

SICO FIXED INCOME FUND

31 DECEMBER 2016

FINANCIAL STATEMENTS

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

SICO Fixed Income Fund

FINANCIAL STATEMENT

For the year ended 31 December 2016

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DIRECTORS' REPORT**For the year ended 31 December 2016**

Bahraini dinars

Dear holders of redeemable units,

Following is the performance of SICO Fixed Income Fund (the "Fund") for the year ended 31 December 2016.

	2016	2015
Profit for the year	219,319	65,566
Net assets attributable to holders of redeemable units as at 31 December	3,796,475	3,676,519
Net asset value (NAV) per unit as at 31 December		
- Class A	40.464	39.168
- Class B	40.879	39.456

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 2016, which would in any way invalidate the financial statements on pages 5 to 23.

On behalf of the board,



Amal Ahmed Yusuf Alnaser
Director



Najla Mohammed Qassim Alshirawi
Director

25 April 2017



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INDEPENDENT AUDITORS' REPORT TO THE HOLDERS OF REDEEMABLE UNITS

SICO Fixed Income Fund
Kingdom of Bahrain

Report on the financial statements

Opinion

We have audited the accompanying financial statements of SICO Fixed Income Fund (the "Fund"), a fund established by SICO Funds Company VI B.S.C. (c) ("the Company") which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(i) Valuation of investments at fair value through profit or loss

Refer to the use of estimate and management judgement in note 2(d), significant accounting policies in note 3(d), notes 7 and 13 on disclosure of fair value hierarchy in the financial statements.

Description

The Fund's portfolio of quoted debt investments at fair value make up 78% of the Fund's total assets (by value) and is considered to be a key driver of operations and performance results. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant risk of judgment because they comprise liquid, quoted investments. However, due to the materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest impact on our overall audit strategy and location of resources in planning and completing our audit.

How the matter was addressed in our audit

Our procedures included:

- Agreeing the valuation of investments in the portfolio to externally quoted prices;
- Agreeing investments holdings in the portfolio to independently received third party confirmations; and
- Assessing the Fund's adequacy of disclosures, by reference to the requirements of relevant accounting standards.

INDEPENDENT AUDITORS' REPORT TO THE HOLDERS OF REDEEMABLE UNITS
(continued)
SICO Fixed Income Fund

Other information

The board of directors is responsible for the other information. The other information obtained at the date of this auditors' report is the Directors' report set out on page 1.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, the board of directors is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

INDEPENDENT AUDITORS' REPORT TO THE HOLDERS OF REDEEMABLE UNITS
(continued)
SICO Fixed Income Fund

Auditors' responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other regulatory requirements

As required by Volume 7 of the Central Bank of Bahrain (CBB) Rule Book, 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.

The engagement partner on the audit resulting in this independent auditors' report is Jalil Al Aali.




KPMG Fakhro
Partner Registration No. 100
25 April 2017

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

Bahraini dinars

	Note	31 December 2016	31 December 2015
Assets			
Cash and cash equivalents		924,921	914,709
Investments at fair value through profit or loss	7	3,513,615	3,422,172
Other assets		51,071	46,572
Total assets		4,489,607	4,383,453
Liabilities			
Short-term borrowings	8	682,042	695,985
Payables and other liabilities	4	11,090	10,949
Total liabilities		693,132	706,934
Net assets attributable to holders of:			
- Class A units		450,931	469,407
- Class B units		3,345,544	3,207,112
Net assets attributable to unit holders		3,796,475	3,676,519
Net Asset Value ("NAV") per unit at book value based on 11,144.07 units (31 December 2015: 11,984.31) outstanding with respect to class A units.			
	6	40.464	39.168
Net Asset Value ("NAV") per unit at book value based on 81,839.50 (31 December 2015: 81,282.58) units outstanding with respect to class B units.			
	6	40.879	39.456



Amal Ahmed Yusuf Alnaser
Director



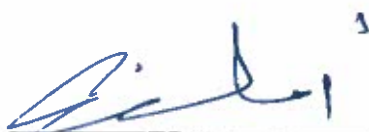
Najla Mohammed Qassim Alshirawi
Director

The financial statement consisting of pages 5 to 23 were approved by the Board of Directors on 25 April 2017.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

Bahraini dinars

	Note	31 December 2016	31 December 2015
Net change in fair value of investments at fair value through profit or loss	7	54,206	(97,309)
Interest income		219,983	210,269
Total income		274,189	112,960
Management fees	9	29,546	26,458
Custody and administration fees	10	10,609	7,022
Registrar fees		2,262	2,210
Audit fees		2,623	2,599
Transaction costs		3,743	3,271
Other expenses		6,087	5,834
Total expenses		54,870	47,394
Profit for the year		219,319	65,566
Other comprehensive income		-	-
Total comprehensive income for the year		219,319	65,566



Amal Ahmed Yusuf Alnaser
 Director



Najla Mohammed Qassim Alshirawi
 Director

The financial statement consisting of pages 5 to 23 were approved by the Board of Directors on 25 April 2017.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
For the year ended 31 December 2016

Bahraini dinars

2016

	Number of units	Unit capital	Unit surplus	Retained earnings	Total
At 1 January 2016	93,267	3,516,162	23,342	137,015	3,676,519
Total comprehensive income for the year	-	-	-	219,319	219,319
Issue of units during the year	700	26,391	1,906	-	28,297
Redemption of units during the year	(983)	(37,072)	(2,654)	-	(39,726)
Distribution to unit holders	-	-	-	(87,934)	(87,934)
At 31 December 2016	92,984	3,505,481	22,594	268,400	3,796,475

2015

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

The financial statements consist of pages 5 to 23.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

Bahraini dinars

	Note	31 December 2016	31 December 2015
OPERATING ACTIVITIES			
Profit for the year		219,319	65,566
<i>Adjustments for:</i>			
Changes in fair value of investments at fair value through profit or loss	7	(54,206)	97,309
<i>Operating profit before changes in working capital</i>		165,113	162,875
<i>Changes in operating assets and liabilities</i>			
Changes in other assets		(4,499)	11,614
Changes in short-term borrowings		(13,943)	2,433
Changes in payables and other liabilities		141	820
Net cash generated from operating activities		146,812	177,742
INVESTING ACTIVITIES			
Purchase of investments at fair value through profit or loss	7	(938,941)	(510,530)
Disposal of investments at fair value through profit or loss	7	901,704	195,219
Net cash used in investing activities		(37,237)	(315,311)
FINANCING ACTIVITIES			
Subscription of units during the year		28,297	398,342
Redemption of units during the year		(39,726)	-
Distribution to unit holders		(87,934)	(95,875)
Net cash (used in) / generated from financing activities		(99,363)	302,467
Net increase in cash and cash equivalents		10,212	164,898
Cash and cash equivalents at beginning of the year		914,709	749,811
Cash and cash equivalents at end of the year		924,921	914,709

The financial statements consist of pages 5 to 23.

NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2016

Bahraini dinars

1. Reporting entity

SICO Fixed Income Fund ("SFIF" or the "Fund") is an open ended expert fund under the CIU Module Volume 7 of the CBB Rule Book launched by SICO Funds Company VI B.S.C. (c) (the "Company"), a closed joint stock company incorporated in the Kingdom of Bahrain with commercial registration number 73587. The Fund commenced trading in 2 April 2013. Although the Fund's units are listed on the Bahrain Bourse, all unit transactions are carried out directly by the Fund.

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

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

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

2. Basis of preparation**a) Statement of compliance**

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

b) Basis of measurement

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

c) Functional and presentation currency

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

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 recognised 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.

**NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2016**

Bahraini dinars

2. Basis of preparation (continued)*Use of estimates and judgments (continued)*

Information about significant areas of uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements including valuation of investments at fair value at profit or loss is described in Note 3(b).

e) New standards, amendments and interpretations effective from 1 January 2016

The following standards, amendments and interpretations, which became effective as of 1 January 2016, are relevant to the Fund, but had no significant impact on the financial statements

- Annual Improvements to IFRSs 2012–2014 Cycles various standards
- Disclosure Initiative (Amendments to IAS 1)

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

A number of new standards, amendments to standards are effective for annual periods beginning or after 1 January 2017 and earlier application is permitted; however, the Fund has not early adopted the following new or amended standards in preparing these financial statements.

- Disclosure Initiative (Amendments to IAS 7)
- IFRS 9 - Financial Instruments

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 and balances

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

b) Financial assets and financial liabilities**(i) 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 debt securities

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

NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2016

Bahraini dinars

3. Significant accounting policies (continued)**(ii) Recognition and initial measurement**

All financial assets and liabilities are initially recognised 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.

(iii) Fair value measurement

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

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

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

(iv) Amortised cost measurement

The amortised 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 recognised and the maturity amount, minus any reduction for impairment.

(v) Derecognition

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

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

The Fund enters into transactions whereby it transfers assets recognised 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 derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2016Bahraini dinars

3. Significant accounting policies (continued)***Derecognition (continued)***

The Fund derecognises 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 realise 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 and are realisable on demand.

d) Investments at fair value through profit or loss

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

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

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 recognised in the statement of comprehensive income.

Financial investments are recognised/derecognised by the Fund on the date it commits to purchase/sell the investments.

e) Impairment

The Company assesses at each reporting date whether there is objective evidence that an asset is impaired. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds its estimated recoverable amount.

f) Provisions

A provision is recognised 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.

g) Borrowings

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

NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2016

Bahraini dinars

3. Significant accounting policies (continued)

h) Repurchase agreement

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

i) 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.

j) Unit surplus

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.

k) Income and expenses

Interest income is recognised in the statement of comprehensive income using the effective interest method. The effective rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit loss.

Fees and expenses are recognised in the statement of comprehensive income in the period in which they are incurred on an accrual basis.

4. Payables and other liabilities

	31 December 2016	31 December 2015
Management fees	7,592	7,845
Custodian and administrator's fees	1,018	603
Others	2,480	2,501
	11,090	10,949

5. Unit capital

As at 31 December 2016, the issued and paid up unit capital of the fund was BHD 3,505,481 (31 December 2015: 3,516,162) divided into 11,144.07 (2015: 11,984.31) units of class A and 81,839.50 (2015: 81,282.58) units of class B of BHD 37.7 each.

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

NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2016

Bahraini dinars

5. Unit capital (continued)

In accordance with the Fund's prospectus, different rates related to management and administration fees are applied against different classes of units.

6. Net Asset Value per unit

Class A	NAV	No. of units	NAV per unit
2016	450,931	11,144.07	40.4644
2015	469,407	11,984.31	39.168
2014	99,051	2,499.50	39.628

Class B	NAV	No. of units	NAV per unit
2016	3,345,544	81,839.50	40.879
2015	3,207,112	81,282.58	39.456
2014	3,209,435	80,631.05	39.804

	Class A		Class B	
	Highest redemption price	Lowest redemption price	Highest redemption price	Lowest redemption price
2016	40.40	40.40	-	-
2015	-	-	-	-
2014	38.18	37.45	39.73	37.58
2013	-	-	-	-
2012	-	-	-	-
2011	-	-	-	-
2010	-	-	-	-
2009	-	-	-	-

7. Investments at fair value through profit or loss

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

Movements during the year	31 December 2016	31 December 2015
Opening balance	3,422,172	3,204,170
Additions during the year	938,941	510,530
Disposals during the year	(901,704)	(195,219)
Net change in fair value	54,206	(97,309)
Closing balance	3,513,615	3,422,172

NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2016

Bahraini dinars

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

Investment at fair value through profit or loss as at 31 December 2016 include securities amounting to BD 682,042 (31 December 2015: 695,985) sold under agreement to repurchase (note 8).

The Fund held investments in the following industries:

	31 December 2016		31 December 2015	
	Amount	%	Amount	%
Corporate Bonds	2,604,452	74	3,082,036	90
Government Bonds	817,830	23	250,184	7
Public Authorities	91,333	3	89,952	3
	3,513,615	100	3,422,172	100

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

31 December 2016

	Fair value	Value of investment as a percentage of the NAV
Kingdom of Bahrain 5.624% 12/02/2024	562,142	14.81 %
Albaraka Turk Sukuk 7.75% CV 07/05/2023	363,092	9.56 %
Dubai Electricity & Water 7.375% 21/10/2020	262,175	6.91 %
Kingdom of Bahrain 6.125% 05/07/2022	255,688	6.73 %
Emmar Sukuk 6.4% 18/07/2019	246,149	6.48 %
Arab Banking Corporation FRN 04/04/2017	234,608	6.18 %
Kuwait Projects 9.375% 15/07/2020	228,319	6.01 %
Batelco International Finance 4.25% 01/05/2020	168,362	4.43 %
Emirates NBD PJSC FRN 31/03/2024	156,273	4.12 %
Turkiye IS Bankasi 3 3/4% 10/10/2018	130,047	3.43 %

NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2016

Bahraini dinars

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

31 December 2015

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

8. Short-term borrowings

Short-term borrowings include borrowings under repurchase agreements of BD 682,042 (2015: 695,985). The fair value of the investments at fair value though profit or loss pledged as collateral amounts to BD 682,042 (note 7).

9. Management fees

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

10. Custodian fees and administrator fees

HSBC Bank Middle East Limited (Bahrain Branch) is the custodian and administrator of the Fund. An annual custodian fee not exceeding 0.15% of the NAV of the assets as of each dealing day subject to a monthly minimum of USD 1,000. 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 0.08% and 0.10% of the weekly NAV as of each dealing day with respect to Class A units and Class B units subject to monthly minimum of USD 1,000. 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.

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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.

Related party balances were as follows:

	31 December 2016	31 December 2015
Accrued management fees	7,592	7,845
Redeemable units (Class B)	2,456,827	2,371,285

- a) At reporting date, the Fund Manager holds 60,099.48 units in Class B (2015: 60,099.47 units) in the Fund.

Related party transactions

- a) Securities and Investments Company B.S.C (c) manages the fund's operations for an annual fee of 1% and 0.75% on the NAV as of each dealing day with respect to Class A units and Class B units respectively. Management fees are accrued on the dealing day and payable quarterly in arrears. The management fees for the year ended 31 December 2016 amounted to BD 29,546 (2015: 26,458)
- b) The Fund Manager did not earn or participate in any soft commission arrangements related to dealings in the Fund's assets.

12. Financial instruments and management of risk

Financial instruments

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

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

- Credit risk
- Liquidity risk
- Market risk

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

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12. Financial instruments and management of risk (continued)

Risk management framework

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

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

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

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

Credit risk

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

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

	31 December 2016	31 December 2015
Cash and cash equivalents	924,921	914,709
Other assets	51,071	46,572
Investments at fair value through profit or loss	3,513,615	3,422,172
	4,489,607	4,383,453

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

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

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

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

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12. Financial instruments and management of risk (continued)

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.

a) Market risk

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

i. Price risk

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

ii. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments, which potentially subject the Fund to interest rate risk, consist principally of cash and cash equivalents, investments at fair value through profit or loss and short-term borrowings.

The interest rate profile of the Company's interest-bearing financial instruments was:

	2016	2015
Assets		
Cash and cash equivalents	924,921	914,709
Investments at fair value through profit or loss	3,513,615	3,422,172
Liabilities		
Short-term borrowings	682,042	695,985

The effective interest on these financial instruments is as follows:

	2016	2015
Cash and cash equivalents	7.5%	7.5%
Investments at fair value through profit or loss	2.60%-9.38%	0.8%-9.375%
Short-term borrowings	1.13%-1.15%	0.8%0.9%

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

A 100 bps fluctuation in the interest rates would result in a BD 2,140 (2015: BD 2,046) variation in profit or loss.

iii. Currency Risk

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

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

b) Liquidity risk

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

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

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

The Fund's financial liabilities are analysed into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The contractual undiscounted cash flows of the Fund's liabilities are less than six months.

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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 2016	At fair value through profit and loss	Loans and receivables	Others at amortised cost	Total carrying value
Cash and cash equivalents	-	924,921	-	924,921
Investments at fair value through profit or loss	3,513,615	-	-	3,513,615
Other receivables	-	51,071	-	51,071
	3,513,615	975,992	-	4,489,607
Short term borrowing	-	-	682,042	682,042
Other payables	-	-	11,090	11,090
Net assets attributable to shareholders	-	-	3,796,475	3,796,475
	-	-	4,489,607	4,489,607

31 December 2015	At fair value through profit and loss	Loans and receivables	Others at amortised cost	Total carrying value
Cash and cash equivalents	-	914,709	-	914,709
Investments at fair value through profit or loss	3,422,172	-	-	3,422,172
Other receivables	-	46,572	-	46,572
	3,422,172	961,281	-	4,383,453
Short term borrowing	-	-	695,985	695,985
Other payables	-	-	10,949	10,949
Net assets attributable to shareholders	-	-	3,676,519	3,676,519
	-	-	4,383,453	4,383,453

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

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.

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.

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.

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

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 categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring.

	Level 1	Level 2	Level 3	Total
31 December 2016				
Quoted investments at fair value through profit or loss	3,513,615	-	-	3,513,615
	3,513,615	-	-	3,513,615
31 December 2015				
Quoted investments at fair value through profit or loss	3,422,172	-	-	3,422,172
	3,422,172	-	-	3,422,172

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

Financial instruments not measured at fair value

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

14. Subsequent event

Subsequent to reporting date, the fair value of investments at fair value through profit or loss has increased by BD42,436 (1.21%) compared to 31 December 2016 balances.