balance	3,422,172	3,204,170

Investment at fair value through profit or loss as at 31 December 2015 include securities amounting to BD 695,985 (31 December 2014: 693,552) sold under agreement to repurchase (note 8).

Details of top ten (10) investments in terms of market values are as follows:

31 December 2015

	Fair value	Value of investment as a percentage of the NAV
Investcorp SA 8.25% 01/11/2017	564,072	15.34 %
Albaraka Turk Suku 7.75% CV 07/05/2023	362,670	9.86 %
Dubai Elec & Water 7.375% 21/10/2020	268,694	7.31 %
Emmar Sukuk Ltd 6.4% 18/07/2019	252,290	6.86 %
Kingdom Of Bahrain 6.125% 05/07/2022	250,184	6.80 %
Kuwait Projects 9.375% 15/07/2020	233,455	6.35 %
Batelco Int Fin No 1 Ltd 4.25% 01/05/2020	160,796	4.37 %
Arab Banking Corporation FRN 04/04/2017	158,407	4.31 %
Emirates NBD PJSC FRN 31/03/2024	154,639	4.21 %
Dar Al_akran Intl 5.75% 25/11/2016	149,983	4.08 %

31 December 2014

	Fair value	Value of investment as a percentage of the NAV
Investcorp SA 8.25%01/11/2017	591,606	17.88 %
Albaraka Turk Suku 7.75% CV 07/05/2023	374,429	11.32 %
Dubai Electric and Water 7.375% 21/10/2020	273,811	8.28 %
Kingdom Of Bahrain 6.125% 05/07/2022	269,994	8.16 %
Emmar Sukuk Ltd 6.4% 18/07/2019	256,083	7.74 %
Kuwait Projects 9.375% 15/07/2020	237,495	7.18 %
Turkiye IS Bankasi 3.75% 10/10/2018	206,394	6.24 %
Batelco Int Fin No 1 Ltd 4.25% 01/05/2020	166,891	5.04 %
Dar Al-Akran Intl 10.75% 18/02/2015	121,533	3.67 %
DIP sukuk Limited 4.291% 20/02/2019	114,990	3.48 %

8. Short-term borrowings

Short-term borrowings include borrowings under repurchase agreements of BD 695,985 (2014: 693,552). The fair value of the investments at fair value though profit or loss pledged as collateral amounts to BD 695,985 (note 7).

9. Management fees

Securities and Investment Company B.S.C. (c) manages the Fund's operations for an annual fee of 1% and 0.75% on the NAV as of each dealing day with respect to Class A units and Class B units respectively. Management fees are accrued on the dealing day and payable quarterly in arrears.

10. Custodian fees and administrator fees

HSBC Bank Middle East Limited (Bahrain Branch) is the custodian and administrator of the Fund. An annual custodian fee not exceeding 0.1% of the NAV accrued as of each dealing day subject to a monthly minimum of US\$500. The custodian fee accrues on each dealing day and is payable on a monthly basis on the second business day of each calendar month.

An annual administration fee not exceeding 0.08% of the NAV accrued each dealing day subject to a monthly minimum of US\$750 over and above a one-time inception fee of US\$ 3,000. The administration fee accrues on each dealing day and is payable on a monthly basis on the second business day of each calendar month.

11. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Related parties include entities over which the Fund exercises significant influence, unit holders, directors and the Fund Manager of the Fund.

Balances and transactions with related parties were as follows:

	31 December 2015	31 December 2014
Due to related parties		
Accrued management fees	7,845	6,655

Transactions with related parties

- a) Securities and Investments Company B.S.C (c) manages the fund's operations for an annual fee of 1% and 0.75% on the NAV as of each dealing day with respect to Class A units and Class B units respectively. Management fees are accrued on the dealing day and payable quarterly in arrears. The management fees for the year ended 31 December 2015 amounted to BD 26,458 (2014: 25,129)
- b) At the reporting date, the Fund Manager holds 60,099.47 – 64.43% (2014: 60,099.47 – 72.3%) units in the Fund with a net asset value amounting to BD 2,371,285 (2014: BD 2,392,179).
- c) The Fund Manager did not earn or participate in any soft commission arrangements related to dealings in the Fund's assets.

12. Financial instruments and management of risk**Financial instruments**

Financial instruments include financial assets and financial liabilities. A financial instrument is any contract that gives rise to both a financial asset in one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets of the Fund consist of cash and cash equivalents, investments held for trading and other receivables. Financial liabilities of the Fund consist of payables and other liabilities. The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk. The note also presents certain quantitative disclosures in addition to the disclosures throughout the financial statements.

Risk management framework

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance. The Fund's aim is, therefore, to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance.

The Fund's risk management policies are based on a simplified framework with non-complex transactions to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of realizable and up-to-date information systems.

Risk management activities are carried out by the senior management under policies that are approved by the Company's Board of Directors. Management regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The significant risks that the Fund is exposed to are explained below.

Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. The Fund's exposure to credit risk is primarily in respect of cash and cash equivalents, other assets and investments at fair value through profit or loss.

The carrying amount of financial assets best represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 December 2015	31 December 2014
Cash and cash equivalents	914,709	749,811
Other receivable	46,572	58,186
Investments at fair value through profit or loss	3,422,172	3,204,170
	4,383,453	4,012,167

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12. Financial instruments and management of risk (continued)

The Fund limits its credit risk by applying well-defined credit policies and procedures laid down by the Board of Directors.

Credit risk on cash and cash equivalents is limited since these are maintained with banks and financial institutions having high credit ratings.

Credit risk arising on debt securities is mitigated by investing primarily in investment grade rated investments.

In accordance with the Fund's policy, the Fund Manager monitors the Fund's credit position on a periodic basis. None of the credit exposures are past due or impaired as at 31 December 2015.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is made by the custodian only on receipt of payment from the broker.

Payment is made by the custodian for the purchase of securities only on receipt of security from the broker. The trade will fail if either party fails to meet its obligations.

Market risk

Market risk is the risk that changes in market prices, such as security prices, interest rates, and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The Fund's investments at fair value through profit or loss are susceptible to market price risk arising from uncertainties about future prices of the instruments. According to the Fund's Prospectus, the Fund is required to adopt a balanced investment policy through a careful selection of securities and other financial instruments within specified limits that aim to reduce market risk. The Fund's overall market positions are monitored on a daily basis by the Fund Manager.

i. Price risk

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market. The Fund is exposed to price risk as it holds investments in quoted debt securities. However, the investment manager mitigates the risk by continuously monitoring the market for changes in market prices or any factors related to the Fund's investment portfolio.

ii. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial instruments, which potentially subject the Fund to interest rate risk, consist principally of cash and cash equivalents and investments at fair value through profit or loss. In respect of the Fund's interest-bearing financial instruments, the Fund's policy is, at any given time, to maintain a portfolio with a weighted average maturity for repricing of up to 12 months maximum, with a maximum maturity of any instrument not exceeding 10 years. Accordingly the Fund would be subject to limited exposure to fair value or cash flow interest rate risk.

12. Financial instruments and management of risk (continued)

Market risk (continued)**iii. Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's currency exposure arises mainly from its foreign currency bank balances and investments. The Fund limits its foreign exchange risk by proactively monitoring key factors that affect the currency fluctuations, and by using derivative instruments. Currently the Fund does not have a material exposure to foreign currencies that are not pegged to the USD, and hence to the BD.

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to the weekly cash redemptions of redeemable units. Its policy is therefore to invest its assets in investments that are traded in an active market and can be readily disposed.

The Fund's securities are considered readily realisable as they are listed on stock exchanges.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

2015	Less than 1 month	1-12 months	Total
Liabilities			
Short-term borrowings	-	695,985	695,985
Payables and other liabilities	10,949	-	10,949
Liabilities (excluding net assets attributable to holders of redeemable units)	10,949	695,985	706,934
Net assets attributable to holders of redeemable units	3,676,519	-	3,676,519
	3,687,468	695,985	4,383,453

2014	Less than 1 month	1-12 months	Total
Liabilities			
Short-term borrowings	-	693,552	693,552
Payables and other liabilities	10,129	-	10,129
Liabilities (excluding net assets attributable to holders of redeemable units)	10,129	693,552	703,681
Net assets attributable to holders of redeemable units	3,308,486	-	3,308,486
	3,318,615	693,552	4,012,167

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12. Financial instruments and management of risk (continued)**Liquidity risk (continued)**

Redeemable units are redeemed on demand at the holders' option. However, the Company's Board of Directors does not envisage that the contractual maturity disclosed in the table above will be representative of actual cash outflows, as the holders of these instruments typically retain them for the medium to long term.

The Fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within 1 month. Accordingly, all the Fund's financial assets are realizable within a maximum period of one month.

13. Classification and fair values of financial instruments**a. Classification of financial assets and liabilities**

The details of classification of financial assets and liabilities held by the Fund at the reporting date are as follows:

31 December 2015

	At fair value through profit and loss	Loans and receivables	Others at amortized cost	Total carrying value
Cash and cash equivalents	-	914,709	-	914,709
Investments at fair value through profit or loss	3,422,172	-	-	3,422,172
Other receivables	-	46,572	-	46,572
	3,422,172	961,281	-	4,383,453
Short-term borrowing	-	-	695,985	695,985
Payables and accruals	-	-	10,949	10,949
	-	-	706,934	706,934

31 December 2014

	At fair value through profit and loss	Loans and receivables	Others at amortized cost	Total carrying value
Cash and cash equivalents	-	749,811	-	749,811
Investments at fair value through profit or loss	3,204,170	-	-	3,204,170
Other receivables	-	58,186	-	58,186
	3,204,170	807,997	-	4,012,167
Short-term borrowing	-	-	693,552	693,552
Payables and accruals	-	-	10,129	10,129
	-	-	703,681	703,681

13. *Classification and fair values of financial instruments (continued)*

a. *Classification of financial assets and liabilities (continued)*

Loans and receivables presented above represent cash and cash equivalents and other receivables.

Others at amortized cost represent other payables.

b. **Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

i. **Financial assets measured at fair value**

The fair values of financial assets that are traded in active markets are based on quoted market prices or broker price quotations.

The Fund measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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13. Classification and fair values of financial instruments (continued)

ii. Valuation framework

The Fund has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function, which is independent of front office management and reports to the board of directors, who have overall responsibility for fair value measurements.

iii. Financial assets measured at fair value

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized.

	Level 1	Level 2	Level 3	Total
31 December 2015				
Quoted debt securities	3,422,172	-	-	3,422,172
	3,422,172	-	-	3,422,172
31 December 2014				
Quoted debt securities	3,204,170	-	-	3,204,170
	3,204,170	-	-	3,204,170

There were no transfers between levels of the fair value hierarchy during the year.

iv. Financial instruments not measured at fair value

The fair values of all other financial instruments approximated at their carrying values due to their short term nature.