

SICO GULF EQUITY FUND

31 DECEMBER 2015

FINANCIAL STATEMENTS

Fund Manager, Operator and Placement agent	Securities & Investment Company B.S.C. (c) PO Box 1331, Manama, Kingdom of Bahrain
Administrator	HSBC Bank Middle East Limited ,Bahrain P.O. Box 57, Manama, Kingdom of Bahrain
Registrar	APEX Funds Services Bahrain WLL P.O. Box 10405, Manama, Kingdom of Bahrain
Directors	Najla Mohammed Qassim Alshirawi Hanan Yusuf Hasan Sater Amal Ahmed Yusuf Alnaser Anantha Narayanan
Fund Company	SICO Funds Company III B.S.C. (c) P.O. Box 1331, Manama, Kingdom of Bahrain
Registered office	SICO Funds Company III 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 Al A'all, <i>Partner</i> P.O. Box 710, Manama, Kingdom of Bahrain

SICO Gulf Equity Fund

**FINANCIAL STATEMENT
for the year ended 31 December 2015**

CONTENTS	Page
Directors' report	1
Independent auditors' report to the unit holders	2
Financial statements	
Statement of financial position	3
Statement of profit or loss and other comprehensive income	4
Statement of changes in net assets attributable to unit holders	5
Statement of cash flows	6
Notes to the financial statements	7-22

SICO Gulf Equity Fund

DIRECTOR'S REPORT
For the year ended 31 December 2015

Bahraini dinars

Dear Unit holders,

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

	2015	2014
Net increase in net assets	223,438	404,033
Net assets attributable to holders of redeemable units as at 31 December	9,663,416	10,882,857
Net asset value (NAV) per unit as at 31 December		
Class A		44.772
Class B	43.018 46.245	47.941

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 22.

On behalf of the board,



Anantha Narayanan
Director



Amal Al Nasser
Director

26 April 2016



KPMG Fakhro
Audit
12th Floor, Fakhro Tower
PO Box 710, Manama
Kingdom of Bahrain

Telephone +973 17 224807
Fax +973 17 227443
Website: www.kpmg.com/bh
CR No. 6220

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS
SICO Gulf Equity Fund
Kingdom of Bahrain

Report on the financial statements

We have audited the accompanying financial statements of SICO Gulf Equity Fund (the "Fund"), a fund established by SICO Funds Company III 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 of the Company 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 then 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

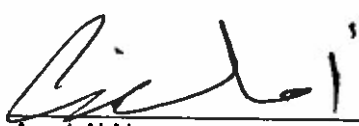
SICO Gulf Equity Fund

**STATEMENT OF FINANCIAL POSITION
as at 31 December 2015**

Bahraini dinars

	Note	31 December 2015	31 December 2014
Assets			
Cash and cash equivalents		865,330	601,043
Investments at fair value through profit or loss	7	8,688,260	9,316,709
Balances due from brokers		212,964	1,107,221
Total assets		9,766,554	11,024,973
Liabilities			
Balances due to brokers		45,820	-
Payables and other liabilities	4	57,318	142,116
Total liabilities (excluding net assets attributable to unitholders)		103,138	142,116
Net assets attributable to holders of:			
-Class A units		414,433	848,246
-Class B units		9,248,983	10,034,611
		9,663,416	10,882,857
Net Asset Value ("NAV") per unit at book value based on 9,634 units (31 December 2014: 18,946) outstanding with respect to class A units.	6	43.018	44.772
Net Asset Value ("NAV") per unit at book value based on 200,000 units (31 December 2014: 209,312) outstanding with respect to class B units	6	46.245	47.941


Anantha Narayanan
Director


Amal Al Nasser
Director

The financial statement consisting of pages 3 to 22 were approved by the Board of Directors on 26 April 2016.


SICO Gulf Equity 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		8,417	245,329
Dividend income		421,137	506,132
Interest Income		175	413
Other income		-	4
Total income		429,729	751,878
Management fees	8	162,729	238,157
Custody and administration fees	9	26,732	35,308
Registrar fees		3,205	3,205
Audit fees		3,000	3,000
Performance fees	10	3,480	61,264
Other operating expenses		1,004	885
Transaction costs		6,141	6,026
Total expenses		206,291	347,845
Profit for the year		223,438	404,033
Other comprehensive income		-	-
Total comprehensive income for the year		223,438	404,033


 Anantha Narayanan
 Director


 Amal Al Nasser
 Director

The financial statement consisting of pages 3 to 22 were approved by the Board of Directors on 26 April 2016.

SICO Gulf Equity 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	228,258	8,605,345	429,532	1,847,980	10,882,857
Comprehensive income Profit for the year	-	-	-	223,438	223,438
Total comprehensive income for the year	-	-	-	223,438	223,438
Redemption of units during the year Distribution to unit holders	(18,624)	(702,139)	(138,366)	-	(840,505)
	-	-	-	(602,374)	(602,374)
Balance at 31 December 2015	209,634	7,903,206	291,166	1,469,044	9,663,416
2014					
Balance at 1 January 2014	225,418	8,498,298	387,469	2,040,214	10,925,981
Comprehensive income Profit for the year	-	-	-	404,033	404,033
Total comprehensive income for the year	-	-	-	404,033	404,033
Issue of units during the year	3,850	145,116	54,348	-	199,464
Redemption of units during the year Distribution to unit holders	(1,010)	(38,069)	(12,285)	-	(50,354)
	-	-	-	(596,267)	(596,267)
Balance at 31 December 2014	228,258	8,605,345	429,532	1,847,980	10,882,857

The financial statements consist of pages 3 to 22.

SICO Gulf Equity Fund

STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

Bahraini dinars

	31 December 2015	31 December 2014
Operating activities		
Profit for the year	223,438	404,033
<i>Adjustments for:</i>		
Decrease in investments at fair value through profit or loss	628,449	1,369,734
Decrease / (increase) in balances due from brokers	894,257	(1,107,221)
Decrease in other receivables	-	83
Increase in balances due to brokers	45,820	-
(Decrease) / increase in payables and other liabilities	(84,798)	73,856
Net cash generated from operating activities	1,707,166	740,485
Financing activities		
Distribution to unit holders	(602,374)	(596,267)
Subscription of units during the year	-	199,464
Redemption of units during the year	(840,505)	(50,354)
Net cash used in financing activities	(1,442,879)	(447,157)
Net increase in cash and cash equivalents	264,287	293,328
Cash and cash equivalents at 1 January	601,043	307,715
Cash and cash equivalents at 31 December	865,330	601,043

The financial statements consist of pages 3 to 22.

1. Reporting entity

SICO Gulf Equity Fund (the "Fund") is an open ended sub-fund of SICO Gulf Equity Funds Company III B.S.C. (c) (the "Company" or the "Fund Manager"), a closed joint stock company incorporated in the Kingdom of Bahrain with commercial registration number 59294. The Fund commenced trading in May 2008. 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 with 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) 99.9% and SICO Ventures Company SPC 0.1%.

The Fund has been established for an indefinite period by the Company, but the Company reserves the right to terminate the Fund at any time without penalty to any party involved. Under Bahrain law, termination of the Fund requires the prior written consent of the Central Bank of Bahrain and that reasonable notice be given to investors.

The principal investment objective of the Fund is to achieve long term capital appreciation for holders of units by investing principally in equity securities listed on the stock markets of Kuwait, Bahrain, Oman, Qatar and the UAE. The Fund may also invest in equity related, hybrid and debt securities listed in GCC countries excluding the Kingdom of Saudi Arabia in addition to unlisted debt securities issued by governments or quasi government institutions of the GCC countries excluding the Kingdom of Saudi Arabia.

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.

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

2. *Basis of preparation (continued)*

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

(ii) Classification of Investments

Management designates all its investments as trading investments.

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.

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.

2. *Basis of preparation (continued)*

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.

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.

3. *Significant accounting policies (continued)*

(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 mid price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

(iv) **Amortized 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.

(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 (and 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.

3. *Significant accounting policies (continued)*

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 include listed equity securities.

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.

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.

e) **Other assets**

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

f) **Payables and other liabilities**

Payables and other liabilities are recorded at their amortized cost.

g) **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.

h) **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.

The redeemable shares are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the share back to the Fund.

Redeemable shares are issued and redeemed at the holder's option at prices based on the Fund's net asset value per share at the time of issue or redemption. The Fund's net asset value per share is calculated by dividing the net assets attributable to the holders of each class of redeemable shares with the total number of outstanding redeemable shares for each respective class.

SICO Gulf Equity Fund

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015**

Bahraini dinars

3. Significant accounting policies (continued)

i) 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.

j) 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.

k) 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	38,302	63,613
Custodian and administrator's fees	1,916	2,377
Other accruals	17,100	76,126
	57,318	142,116

5. Unit capital

As at 31 December 2015, the issued and paid up unit capital of the fund was BHD 7,903,206 (2014: BHD 8,605,345) divided into 209,634 units (2014: 228,258 units) of BHD 37.7 each.

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The amount of net assets attributable to holders of redeemable units can change significantly on a weekly basis as the Fund is subject to weekly subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

6. Net Asset Value per unit

	NAV	No. of units	NAV per unit
2015	9,663,416	209,634	46.097
2014	10,882,857	228,258	46.678
2013	10,925,981	225,418	48.470

SICO Gulf Equity Fund

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

Bahraini dinars

6. Net Asset Value per unit (continued)

	Highest redemption price	Lowest redemption price
2015	47.966	43.174
2014	49.866	49.866
2013	47.909	41.500
2012	40.855	40.855
2011	42.190	37.953
2010	41.862	35.095
2009	42.318	29.873
2008	57.620	50.465

7. Investments at fair value through profit or loss

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

	31 December 2015	31 December 2014
Movements during the year:		
Opening balance	9,316,709	10,686,443
Additions during the year	12,907,606	23,850,995
Disposals during the year	(13,544,472)	(25,466,058)
Change in fair value	8,417	245,329
Closing balance	8,688,260	9,316,709

Geographical distributions of investments is as follows:

	31 December 2015		31 December 2014	
	Amount	%	Amount	%
Qatar	1,525,083	17.55	2,119,985	22.75
Egypt	543,952	6.26	-	-
Kuwait	2,719,701	31.30	2,874,266	30.85
United Arab Emirates	3,257,503	37.49	3,795,799	40.74
Bahrain	642,021	7.40	526,659	5.66
	8,688,260	100.00	9,316,709	100.00

7. Investments at fair value through profit or loss (continued)

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

31 December 2015

Description	Fair value	Value of investment as a percentage of NAV
Viva Kuwait Telecom Company	650,589	6.73%
Emaar Properties	594,315	6.15%
National Bank of Kuwait	530,552	5.49%
Dubai Parks And Resorts	472,769	4.89%
Jazeera Airways	465,555	4.82%
Qatar National Bank	447,528	4.63%
Al Meera Consumer Goods	398,608	4.12%
Ras Al Khaiman Ceramics	352,843	3.65%
Seef Properties	348,641	3.61%
Abu Dhabi Commercial Bank	263,797	2.73%

31 December 2014

Description	Fair value	Value of investment as a percentage of NAV
Al Meera Consumer Goods	554,891	5.10%
Viva Kuwait Telecom Company	538,729	4.95%
Mobile Telecommunications Co	518,619	4.77%
Emaar Properties	411,044	3.78%
Air Arabia	392,596	3.61%
Medicare Group	391,302	3.60%
First Gulf Bank	364,315	3.35%
Agthia Group	342,250	3.14%
Qatar National Bank	330,605	3.04%
Ahli United Bank	320,589	2.95%

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

Bahraini dinars

8. Management fees

Securities and Investment Company B.S.C. (c) manages the Fund's operations for an annual fee of 1.5% and 2% per annum with respect to Class A units and Class B units respectively. Management fees are accrued on the dealing day monthly and payable on the second business day of each quarter.

9. 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 0.30% of the NAV of the assets as of each dealing day subject to a monthly minimum. The custodian fee accrues on the last business day of each calendar week and is payable on a monthly basis on the second business day of each calendar month.

An administration fee not exceeding 0.20% of the daily NAV as of each dealing day subject to monthly minimum over and above a one-time inception fee of US\$ 3,000. The administration fee accrues on the last business day of each calendar week and is payable on a monthly basis on the second business day of each calendar month.

10. Performance fees

The Fund Manager is entitled, out of the assets of the Fund, to a performance fee that equals 10% and 20% with respect to Class A and Class B units respectively over and above the hurdle total rate of return of 10% for each financial year.

11. Related party balances and 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	38,302	63,613

Transactions with related parties**a) Management fees**

Securities and Investments Company B.S.C. (c) manages the Fund's operations for an annual fee of 1.5% and 2% per annum with respect to Class A units and Class B units respectively. Management fees are accrued on the dealing day monthly and payable on the second business day of each quarter. The management fees with respect to Class A units and Class B units for the year ended 31 December 2015 amounted to BD 9,293 (31 December 2014: BD 13,873) and BD 153,436 (31 December 2014: BD 224,284) respectively.

b) Performance fees

The Fund manager is entitled, out of the assets of the Fund, to a performance fee that equals 10% and 20% with respect to Class A and Class B units respectively over and above the hurdle total rate of return 10% for each financial year. The performance fees for the year ended 31 December 2015 amounted to BD 3,480 (31 December 2014: BD 61,264)

c) Commission incurred on transactions through the Fund Manager during the year amounted to BD 7,808. (31 December 2014: BD 50,063)

d) The Fund Manager did not earn or participate in any soft commission arrangements related to 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
- Market risk
- Liquidity 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 realisable 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 and other assets.

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	865,330	601,043
Balances due from brokers	212,964	1,107,221
	1,078,294	1,708,264

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.

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

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 equity 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 and available-for-sale investments 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. Equity price risk

Equity price risk is the risk that the value of an instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market.

The Fund's investments in quoted equity 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 aims to reduce market risk.

Equity price risk is managed by the Fund Manager through the diversification of its investment position among selected sectors of the market. The Fund adheres to the limits set by the Fund Manager in respect of diversification of the investment portfolio. The Fund also manages its risk by ensuring that investments are made only after an appropriate evaluation and due diligence of the issuer of the investment securities.

The concentration of the Fund by geographical location is given below:

Market Indices	31 December 2015	31 December 2014
Qatar	1,525,083	2,119,985
Egypt	543,952	-
Kuwait	2,719,701	2,874,266
United Arab Emirates	3,257,503	3,795,799
Bahrain	642,021	526,659

12. Financial instruments and management of risk (continued)

The sensitivity of financial assets exposed to equity price risk was as follows:

Market Indices	31 December 2015			31 December 2014		
	Change in market index	Effect on equity	Effect on profit or loss	Change in market index	Effect on equity	Effect on profit or loss
	%			%		
Qatar	5	43,288	43,288	5	130,951	130,951
Kuwait	5	42,396	42,396	5	99,800	99,800
UAE	5	77,769	77,769	5	296,376	296,376
Bahrain	5	1,981	1,981	5	193,884	193,884
Egypt	5	5,398	5,398	5	-	-

The sensitivity analysis presented is based upon the portfolio composition as at the reporting date and the historical correlation of the securities comprising the portfolio to the respective indices. The composition of the Fund's investment portfolio and the correlation thereof to the respective indices is expected to change over time. The sensitivity analysis prepared as of 31 December is not necessarily indicative of the effect on the Company's profit or loss or its equity of future movements in the level of the respective indices.

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. The Fund's call deposits, which are short-term in nature, yield interest at commercial rates. Therefore, the Fund believes there is minimal risk of significant losses due to interest rate fluctuations.

As at the reporting date, the Fund does not hold interest bearing financial instrument.

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.

As at 31 December 2015, the Fund holds 84.22% (2014: 88.63%) of its assets in foreign currency denominated assets, which are in currencies other than the functional currency of the Fund. Since the value of the equities denominated in other currencies will fluctuate due to changes in exchange rates, the Fund is therefore exposed to currency risk. The Fund's currency risk is managed on a daily basis by the Fund Manager in accordance with the policies and procedures in place.

Currencies of Gulf Cooperation Council (GCC) (other than Kuwaiti Dinar) are effectively pegged to the US Dollar and hence the Fund's exposure to foreign exchange risk on these currencies is limited. The Fund had the following significant exposures denominated in other foreign currencies at the reporting date:

	31 December 2015	31 December 2014
Kuwaiti Dinars	2,719,701	2,874,266

12. Financial instruments and management of risk (continued)

Sensitivity Analysis

Currency	31 December 2015		31 December 2014	
	Change in currency rate %	Effect on profit	Change in currency rate %	Effect on profit
Kuwaiti Dinars	±5%	135,985	±5%	143,713

An equivalent weakening would have resulted in an equal but opposite effect on the above financial statement accounts, to the amounts shown above, on the basis that other variables remain constant.

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. As per the prospectus of the Fund, the investment manager has the right to scale down redemptions to 10% of the net asset value of the Fund if the redemption request on any valuation day exceeds more than 10% of the net asset value of the Fund.

The Fund's securities are considered readily realizable 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			
Payables and other liabilities	2,127	55,191	57,318
Balance due to brokers	-	45,820	45,820
Liabilities (excluding net assets attributable to holders of redeemable units)	2,127	101,011	103,138
Net assets attributable to holders of redeemable units	9,663,416	-	9,663,416
	9,665,543	101,011	9,766,554
2014	Less than 1 month	1-12 months	Total
Liabilities			
Payables and other liabilities	4,167	137,949	142,116
Liabilities (excluding net assets attributable to holders of redeemable units)	4,167	137,949	142,116
Net assets attributable to holders of redeemable units	10,882,857	-	10,882,857
	10,887,024	137,949	11,024,973

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

Redeemable units are redeemed on demand at the holder's 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 year.

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	-	865,330	-	865,330
Investments at fair value through profit or loss	8,688,260	-	-	8,688,260
Balances due from brokers	-	212,964	-	61,304
	8,688,260	1,078,294	-	9,766,554
Due to brokers	-	-	45,820	45,820
Payables and other liabilities	-	-	57,318	57,318
	-	-	103,138	103,138

31 December 2014

	At fair value through profit and loss	Loans and receivables	Others at amortized cost	Total carrying value
Cash and cash equivalents	-	601,043	-	601,043
Investments at fair value through profit or loss	9,316,709	-	-	9,316,709
Balances due from brokers	-	1,107,221	-	1,107,221
	9,316,709	1,708,264	-	11,024,973
Due to brokers	-	-	-	-
Payables and other liabilities	-	-	142,116	142,116
	-	-	142,116	142,116

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 balances due to brokers and 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 value of financial assets that are traded in active markets are based on quoted market prices.

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.

	Level 1	Level 2	Level 3	Total
31 December 2015				
Investments at fair value through profit or loss	8,688,260	-	-	8,688,260
	8,688,260	-	-	8,688,260
31 December 2014				
Investments at fair value through profit or loss	9,316,709	-	-	9,316,709
	9,316,709	-	-	9,316,709

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

b. Fair Value (continued)

i. Financial assets and liabilities measured at fair value (continued)

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

ii. Financial Instruments not measured at fair value

The fair value of the Fund's other financial assets and liabilities approximate their carrying values because of their short term nature.