SICO GULF EQUITY FUND

31 DECEMBER 2013

FINANCIAL STATEMENTS

Fund Manager/ Sponsor/ Placement agent	Securities & Investment Company B.S.C. (c) (SICO) PO Box 1331, Manama, Kingdom of Bahrain
Administrator	HSBC Bank Middle East Limited, Bahrain PO Box 57, Manama, Kingdom of Bahrain
Registrar	APEX Funds Services Bahrain WLL PO Box 10405, Manama, Kingdom of Bahrain
Directors	Najla Al Shirawi Hanan Y. Sater (w.e.f 26 August 2013) Samir Sami Anthony Mallis (resigned 13 March 2014) Shakeel Sarwar (resigned January 2013)
Fund Company	SICO Funds Company III B.S.C. (c) PO Box 1331, Manama, Kingdom of Bahrain
Registered office	SICO Funds Company III B.S.C. (c) PO Box 1331, Manama, Kingdom of Bahrain
Custodian	HSBC Bank Middle East Limited, Bahrain PO Box 57, Manama, Kingdom of Bahrain
Auditor	Jalil Al A'ali, *Partner* KPMG Fakhro PO Box 710, Manama, Kingdom of Bahrain

SICO Gulf Equity Fund

FINANCIAL STATEMENT
For the year ended 31 December 2013

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SICO Gulf Equity Fund

DIRECTOR'S REPORT
For the year ended 31 December 2013 Bahraini dinars

Dear Unit holders,

Following is theperformance of SICO Gulf Equity Fund (the "Fund") for the year ended 31 December 2013.

	2013	2012
Net increase in net assets	2,738,308	498,573
Net assets attributable to holders of redeemable units as at 31December	10,925,981	8,681,712
Net asset value (NAV) per unit as at 31December		
Class A	49.419	38.786
Class B	48.397	38.223

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 2013, which would in any way invalidate the financial statements on pages 3 to 23.

On behalf of the board,

Samir Sami
Director

Najla Al Shirawi
Director

30 April 2014

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

30 April 2014

Report on the financial statements

We have audited the accompanying financial statements of SICO Gulf Equity Fund ("The "Fund"), which comprise the statement of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, changes in net assets attributable to unit holders 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 Fund 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 2013, 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 Central bank of Bahrain Rulebook relating to Collective Investment Undertakings (the "Rulebook"), we report that the Fund has maintained proper accounting records, the financial statements are in agreement therewith and we are not aware of any violations of the Rulebook having occurred during the year that might have had a material adverse effect on the business of the Fund or on its financial position.

KPMG

SICO Gulf Equity Fund

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

Bahraini dinars

	Note	31 December 2013	31 December 2012
Assets			
Cash and cash equivalents		307,715	303,191
Investments at fair value through profit or loss	7	10,686,443	8,583,756
Prepayments and other receivables		83	2,484
Total assets		**10,994,241**	8,889,431
Liabilities			
Balances due to brokers		-	155,211
payables and other liabilities	4	68,260	52,508
		68,260	207,719
Equity			
Unit capital	5	8,498,298	8,553,097
Unit surplus		387,469	399,832
Retained earnings / (accumulated losses)		2,040,214	(271,217)
Total equity		**10,925,981**	8,681,712
Total liabilities and equity		**10,994,241**	8,889,431
Net assets attributable to holders of:			
- Class A units		795,958	681,087
- Class B units		10,130,023	8,000,625
Net assets attributable to unit holders		**10,925,981**	3,871,858
Net Asset Value ("NAV") per unit at book value based on 16,106 units (31 December 2012: 17,560) outstanding with respect to class A units.	6	49.419	38.786
Net Asset Value ("NAV") per unit at book value based on 209,312 units (31 December 2012: 209,312) outstanding with respect to class B units.	6	48.397	38.223

Samir Sami
Director

Najla Al Shirawi
Director

The financial statement consisting of pages 3 to 23 were approved by the Board of Directors on 30 April 2014.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2013

Bahraini dinars

	Note	2013	2012
Net change in fair value of investments at fair value through profit or loss		2,527,196	310,702
Dividend income		451,340	387,783
Interest income		602	144
Other income		192	2,475
Total income		**2,979,330**	701,104
Management fees	8	200,626	167,374
Custody and administration fees	9	26,895	23,321
Registrar fees		3,205	3,205
Audit fees		3,000	4,200
Performance fees	10	668	-
Other operating expenses		1,349	1,938
Transaction costs		5,279	2,493
Total expenses		**241,022**	202,531
Profit for the year		**2,738,308**	498,573
Other comprehensive income		-	-
Total comprehensive income for the year		**2,738,308**	498,573

Samir Sami
Director

Najla Al Shirawi
Director

The financial statement consisting of pages 3 to 23 were approved by the Board of Directors on 30 April 2014.

SICO Gulf Equity Fund

STATEMENT OF CHANGES NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
For the year ended 31 December 2013

Bahraini dinars

2013	**Number of units**	**Unit capital**	**Unit deficit**	**Retained earnings**	**Total**
Balance at 1 January 2013	**226,872**	**8,553,097**	**399,832**	**(271,217)**	**8,681,712**
Comprehensive income					
Profit for the year	-	-	-	2,738,308	2,738,308
Total comprehensive income for the year	-	-	-	**2,738,308**	**2,738,308**
Issue of units during the year	912	34,398	3,302	-	37,700
Redemption of units during the year	(2,366)	(89,197)	(15,665)	-	(104,862)
Distribution to unit holders	-	-	-	(426,877)	(426,877)
Balance at 31 December 2013	**225,418**	**8,498,298**	**387,469**	**2,040,214**	**10,925,981**

2012	Number of units	Unit capital	Unit deficit	Accumulated losses	Total
Balance at 1 January 2012	222,531	8,389,432	405,555	(350,319)	8,444,668
Comprehensive income					
Profit for the year	-	-	-	498,573	498,573
Total comprehensive income for the year	-	-	-	498,573	498,573
Issue of units during the year	5,659	213,354	(1,564)	-	211,790
Redemption of units during the year	(1,318)	(49,689)	(4,159)	-	(53,848)
Distribution to unit holders	-	-	-	(419,471)	(419,471)
Balance at 31 December 2012	226,872	8,553,097	399,832	(271,217)	8,681,712

The financial statements consist of pages 3 to 23.

Bahraini dinars

	2013	2012
Cash flows from operating activities		
Increase in net assets attributable to unit holders	2,738,308	498,573
Adjustments for:		
Increase in investments at fair value through profit or loss	(2,102,687)	(254,667)
Decrease in prepayments and other receivable	2,401	13,139
Decrease in due to brokers	(155,211)	-
Increase in payables and other liabilities	15,752	159,765
Net cash generated from operating activities	**498,563**	416,810
Cash flows from financing activities		
Distribution to unit holders	(426,877)	(419,471)
Subscription of units during the year	37,700	211,790
Redemption of units during the year	(104,862)	(53,848)
Net cash used in financing activities	**(494,039)**	(261,529)
Net increase in cash and cash equivalents	**4,524**	155,281
Cash and cash equivalents at 1 January	303,191	147,910
Cash and cash equivalents at 31 December	**307,715**	303,191

The financial statements consist of pages 3 to 23.

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,CBB Rule Book Volume 7. 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 BD1,000 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.

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 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 2013
The following standards, amendments and interpretations, which became effective in 2013, are relevant to the Fund.

a) IAS 1 (amendment) - Presentation of items of other comprehensive income
The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss.

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

b) IFRS 13 - Fair value measurement
IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. It unifies the definition of fair value as 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

As a result, the Fund has included additional disclosures in this regard. In accordance with the transitional provisions of IFRS 13, the Fund has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures.

The impact of the adoption of the standard was to change the valuation basis for the Fund's quoted equities classified as fair value through profit or loss from use of bid prices to closing prices as required by IFRS 13.

2. *Basis of preparation (continued)*

The change had no significant impact on the measurements of the Fund's assets and liabilities.

c) **Amendments to IFRS 7 on offsetting financial assets and financial liabilities (2011)**
Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial position. Based on the new disclosure requirements the Fund has to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set off under master netting arrangements or similar arrangements.

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

d) **Improvements to IFRSs (2011)**
Improvements to IFRS issued in 2011 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards.

There were no significant changes to the current accounting policies of the Fund as a result of these amendments.

(ii) **New standards, amendments and interpretations issued but not yet effective**
The following standards and interpretations have been issued and are expected to be relevant to the Fund but not yet effective for the year ended 31 December 2013.

a) **IFRS 9 - Financial Instruments**
The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortized cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalized. However, application of IFRS 9 is permitted. The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues. The Fund has commenced the process of evaluating the potential effect of this standard but is awaiting finalization of the limited amendments before the evaluation can be completed.

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 2013.

3. Significant accounting policies
The accounting policies adopted in preparation of these financial statements are set out below. These accounting policies have been consistently applied by the Fund and are consistent with those used in the previous year except for changes arising from amendments to standards.

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.

For a reconciliation of line items in the statement of financial position to the categories of financial instruments, as defined by IAS 39, see note 17.

(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.

3. Significant accounting policies (continued)

(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.

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 amortized 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.

3. Significant accounting policies (continued)

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.

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. Other payables

	31 December 2013	31 December 2012
Management fees	55,621	44,119
Custodian and administrator's fees	2,202	1,786
Other accruals	10,437	6,603
	68,260	52,508

5. Unit capital

As at 31 December 2013, the issued and paid up unit capital of the fund was BHD 8,498,298 (2012: BHD8,553,097) divided into 225,418 units (2012: 226,872 units) of BHD37.7 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	NAVperunit
2013	10,925,981	225,418	48.470
2012	8,681,712	226,872	38.267
2011	8,444,668	222,531	37.948

	Highest redemption price	Lowest redemption price
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 closing price as at the reporting date.

Movements during the year:	**31 December 2013**	31 December 2012
Opening balance	8,583,756	8,329,089
Additions during the year	7,788,031	4,887,311
Disposals during the year	(6,816,505)	(4,913,831)
Change in fair value of investments at fair value through profit or loss	1,131,161	281,187
Closing balance	**10,686,443**	8,583,756

	31 December 2013		31 December 2012	
	Amount	**%**	Amount	%
Investments in equity securities				
Qatar	3,299,937	30.88	2,206,832	25.71
Oman	2,250,278	21.06	1,763,381	20.54
Kuwait	1,900,558	17.79	1,482,568	17.27
United Arab Emirates	1,861,693	17.42	2,612,096	30.43
Bahrain	1,373,977	12.85	518,879	6.05
	10,686,443	**100.00**	8,583,756	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 2013

Description	Fair value	Value of investment as a percentage of NAV
Bank Muscat SAOG	650,640	5.95%
Qatar Electricity & Water	603,001	5.52%
Oman Telecommunications	601,249	5.50%
Qatar Industries	544,045	4.98%
Al-Anwar Ceramic Tiles Company	515,912	4.72%
Ahli United Bank	486,547	4.45%
Renaissance Services	473,057	4.33%
Doha Bank	457,960	4.19%
Kuwait Food	453,994	4.16%
Mobile Telecommunications Co	424,185	3.88%
	5,210,590	**47.68%**

31 December 2012

Description	Fair value	Value of investment as a percentage of NAV
Qatar Industries	652,964	7.52%
Mobile Telecommunications Co	582,892	6.71%
Qatar National Bank	564,894	6.51%
Bank Muscat SAOG	558,224	6.43%
First Gulf Bank	481,618	5.55%
Aramex PJSC	453,303	5.22%
Qatar Electricity & Water	425,229	4.90%
Emaar Properties	411,082	4.73%
Oman Telecommunications	377,364	4.35%
Union National Bank	328,112	3.78%
	4,835,682	55.70%

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 2013	31 December 2012
Due to related parties		
Accrued management fees	55,621	44,119

Transactions with related parties

a) Management fees with respect to Class A units, calculated at 1.5% per annum of the monthly net asset value of the Fund, prior to the deduction of management fees is payable to the Fund Manager. The management fees for Class A units for the year ended 31 December 2013 amounted to BD 11,806(2012: BD 8,132).

b) Management fees with respect to Class B units, calculated at 2% per annum of the monthly net asset value of the Fund, prior to the deduction of management fees is payable to the Fund Manager. The management fees for Class B units for the year ended 31 December 2013 amounted to BD 188,820(2012: BD 159,242).

11. Related party balances and transactions (continued)

c) At the statement of financial position date, the Fund Manager does not hold any units in the Fund.

d) Commission incurred on transactions through the Fund Manager during the year amounted to BD 11,806.

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 on-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:

12. Financial instruments and management of risk (continued)

	31 December 2013	31 December 2012
Cash and cash equivalents	307,715	303,191
	307,715	303,191

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

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 2013.

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:

12. Financial instruments and management of risk (continued)

Market indices	**31 December 2013**	31 December 2012
Qatar	3,299,937	2,206,832
Oman	2,250,278	1,763,381
Kuwait	1,900,558	1,482,568
United Arab Emirates	1,861,693	2,612,096
Bahrain	1,373,977	518,879

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

	31 December 2013			31 December 2012		
Market indices	**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	136,590	136,590	5	69,711	69,711
Oman	5	169,708	169,708	5	53,956	53,956
Kuwait	5	38,998	38,998	5	(1,381)	(1,381)
UAE	5	101,778	101,778	5	171,171	171,171
Bahrain	5	42,944	42,944	5	(14,004)	(14,004)

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 2013, the Fund holds 84.70% (2012: 90.72%) 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.

12. Financial instruments and management of risk (continued)

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 2013	31 December 2012
Kuwaiti Dinars	1,900,558	1,482,568

Sensitivity Analysis

	31 December 2013		31 December 2012	
Currency	**Change in currency rate %**	**Effect on profit**	Change in currency rate %	Effect on profit
Kuwaiti Dinars	±5%	95,028	±5%	74,128

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.

2013	**Less than 1 month**	**1-12 months**	**Total**
Liabilities			
Current liabilities			
Payables and other liabilities	2,315	65,945	68,260
Liabilities (excluding net assets attributable to holders of redeemable units)	2,315	65,945	68,260
Net assets attributable to holders of redeemable units	10,925,981	-	10,925,981
	10,928,296	**65,945**	**10,994,241**

12. Financial instruments and management of risk (continued)

2012	Less than 1 month	1-12 months	Total
Liabilities			
Current liabilities			
Payables and other liabilities	2,012	205,707	207,719
Liabilities (excluding net assets attributable to holders of redeemable units)	2,012	205,707	207,719
Net assets attributable to holders of redeemable units	8,681,712	-	8,681,712
	8,683,724	205,707	8,889,431

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 1month. 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 2013 Carrying amount	31 December 2012 Carrying amount
Investments at fair value though profit or loss	10,686,443	8,583,756
Loans and receivables	307,798	305,675
Others at amortized cost	(68,260)	(207,719)
	10,925,981	8,681,712

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.

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

i. Valuation models

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or broker price quotations. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.
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.

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 and liabilities 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. The amounts are based on the values recognized in the statement of financial position. All fair value measurements below are recurring.

	Level 1	Level 2	Level 3	Total
31 December 2013				
Investments at fair value through profit or loss	10,686,443	-	-	10,686,443
	10,686,443	**-**	**-**	**10,686,443**

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

31 December 2012	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss	8,583,756	-	-	8,583,756
	8,583,756	-	-	8,583,756

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

iv. 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.