

SICO GULF EQUITY FUND

31 DECEMBER 2016

FINANCIAL STATEMENTS

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

**FINANCIAL STATEMENT
for the year ended 31 December 2016**

CONTENTS	Page
Directors' report	1
Independent auditors' report to the holders of redeemable units	2-4
Financial statements	
Statement of financial position	5
Statement of profit or loss and other comprehensive income	6
Statement of changes in net assets attributable to unit holders	7
Statement of cash flows	8
Notes to the financial statements	9-21

DIRECTOR'S REPORT
For the year ended 31 December 2016

Bahraini dinars

Dear holders of redeemable units,

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

	2016	2015
(Loss)/ profit for the year	(245,280)	223,438
Net assets attributable to holders of redeemable units as at 31 December	2,939,464	9,663,416
Net asset value (NAV) per unit as at 31 December		
Class A	40.839	43.018
Class B	44.557	46.245

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 21.

On behalf of the board,



Amal Ahmed Yusuf Alnaser
 Director



Najla Mohammed Qassim Alshirawi
 Director

25 April 2017



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2

INDEPENDENT AUDITORS' REPORT TO HOLDERS OF REDEEMABLE UNITS

SICO Gulf Equity Fund
Kingdom of Bahrain

Report on the financial statements

Opinion

We have audited the accompanying financial statements of SICO Gulf Equity Fund (the "Fund"), a fund established by SICO Funds Company III B.S.C. (c) ("the Company") which comprise the statement of financial position as at 31 December 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 equity investments at fair value make up 95% of the Fund's total assets (by value) and is considered to 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 Gulf Equity 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 Gulf Equity 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
For the year ended 31 December 2016

Bahraini dinars

	Note	31 December 2016	31 December 2015
Assets			
Cash and cash equivalents		140,555	865,330
Investments at fair value through profit or loss	7	2,826,730	8,688,260
Due from brokers		-	212,964
Other assets		5,350	-
Total assets		2,972,635	9,766,554
Liabilities			
Due to brokers		-	45,820
Payables and other liabilities	4	33,171	57,318
Total liabilities		33,171	103,138
Net assets attributable to holders of:			
-Class A units		393,438	414,433
-Class B units		2,546,026	9,248,983
		2,939,464	9,663,416
Net Asset Value ("NAV") per unit at book value based on 9,634 units (31 December 2015: 9,634) outstanding with respect to class A units.	6	40.839	43.018
Net Asset Value ("NAV") per unit at book value based on 57,140 units (31 December 2015: 200,000) outstanding with respect to class B units	6	44.557	46.245



Amal Ahmed Yusuf Alnaser
 Director




Najla Mohammed Qassim Alshirawi
 Director

The financial statement consisting of pages 5 to 21 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		(295,329)	8,417
Dividend income		146,346	421,137
Interest Income		187	175
Total income		(148,796)	429,729
Management fees	8	69,307	162,729
Custody and administration fees	9	15,710	26,732
Registrar fees		3,205	3,205
Audit fees		3,025	3,000
Other expenses		838	1,004
Transaction costs		4,399	6,141
Performance fees	10	-	3,480
Total expenses		96,484	206,291
(Loss) / profit for the year		(245,280)	223,438
Other comprehensive income		-	-
Total comprehensive income for the year		(245,280)	223,438


 Amal Ahmed Yusuf Alnaser
 Director


 Najla Mohammed Qassim Alshirawi
 Director

The financial statement consisting of pages 5 to 21 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

	Number of units	Unit capital	Unit deficit	Retained earnings	Total
2016					
At 1 January	209,634	7,903,206	291,166	1,469,044	9,663,416
Total comprehensive income for the year	-	-	-	(245,280)	(245,280)
Redemption of units during the year	(142,860)	(5,385,807)	(844,873)	-	(6,230,680)
Distribution to unit holders	-	-	-	(247,992)	(247,992)
At 31 December	66,774	2,517,399	(553,707)	975,772	2,939,464
2015					
At 1 January	228,258	8,605,345	429,532	1,847,980	10,882,857
Total comprehensive income for the year	-	-	-	223,438	223,438
Redemption of units during the year	(18,624)	(702,139)	(138,366)	-	(840,505)
Distribution to unit holders	-	-	-	(602,374)	(602,374)
At 31 December	209,634	7,903,206	291,166	1,469,044	9,663,416

The financial statements consist of pages 5 to 21.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

Bahraini dinars

	Note	31 December 2016	31 December 2015
OPERATING ACTIVITIES			
(Loss)/profit for the year		(245,280)	223,438
<i>Adjustments for:</i>			
Net changes in investments at fair value through profit or loss	7	295,329	(8,417)
<i>Operating income before changes in working capital</i>		50,049	215,021
<i>Changes in operating assets and liabilities</i>			
Changes in due from brokers		212,964	894,257
Changes in other receivables		(5,350)	-
Changes in due to brokers		(45,820)	45,820
Changes in payables and other liabilities		(24,147)	(84,798)
Net cash generated from operating activities		187,696	1,070,300
INVESTING ACTIVITIES			
Purchase of investments at fair value through profit or loss	7	(6,858,930)	(12,907,606)
Disposal of investments at fair value through profit or loss	7	12,425,131	13,544,472
Net cash generated from investing activities		5,566,201	636,866
Financing activities			
Distribution to unit holders		(247,992)	(602,374)
Redemption of units during the year		(6,230,680)	(840,505)
Net cash used in financing activities		(6,478,672)	(1,442,879)
Net (decrease) / increase in cash and cash equivalents		(724,775)	264,287
Cash and cash equivalents at 1 January		865,330	601,043
Cash and cash equivalents at 31 December		140,555	865,330

The financial statements consist of pages 5 to 21.

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

Bahraini dinars

1. Reporting entity

SICO Gulf Equity Fund (the "Fund") is an open-ended expert fund under the CIU Module Volume 7 of the CBB Rule Book launched by SICO Funds Company III B.S.C. (c) (the "Company"), a joint stock company closed incorporated with limited liability under the laws of Bahrain with the commercial registration number 59294. The Fund commenced trading in May 2008. Although the Fund's units are listed on the Bahrain Bourse, all unit transactions are carried out directly with the Fund.

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

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.

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.

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).

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

Bahraini dinars

2. Basis of preparation (continued)**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

g) Early adoption of standards

The Fund did not early adopt new or amended standards in 2016.

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 equities

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

(ii) Recognition and 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.

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

Bahraini dinars

3. Significant accounting policies (continued)**(iii) Fair value measurement**

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

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

The Fund recognises transfers between levels of the fair value hierarchy as at the end of 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 amortisation 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.

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.

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

Bahraini dinars

3. Significant accounting policies (continued)**c) Cash and cash equivalents**

Cash and cash equivalents comprise balances held in current accounts and deposits with banks with maturities of three months or less from the acquisition date that are subject to insignificant risk 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 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 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) 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 amortised cost.

g) 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.

h) 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.

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.

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.

j) Unit (deficit)/ 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.

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

Bahraini dinars

3. *Significant accounting policies (continued)*

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.

Dividends are recognised as income when earned.

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 accruals**

	31 December 2016	31 December 2015
Distribution payable	14,876	8,273
Management fees	11,560	38,302
Other accruals	5,887	8,827
Custodian and administrator's fees	848	1,916
	33,171	57,318

5. **Unit capital**

As at 31 December 2016, the issued and paid up unit capital of the fund was BHD 2,517,399 (2015: BHD 7,903,206) divided into 9,634 (2015: 9,634) units of Class A and 57,140 (2015: 200,000) units of Class B of BHD 37.7 each.

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

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

6. **Net Asset Value per unit**

	NAV	No. of units	NAV per unit
2016	2,939,464	66,774	44.021
2015	9,663,416	209,634	46.097
2014	10,882,857	228,258	46.678

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

Bahraini dinars

6. Net Asset Value per unit (continued)

	Highest redemption price	Lowest redemption price
2016	43.981	43.457
2015	47.966	43.174
2014	49.866	49.866
2013	47.909	41.500
2012	40.855	40.855
2011	42.190	37.953
2010	41.862	35.095
2009	42.318	29.873

7. Investments at fair value through profit or loss

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

	31 December 2016	31 December 2015
Movements during the year:		
Opening balance	8,688,260	9,316,709
Additions during the year	6,858,930	12,907,606
Disposals during the year	(12,425,131)	(13,544,472)
Net change in fair value	(295,329)	8,417
Closing balance	2,826,730	8,688,260

The Fund held investments in the following industries:

	31 December 2016		31 December 2015	
	Amount	%	Amount	%
Banks	1,013,480	36	2,159,750	25
Industrial Transportation	441,272	16	199,472	2
Real Estate & Invest Services	390,800	14	1,380,675	16
Food Producers	215,451	8	605,287	7
General Industrials	187,346	7	732,730	8
Mobile Telecommunications	164,523	6	888,713	10
Construction & Materials	131,795	5	594,947	7
Gas Water & Multi-utilities	77,558	3	413,283	5
Household Goods	62,227	1	-	-
Food & Drug Retailers	44,790	1	398,608	5
Industrial Metals	43,883	1	148,797	2
Fixed Line Telecommunications	31,619	1	-	-
Financial Services	21,986	1	-	-
Chemicals	-	-	205,419	2
Electronic & Electrical Equipment	-	-	104,226	1
Healthcare Equip & Services	-	-	195,230	2
Travel & Leisure	-	-	661,123	8
	2,826,730	100	8,688,260	100

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

Bahraini dinars

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

Geographical distributions of investments is as follows:

	31 December 2016		31 December 2015	
	Amount	%	Amount	%
Qatar	629,299	22.26	1,525,083	17.55
Egypt	141,589	5.01	543,952	6.26
Kuwait	495,343	17.52	2,719,701	31.30
United Arab Emirates	1,364,093	48.26	3,257,503	37.49
Bahrain	43,883	1.55	642,021	7.40
Oman	152,523	5.40	-	-
	2,826,730	100.00	8,688,260	100.00

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 NAV
Emaar Properties	229,155	7.80%
Qatar Industries	187,346	6.37%
Aramex	155,824	5.30%
Bank Muscat	152,523	5.19%
National Bank of Kuwait	133,197	4.53%
Mabaneer	119,630	4.07%
Qatar National Bank	118,060	4.02%
DP World	115,522	3.93%
Gulf Warehousing Company	110,161	3.75%
Emirates	108,931	3.71%

31 December 2015

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

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

Bahraini dinars

8. Management fees

Securities and Investment Company B.S.C. (c) manages the Fund's operations for an annual fee of 1.5% for both Class A units and Class B unit. 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 0.12% 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% for Class A units and Class B units of the daily NAV as of each dealing day 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.

10. Performance fees

The Fund Manager is entitled, out of the assets of the Fund, to a performance fee that equals 10% for both Class A and Class B units 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.

Related party balances were as follows:

	31 December 2016	31 December 2015
Accrued management fees	11,560	38,302

Related party transactions**a) Management fees**

The management fees with respect to Class A units and Class B units for the year ended 31 December 2016 amounted to BD 6,016 (31 December 2015: BD 9,293) and BD 63,291 (31 December 2015: BD 153,436) respectively.

b) Performance fees

The performance fees for the year ended 31 December 2016 amounted to BD Nil (31 December 2015: BD 3,480)

c) Commission incurred on transactions through the Fund Manager during the year amounted to BD 23,035 (31 December 2015: BD 7,808)

d) The Fund Manager did not earn or participate in any soft commission arrangements related to the Fund's assets.

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

Bahraini dinars

12. Financial instruments and management of risk

Financial instruments

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

Financial assets of the Fund consist of cash and cash equivalents, investments held for trading and other receivables. Financial liabilities of the Fund consist of payables and other liabilities.

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

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

Risk management framework

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

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

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

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

Credit risk

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

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

	31 December 2016	31 December 2015
Cash and cash equivalents	140,555	865,330
Other assets	5,350	-
Due from brokers	-	212,964
	145,905	1,078,294

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.

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 2016.

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

Bahraini dinars

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.

Market risk

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

i. Equity price risk

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

The Fund's investments in quoted equity are susceptible to market price risk arising from uncertainties about future prices of the instruments. According to the Fund's Prospectus, the Fund is required to adopt a balanced investment policy through a careful selection of securities and other financial instruments within specified limits that aims to reduce market risk.

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

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

Market indices	31 December 2016	31 December 2015
Qatar	629,299	1,525,083
Egypt	141,589	543,952
Kuwait	495,343	2,719,701
United Arab Emirates	1,364,093	3,257,503
Bahrain	43,883	642,021
Oman	152,523	-

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

Bahraini dinars

12. Financial instruments and management of risk (continued)

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

Market indices	31 December 2016			31 December 2015		
	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	16,414	16,414	5	43,288	43,288
Oman	5	5,445	5,445	5	-	-
Kuwait	5	15,073	15,073	5	42,396	42,396
UAE	5	31,511	31,511	5	77,769	77,769
Bahrain	5	1,292	1,292	5	1,981	1,981
Egypt	5	4,340	4,340	5	5,398	5,398

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.

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:

Sensitivity Analysis

	31 December 2016	31 December 2015
Kuwaiti Dinars	495,343	2,719,701

Currency	31 December 2016		31 December 2015	
	Change in currency rate %	Effect on profit	Change in currency rate %	Effect on profit
Kuwaiti Dinars	±5%	24,767	±5%	135,985

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.

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

Bahraini dinars

12. Financial instruments and management of risk (continued)

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 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.

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:

	At fair value through profit and loss	Loans and receivables	Others at amortised cost	Total carrying value
31 December 2016				
Cash and cash equivalents	-	140,555	-	140,555
Investments at fair value through profit or loss	2,826,730	-	-	2,826,730
Other assets	-	-	5,350	5,350
	2,826,730	140,555	5,350	2,972,635
Payables and other liabilities	-	-	33,171	33,171
	-	-	33,171	33,171

	At fair value through profit and loss	Loans and receivables	Others at amortised cost	Total carrying value
31 December 2015				
Cash and cash equivalents	-	865,330	-	865,330
Investments at fair value through profit or loss	8,688,260	-	-	8,688,260
Due from brokers	-	212,964	-	212,964
	8,688,260	1,078,294	-	9,766,554
Due to brokers	-	-	45,820	45,820
Payables and other liabilities	-	-	57,318	57,318
	-	-	103,138	103,138

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

Bahraini dinars

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

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.

Financial assets measured at fair value

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

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

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

	Level 1	Level 2	Level 3	Total
31 December 2016				
Investments at fair value through profit or loss	2,826,730	-	-	2,826,730
	2,826,730	-	-	2,826,730
31 December 2015				
Investments at fair value through profit or loss	8,688,260	-	-	8,688,260
	8,688,260	-	-	8,688,260

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

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.

14. Subsequent event

Subsequent to reporting date, the fair value of investments at fair value through profit or loss has decreased by BD28,821 (1.02%) compared to 31 December 2016 balances.