

SICO KINGDOM EQUITY FUND

31 DECEMBER 2015

FINANCIAL STATEMENTS

Fund Manager, Operator and Placement agent	Securities & Investment Company B.S.C. (c) P.O. Box 1331, Manama, Kingdom of Bahrain
Administrator	HSBC Bank Middle East Limited, Bahrain P.O. Box 57, Manama, Kingdom of Bahrain
Registrar	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 IV B.S.C. (c) P.O. Box 1331, Manama, Kingdom of Bahrain
Registered office	SICO Funds Company IV B.S.C. (c) P.O. Box 1331, Manama, Kingdom of Bahrain
Custodian	HSBC Bank Middle East Limited, Bahrain P.O. Box 57, Manama, Kingdom of Bahrain
Auditor	KPMG Fakhro Jalil Al A'ali, Partner P.O. Box 710, Manama, Kingdom of Bahrain

SICO Kingdom Equity Fund

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

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SICO Kingdom Equity Fund

**DIRECTOR'S REPORT
for the year ended 31 December 2015**

Bahraini dinars

Dear Unit holders,

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

	2015	2014
Net (decrease) / increase in net assets	(271,856)	268,344
Net assets attributable to holders of redeemable units as at 31 December	3,535,789	3,378,282
Net asset value (NAV) per unit as at 31 December	5.631	5.961

Representations and audit

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

There have been no events subsequent to 31 December 2015, which would in any way invalidate the financial statements on pages 3 to 20.

On behalf of the board,



Anantha Narayanan
Director



Amal Al Nasser
Director

26 April 2016



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

Report on the financial statements

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

Responsibility of the board of directors for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Report on other regulatory requirements

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

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

KPMG Fakhro
Partner Registration No. 100
26 April 2016

SICO Kingdom Equity Fund

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

Bahraini dinars

	Note	31 December 2015	31 December 2014
Assets			
Cash and cash equivalents		534,101	28,364
Investments at fair value through profit or loss	7	3,050,425	3,370,327
Other receivables		4	1,272
Total assets		3,584,530	3,399,963
Liabilities			
Redemptions Payable		29,816	-
Payables	4	18,925	21,681
		48,741	21,681
Equity			
Unit capital	5	2,367,383	2,136,584
Unit surplus		226,466	27,902
Retained earnings		941,940	1,213,796
Total equity		3,535,789	3,378,282
Total liabilities and equity		3,584,530	3,399,963
Net Asset Value ("NAV") per unit at book value based on 627,953 units (31 December 2014: 566,733) outstanding	6	5.631	5.961

Anantha Narayanan
Director

Amal Al Nasser
Director

The financial statement consisting of pages 3 to 20 were approved by the Board of Directors on 26 April 2016.


SICO Kingdom Equity Fund

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

Bahraini dinars

	Note	31 December 2015	31 December 2014
Net change in fair value of investments at fair value through profit or loss		(297,077)	228,115
Dividend income		95,273	113,093
Other income		15,603	8,783
Total income		(186,201)	349,991
Management fees	8	57,780	55,500
Custodian and administration fees	9	13,303	15,475
Registrar fees		1,602	1,602
Audit fees		4,500	4,500
Transaction costs		3,132	4,262
Other operating expenses		5,338	308
Total expenses		85,655	81,647
(Loss) / profit for the year		(271,856)	268,344
Other comprehensive income		-	-
Total comprehensive income for the year		(271,856)	268,344


Anantha Narayanan
Director


Amal Al Nasser
Director

The financial statement consisting of pages 3 to 20 were approved by the Board of Directors on 26 April 2016.

SICO Kingdom Equity Fund

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

Bahraini dinars

	Number of units	Unit capital	Unit surplus	Retained earnings	Total
2015					
Balance at 1 January 2015	566,733	2,136,584	27,902	1,213,796	3,378,282
Comprehensive income	-	-	-	(271,856)	(271,856)
Loss for the year	-	-	-	(271,856)	(271,856)
Total comprehensive expense for the year					
Issue of units during the year	89,417	337,103	270,931	-	608,034
Redemption of units during the year	(28,197)	(106,304)	(72,367)	-	(178,671)
Balance at 31 December 2015	627,953	2,367,383	226,466	941,940	3,535,789
2014					
Balance at 1 January 2014	506,079	1,907,917	(83,049)	945,452	2,770,320
Comprehensive income	-	-	-	268,344	268,344
Profit for the year	-	-	-	268,344	268,344
Total comprehensive income for the year					
Issue of units during the year	460,614	1,736,516	1,154,512	-	2,891,028
Redemption of units during the year	(399,960)	(1,507,849)	(1,043,561)	-	(2,551,410)
Balance at 31 December 2014	566,733	2,136,584	27,902	1,213,796	3,378,282

The financial statements consist of pages 3 to 20.

SICO Kingdom Equity Fund

STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

Bahraini dinars

	31 December 2015	31 December 2014
Operating activities		
(Loss) / profit for the year	(271,856)	268,344
<i>Adjustments for:</i>		
Decrease / (increase) in investments at fair value through profit or loss	319,902	(715,150)
Decrease in other receivables	1,268	36,431
Increase in redemptions payable	29,816	-
Decrease in other payables	(2,756)	6,315
Net cash generated / (used in) operating activities	76,374	(404,060)
Financing activities		
Subscription of units during the year	608,034	2,891,028
Redemption of units during the year	(178,671)	(2,551,410)
Net cash generated from financing activities	429,363	339,618
Net increase / (decrease) in cash and cash equivalents	505,737	(64,442)
Cash and cash equivalents at 1 January	28,364	92,806
Cash and cash equivalents at 31 December	534,101	28,364

The financial statements consist of pages 3 to 20.

1. Reporting entity

SICO Kingdom Equity Fund ("SKEF" or the "Fund") is an open ended fund launched by SICO Kingdom Equity Funds Company IV B.S.C. (c) (the "Company"), a closed joint stock company incorporated in the Kingdom of Bahrain with commercial registration number 73323 whose registered address is at 2nd Floor, BMB Center, Diplomatic Area, Kingdom of Bahrain. The Fund commenced trading in February 2011. The Fund has been classified as an expert fund under the CIU Module Volume 7 of the CBB Rule Book. Although the Fund's units are listed on the Bahrain Bourse all unit transactions are carried out directly with the Fund.

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

The duration of the Fund is subject to the duration of the Company, which is 25 Gregorian calendar years from 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 principal investment objective of the Fund is to achieve long term capital appreciation for holders of units by investing principally in equity securities listed in Saudi Arabia. From time to time, the Fund may also invest in equity related, hybrid and debt securities in addition to unlisted debt securities issued by the governments or quasi government institutions.

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.

The accompanying financial statement information relates to SICO Kingdom Equity Fund only.

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future period if the revision affects both the current and future periods and in any future periods affected. Actual results may differ from these estimates.

2. *Basis of preparation (continued)*

d) **Use of estimates and judgments (continued)**

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

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

(i) **Functional and presentation currency**

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

(ii) **Classification of investments**

Management designates all its investments as trading investments.

e) **New International Financial Reporting Standards and Interpretations**

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

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

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

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

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

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

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

IFRS 9 - Financial Instruments

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

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

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

2. *Basis of preparation (continued)*

Annual Improvements to IFRSs 2012–2014 Cycle – various standards

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

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

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

(iii) Early adoption of standards

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

3. Significant accounting policies

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

a) Foreign currency transactions

Transactions in foreign currencies are translated to Bahraini dinars, at the foreign exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities denominated in foreign currencies are translated into Bahraini dinars at the exchange rates at the reporting date.

Non monetary assets and liabilities denominated in foreign currencies that are stated at fair values are translated to Bahraini dinars at the foreign exchange rate prevailing at the dates that the values are determined, resulting gains and losses are recognised in the income statement. Non monetary assets and liabilities carried at cost are recorded in Bahraini dinars at the exchange rate prevailing at the date of transaction.

The financial statements are presented in Bahraini dinar ("BD") which is the presentation currency for the financial statements.

b) Financial assets and financial liabilities

(i) Recognition and initial measurement

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

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

(ii) Classification

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

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

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

3. Significant accounting policies (continued)

(iii) Fair value measurement

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

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

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

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

(iv) Amortized cost measurement

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

(v) Derecognition

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

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

The Fund enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

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

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

3. *Significant accounting policies (continued)*

c) Cash and cash equivalents

Cash and cash equivalents included cash in hand, deposits held at call with banks.

d) Investments at fair value through profit or loss

Investments at fair value through profit or loss are those that the Fund principally holds for the purpose of short-term profit taking. These include listed equity securities.

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

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

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

Fair value measurement

The fair value of quoted investments is based on their quoted bid price at the reporting date without any deduction for estimated future selling costs.

Recognition/derecognition

Investments are recognized / derecognized by the Fund on the date it commits to purchase / sell the investment.

e) Other assets

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

Other assets are reviewed at the reporting date to determine whether there is objective evidence of impairment. Other assets carried at amortized cost are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

f) Provisions

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

g) Unit capital

The Fund's redeemable units, with discretionary dividends, meet the classification requirements of an equity instrument as per IAS-32 - Financial Instruments: Presentation and hence classified as equity. The redemption value of these units is determined based on net assets of the Fund.

h) Unit surplus/ (deficit)

On the issue of units, the difference between the issue price and the nominal value is credited to unit surplus / (deficit account). On redemption, the premium repayable is debited to the unit surplus account. For units redeemed at a discount, the difference between redemption value and par value is credited to unit surplus account.

i) Net asset value per unit

The net asset value per Unit is calculated by dividing the net assets included in the statement of financial position by the number of units outstanding at year-end.

j) Interest income

Interest income is recognized in the income statement on a time-apportioned basis using the effective interest method.

SICO Kingdom Equity Fund

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

Bahraini dinars

4. Payables

	31 December 2015	31 December 2014
Management fees	13,978	15,388
Custodian and administrator's fees	705	763
Other accruals	4,242	5,530
	18,925	21,681

5. Unit capital

As at 31 December 2015, the issued and paid up unit capital of the fund was BHD 2,367,383 (2014: USD 2,136,584) divided into 627,953 units (2014: 566,733 units) of BHD 3.77 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 unitholders. 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 unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

6. Net Asset Value per unit

	NAV	No. of units	NAV per unit
2015	3,535,789	627,953	5.631
2014	3,378,282	566,733	5.961
2013	2,770,320	506,079	5.474
2012	2,043,348	496,801	4.113

	Highest redemption price	Lowest redemption price
2015	7.124	5.615
2014	7.139	6.329
2013	5.332	5.295
2012	4.327	4.051
2011	-	-

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.

SICO Kingdom Equity Fund

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

Bahraini dinars

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

Movements during the year:	31 December 2015	31 December 2014
Opening balance	3,370,327	2,655,177
Additions during the year	9,045,802	7,902,723
Disposals during the year	(9,068,627)	(7,415,688)
Change in fair value of investments at fair value through profit or loss	(297,077)	228,115
Closing balance	3,050,425	3,370,327

The Fund held investments in the following economic sectors:

	31 December 2015		31 December 2014	
	Amount	%	Amount	%
<i>Investments in equity securities</i>				
Oil & Gas	18,868	0.62	-	-
Basic Materials	399,128	13.08	342,751	10.17
Industrials	77,085	2.53	397,684	11.80
Consumer Goods	635,884	20.85	261,526	7.76
Healthcare	369,786	12.12	426,835	12.66
Consumer Services	386,703	12.68	795,305	23.60
Financials	1,162,971	38.12	1,146,226	34.01
	3,050,425	100.00	3,370,327	100.00

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

Description	31 December 2015	
	Fair value	Value of investment as a percentage of the NAV
Herfy Food Services	234,387	6.63%
Samba Financial Group	227,654	6.44%
Al Rajhi Bank	193,554	5.47%
Al Mouwasat Medical Services	191,429	5.41%
National Medical Care	178,357	5.04%
Aldrees Petroleum	178,226	5.04%
National Commercial Bank	145,173	4.11%
National Agricultural Development Company	143,731	4.07%
Saudi Basic Industries	132,909	3.76%
Saudi British Bank	120,221	3.40%

SICO Kingdom Equity Fund

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

Bahraini dinars

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

31 December 2014

Description	Fair value	Value of investment as a percentage of the NAV
	Samba Financial Group	187,693
Al Mouwasat Medical Services	161,851	4.79%
Dallah Healthcare Holding	150,103	4.44%
Al Rajhi Bank	134,392	3.98%
Jarir Marketing	121,332	3.59%
Abdul Mohsen Al-Hokair Group	119,373	3.53%
Arabian Cement	118,455	3.51%
Al Khaleej Training And Education	115,474	3.42%
Al Hammadi Development And Investment	114,881	3.40%
United International Transportation	110,125	3.26%

8. Management fees

Securities and Investment Company IV B.S.C. (c) manages the Fund's operations for a fixed fee of 1.5% per annum accrued on weekly NAV. This fee is payable monthly in arrears.

9. Custodian fees and administrator fees

HSBC Bank Middle East Limited (Bahrain Branch) is the custodian and administrator of the Fund. A custodian fee not exceeding 0.30% of the NAV of Fund as of each dealing day subject to an annual minimum. The custodian fee accrues on weekly NAV and is payable on a monthly basis on the second business day of each calendar month.

An administration fee not exceeding 0.25% of the NAV of Fund as of each dealing day subject to a monthly minimum over and above a one-time inception fee of US\$ 3,000. The administration fee accrues on weekly NAV and is payable on a monthly basis on the second business day of each calendar month.

10. Performance fees

The Fund Manager is entitled to a performance fee that equals 10% of the amount over and above a hurdle rate 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.

11. Related party balances and transactions (continued)

Balances and transactions with related parties were as follows:

	31 December 2015	31 December 2014
Due to related parties		
Accrued management fees	13,978	15,388

Transactions with related parties

- a) Management fees, calculated at 1.5% per annum accrued on weekly net assets of the Fund, is payable to the Fund Manager. The management fees for the year ended 31 December 2015 amounted to BD 57,780 (2014: BD 55,500).
- b) At the statement of financial position date, the Fund Manager holds 356,004 units – 56.69% (2014: 356,004 – 62.82%) in the fund with corresponding NAV value of BD 2,004,535 (2014: BD 2,122,128).
- c) The Fund Manager did not earn or participate in any soft commission arrangements related to dealings in the Fund's assets.

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

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

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

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

- Credit risk
- 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 minimise 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 analyse 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.

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

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

Credit risk

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

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

	31 December 2015	31 December 2014
Cash and cash equivalents	534,101	28,364
Other receivable	4	1,272
	534,105	29,636

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 2015.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is made by the custodian only on receipt of payment from the broker. Payment is made by the custodian for the purchase of securities only on receipt of security from the broker. The trade will fail if either party fails to meet its obligations.

Market risk

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

i. Equity price risk

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

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

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

12. Financial instruments and management of risk (continued)

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

Market indices	31 December 2015	31 December 2014
Saudi Arabia	3,050,425	3,370,327

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

Market indices	31 December 2015			31 December 2014		
	Change in market index %	Effect on equity	Effect on profit or loss	Change in market index %	Effect on equity	Effect on profit
Saudi Arabia	5	90,515	90,515	5	250,159	250,159

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

ii. **Interest rate risk**

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

Financial instruments, which potentially subject the Fund to interest rate risk, consist principally of cash and cash equivalents. The Fund's call deposits, which are short-term in nature, yield interest at commercial rates. Therefore, the Fund believes there is minimal risk of significant losses due to interest rate fluctuations.

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

iii. **Currency Risk**

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

As at 31 December 2015, the Fund holds 100% (2014: 100%) of its assets in foreign currency denominated assets, which are in currencies other than the functional currency of the Fund. Since the value of the equities denominated in other currencies will fluctuate due to changes in exchange rates, the Fund is therefore exposed to currency risk. The Fund's currency risk is managed on a daily basis by the Fund Manager in accordance with the policies and procedures in place.

Currencies of Gulf Cooperation Council (GCC) (other than Kuwaiti Dinar) are effectively pegged to the US Dollar and hence the Fund's exposure to foreign exchange risk on these currencies is limited.

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.

12. Financial instruments and management of risk (continued)

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

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

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

	Less than 1 month	1-12 months	Total
2015			
Liabilities			
Current liabilities			
Payables and other liabilities	705	48,036	48,741
Liabilities (excluding net assets attributable to holders of redeemable units)	705	48,036	48,741
Net assets attributable to holders of redeemable units	3,535,789	-	3,535,789
	3,536,494	48,036	3,584,530
2014			
Liabilities			
Payables and other liabilities			
Payables and other liabilities	763	20,918	21,681
Liabilities (excluding net assets attributable to holders of redeemable units)	763	20,918	21,681
Net assets attributable to holders of redeemable units	3,378,282	-	3,378,282
	3,379,045	20,918	3,399,963

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

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

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

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

31 December 2015

	At fair value through profit and loss	Loans and receivables	Others at amortized cost	Total carrying value
Cash and cash equivalents	-	534,101	-	534,101
Investments at fair value through profit or loss	3,050,425	-	-	3,050,425
Other receivables	-	4	-	4
	3,050,425	534,105	-	3,584,530
Redemptions Payable	-	-	29,816	29,816
Payables	-	-	18,925	18,925
	-	-	48,741	48,741

31 December 2014

	At fair value through profit and loss	Loans and receivables	Others at amortized cost	Total carrying value
Cash and cash equivalents	-	28,364	-	28,364
Investments at fair value through profit or loss	3,370,327	-	-	3,370,327
Other receivables	-	1,272	-	1,272
	3,370,327	29,636	-	3,399,963
Redemptions Payable	-	-	-	-
Payables	-	-	21,861	21,861
	-	-	21,861	21,861

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

Others at amortized cost represent other payables.

b) Fair Value

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

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

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

i. Financial assets measured at fair value

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

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

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

	Level 1	Level 2	Level 3	Total
31 December 2015				
Investments at fair value through profit or loss	3,050,425	-	-	3,050,425
	3,050,425	-	-	3,050,425
31 December 2014				
Investments at fair value through profit or loss	3,370,327	-	-	3,370,327
	3,370,327	-	-	3,370,327

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

ii. Financial instruments not measured at fair value

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