KHALEEJ EQUITY FUND

31 DECEMBER 2013

FINANCIAL STATEMENTS

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

Khaleej Equity Fund

FINANCIAL STATEMENT
For the year ended 31 December 2013

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Khaleej Equity Fund

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

Dear Unit holders,

Following is the performance of Khaleej Equity Fund ("The "Fund"), a sub fund of SICO Funds Company B.S.C. (c) (the "Company"), for the year ended 31 December 2013.

	2013	2012
Net increase in net assets	6,745,053	1,541,426
Net assets attributable to holders of redeemable units	28,270,028	24,528,046
Net asset value (NAV) per unit as at 31December		
Class A units	104.86	81.68
Class C units	106.80	81.76

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 31December 2013, which would in any way invalidate the financial statements on pages 3 to 22.

On behalf of the board,

Samer Sami
Director

Najla Al Shirawi
Director

30 April 2014

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

30 April 2014

Report on the financial statements

We have audited the accompanying financial statements of Khaleej Equity Fund (the "Fund"),, which comprise the statement of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, changes in net assets attributable to unit holders and cash flows for the year 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 Funds responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2013, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Report on other regulatory requirements

As required by Volume 7 of the Central bank of Bahrain Rulebook relating to Collective Investment Undertakings (the "Rulebook"), we report that the Fund has maintained proper accounting records, the financial statements are in agreement therewith and we are not aware of any violations of the Rulebook having occurred during the year that might have had a material adverse effect on the business of the Fund or on its financial position.

Khaleej Equity Fund

STATEMENT FINANCIAL POSITION
As at 31 December 2013

Bahraini dinars

	Note	31 December 2013	31 December 2012
Assets			
Cash and cash equivalents		861,502	311,912
Investments at fair value through profit or loss	4	27,947,408	24,394,066
Prepayments and other receivables		61,530	13,321
Total assets		**28,870,440**	24,719,299
Liabilities			
Redemption payable		456,883	-
Balances due to brokers		-	94,250
Payables and other liabilities	5	143,529	97,003
Total liabilities (excluding net assets attributable to unit holders)		**600,412**	191,253
Net assets attributable to holders of:			
- Class A units		10,108,924	11,318,486
- Class C units		10,646,647	3,901,594
Net assets attributable to unit holders		**28,270,028**	24,528,046
Net Asset Value ("NAV") per unit based on 188,790 units (2012: 229,661) units outstanding with respect to Class A units		104.86	81.68
Net Asset Value ("NAV") per unit based on 79,352 units (2012: 70,565) units outstanding with respect to Class C Units		106.80	81.76

Samer Sami
Director

Najla Al Shirawi
Director

The financial statement consisting of pages 3 to 22 were approved by the Board of Directors on 30 April 2014.

Khaleej Equity Fund

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013 Bahraini dinars

		Year ended 31December 2013	Year ended 31 December 2012
Net gain from investments at fair value through profit or loss		5,986,083	750,093
Dividend income		1,161,061	1,223,990
Interest income		1,067	437
Other income		18,895	24,236
Total income		**7,167,106**	1,998,756
Management fees	7	295,563	384,714
Custody and administration fees	8	57,486	56,758
Registrar fees		3,205	3,205
Audit fees		4,500	8,100
Performance fees	9	55,117	-
Other operating expenses		909	1,421
Transaction costs		5,273	3,132
Total expenses		**422,053**	457,330
Increase in net assets attributable to unit holders		**6,745,053**	1,541,426

Samer Sami
Director

Najla Al Shirawi
Director

The financial statement consisting of pages 3 to 22 were approved by the Board of Directors on 30 April 2014.

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

Bahraini dinars

2013	Number of units	Unit capital	Unit surplus/(deficit)	Retained earnings	Total
Balance at 1 January 2013	**300,226**	**11,318,486**	**9,307,966**	**3,901,594**	**24,528,046**
Increase in net assets attributable to unit holders	-	-	-	6,745,053	6,745,053
Subscriptions and redemptions by unit holders					
Issue of units during the year	19,206	724,050	1,123,250	-	1,847,300
Redemption of units during the year	(51,289)	(1,933,612)	(2,916,759)	-	(4,850,371)
Balance at 31 December 2013	**268,142**	**10,108,924**	**7,514,457**	**10,646,647**	**28,270,028**

2012	Number of units	Unit capital	Unit surplus/(deficit)	Retained earnings	Total
Balance at 1 January 2012	315,025	11,876,398	10,102,026	2,360,168	24,338,592
Increase in net assets attributable to unit holders	-	-	-	1,541,426	1,541,426
Subscriptions and redemptions by unit holders					
Issue of units during the year	132,556	4,997,377	5,605,648	-	10,603,025
Redemption of units during the year	(147,355)	(5,555,289)	(6,399,708)	-	(11,954,997)
Balance at 31 December 2012	300,226	11,318,486	9,307,966	3,901,594	24,528,046

The financial statements consist of pages 3 to 22.

	Year ended 31December 2013	Year ended 31 December 2012
Cash flows from operating activities		
Increase in net assets attributable to unit holders	6,745,053	1,541,426
Adjustments for:		
Increase in investments at fair value through profit or loss	(3,553,342)	(802,388)
(Increase) / decrease in prepayments and other receivables	(48,209)	15,113
Increase in redemption payable	456,883	-
(Decrease) / increase in due to brokers	(94,250)	94,250
Increase / (decrease) in payables and other liabilities	46,526	(14,829)
Net cash generated from operating activities	**3,552,661**	833,572
Cash flows from financing activities		
Subscription of units during the year	1,847,300	10,603,025
Redemption of units during the year	(4,850,371)	(11,954,997)
Net cash used in financing activities	**(3,003,071)**	(1,351,972)
Net increase / (decrease) in cash and cash equivalents	**549,590**	(518,400)
Cash and cash equivalents at 1 January	311,912	830,312
Cash and cash equivalents at 31 December	**861,502**	311,912

The financial statements consist of pages 3 to 22.

1. Reporting entity

Khaleej Equity Fund ("The "Fund") is an open ended sub-fund of SICO Funds Company B.S.C. (c) (the "Company"), a closed joint stock company incorporated in the Kingdom of Bahrain with commercial registration number 40378. The Fund commenced trading in March 2008. The Fund has been classified as an expert fund under the CIU Module, CBB Rule Book Volume 7. Although the Fund's units are listed on the Bahrain Bourse all unit transactions are carried out directly with the Fund.

The share capital of the Company is 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 Fund Company, which is twenty five calendar years commencing from the date of registration of the Fund Company in the Commercial Registry. This duration may be extended by a resolution to be adopted by an extraordinary meeting of the general assembly, in the manner provided for in the Commercial Companies Law, of the Fund Company with the approval of the Ministry of Commerce of the Kingdom of Bahrain and the CBB.

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 GCC Countries. From time to time, the Fund may also invest in equity related hybrid and debt securities listed in the GCC Countries in addition to unlisted debt securities issued by the governments or quasi government institutions of GCC Countries in the GCC countries excluding the Kingdom of Saudi Arabia.

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

2. Basis of preparation

a) Statement of compliance

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

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

2. *Basis of preparation (continued)*

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

Information about significant areas of uncertainty and critical 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 judgement 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 at fair through profit or loss.

e) New International Financial Reporting Standards and Interpretations

(i) New standards, amendments and interpretations effective from 1 January 2013
The following standards, amendments and interpretations, which became effective in 2013, are relevant to the Fund.

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

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

b) IFRS 13 - Fair value measurement
IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

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

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

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

2. Basis of preparation (continued)

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

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

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

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

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

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

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

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

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

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

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

(iii) Early adoption of standards
The Fund did not early adopt new or amended standards in 2013.

3. Significant accounting policies

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

a) Foreign currency transactions

Foreign currency transactions are recorded in Bahraini Dinars ("BHD") at the rate of exchange ruling at the date of the transactions.

All monetary assets and liabilities denominated in foreign currencies are translated into BHD at the exchange rates ruling at the reporting date. Resulting gains / losses are recognized in statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to BHD at the foreign exchange rates ruling at the dates that the values were determined. Resulting gains and losses are recognized in the statement of comprehensive income for investments at fair value through profit or loss. Non monetary assets and liabilities carried at cost are recorded in BHD at the rate of exchange ruling at the date of the transactions.

b) Financial assets and financial liabilities

(i) Recognition and initial measurement

All financial assets and liabilities are initially 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.

(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 amortised cost.

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

(iii) Fair value measurement

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

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

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

3. *Significant accounting policies (continued)*

(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.

c) Cash and cash equivalents

Cash and cash equivalents comprise balances held in current accounts and deposits with banks with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value and are used by the fund in the management of its short term commitments. Cash and cash equivalents are stated at amortised cost in the statement of financial position.

d) Investments at fair value through profit or loss

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

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

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

3. Significant accounting policies (continued)

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

h) Redeemable units
The Fund issues three classes of redeemable units, which are redeemable at the holder's option and do not have identical rights. Such shares are classified as financial liabilities. Redeemable shares can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value attributable to the share class.

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

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

i) Unit surplus/ (deficit)
On the issue of units, the difference between the issue price and the nominal value is credited to unit surplus / deficit account. On redemption, the premium repayable is debited to the unit surplus account. For units redeemed at a discount, the difference between redemption value and par value is credited to unit surplus account. Unit surplus/ deficit will be adjusted against retained earnings at closure of the fund.

j) Income and expenses
Interest income is recognized in the statement of comprehensive income on a time apportionment basis using the effective interest method.

Dividend income is recognized when the right to receive such dividend is established.

All expenses are recognized on an accrual basis.

k) Distributions payable to holders of redeemable shares
Proposed distributions to holders of redeemable shares are recognised in the statement of comprehensive income when they are appropriately authorised and no longer at the discretion of the Fund. The distribution on the redeemable shares is recognised as a finance cost in the statement of comprehensive income.

Income not distributed is included in net assets attributable to holders of redeemable shares.

4. Investments at fair value through profit or loss

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

Movements during the year:	**31 December 2013**	31 December 2012
Opening balance	24,394,066	23,591,678
Additions during the year	22,208,991	21,001,149
Disposals during the year	(24,684,805)	(20,982,753)
Change in fair value of investments at fair value through profit or loss	6,029,156	783,992
Closing balance	**27,947,408**	24,394,066

The Fund held investments in the following economic sectors:

Investments in equity securities	**31 December 2013**		31 December 2012	
	Amount	%	Amount	%
Saudi Arabia	16,888,580	60.44	15,575,585	63.85
United Arab Emirates	4,921,873	17.62	2,928,575	12.01
Qatar	2,528,727	9.04	2,442,318	10.01
Oman	2,064,365	7.38	1,547,663	6.34
Kuwait	1,275,247	4.56	1,587,630	6.51
Bahrain	268,616	0.96	312,295	1.28
	27,947,408	100.00	24,394,066	100.00

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

31 December 2013

Description	**Fair value**	**Value of investment as a percentage of the NAV**
Saudi Basic Industries	2,303,269	8.15%
Al Rajhi Bank	1,517,406	5.37%
Etihad Etisalat	1,448,907	5.13%
Saudi Chemical	1,288,772	4.56%
Riyad Bank	1,240,057	4.39%
Bank Muscat	1,174,723	4.16%
Arab National Bank	1,114,580	3.94%
Samba Financial Group	1,079,201	3.82%
Emaar Properties	999,825	3.54%
Saudi Cement	975,021	3.45%
	13,141,761	**46.51%**

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

31 December 2012

Description	Fair value	Value of investment as a percentage of the NAV
Etihad Etisalat	1,750,756	7.14%
Al Rajhi Bank	1,455,546	5.93%
Saudi Basic Industries	1,447,996	5.90%
Qatar Industries	1,116,249	4.55%
Bank Muscat SAOG	1,056,029	4.31%
Saudi Chemical	1,003,058	4.09%
Aramex PJSC	988,342	4.03%
Mobile Telecommunications Co	931,225	3.80%
First Gulf Bank	912,818	3.72%
Qatar National Bank	861,112	3.51%
	11,523,131	46.98%

5. Other payables

	31 December 2013	31 December 2012
Management fees	78,017	86,323
Custodian and administrator's fees	4,841	4,070
Other accruals	60,671	6,610
	143,529	97,003

6. Net Asset Value per unit

	NAV	**No. of units**	**NAVperunit**
2013	**28,270,028**	**268,142**	**105.429**
2012	24,528,046	300,226	81.699
2011	24,338,592	315,025	77.259

6. Net Asset Value per unit (continued)

	Highest redemption price	Lowest redemption price
2013	**103.837**	**85.183**
2012	85.915	77.130
2011	82.295	69.651
2010	81.277	71.083
2009	79.769	56.388
2008	104.512	63.656
2007	92.972	64.727
2006	76.968	60.377
2005	77.195	50.661
2004	47.887	37.700

7. Management fees

Securities and Investment Company B.S.C. (c) manages the Fund's operations for an annual fee of 1.5% and 2% per annum with respect to Class A units and Class B units respectively. No management fee is charged to Class C units. Management fees are accrued on the dealing day and payable monthly in arrears.

8. 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 each dealing day 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 an annual minimum over and above a one-time inception fee of US$ 3,000. The administration fee accrues on each dealing day and is payable on a monthly basis on the second business day of each calendar month.

9. Performance fees

The Fund Manager is entitled, out of the assets of the Fund, to a performance fee that equals 10% and 20% with respect to Class A and Class B units respectively over and above the hurdle total rate of return of 10% for each financial year. No performance fees are charged in respect of Class C units.

10. Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Related parties include entities over which the Fund exercises significant influence, unit holders, directors and the Fund Manager of the Fund.

Balances and transactions with related parties were as follows:

	31 December 2013	31 December 2012
Due to related parties		
Accrued management fees	**78,017**	86,323

10. Related party balances and transactions (continued)

Transactions with related parties

a) Management fees, calculated at 1.5% per annum of the daily net asset value of the Class A units only, is payable to the Fund Manager. The management fees for the year ended 31December 2013 amounted to BD 295,563 (2012: BD 384,714). No Management fees are charged to Class C units.

b) Performance fees, calculated at 10% profit sharing in incremental increases over 10% appreciation in net asset value per unit of the Class A units of the Fund for every fiscal year net of performance fees, as accrued on each valuation day, is payable to the Fund Manager. The performance fee for the year ended 31 December 2013 amounted to BD 55,117(2012: BD Nil).

c) At the statement of financial position date, the Fund Manager holds 9,506 units representing 3.53% (2012: 9,506 units representing 3.17%) of the Fund.

e) Commission incurred on transactions through the Fund Manager during the year amounted to BD 8,570 (2012: BD 2,305).

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

11. 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 minimise 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.

11. Financial instruments and management of risk (continued)

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:

	31December 2013	31 December 2012
Cash and cash equivalents	861,502	311,912
	861,502	311,912

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 31December 2013.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is made by the custodian only on receipt of payment from the broker.

Payment is made by the custodian for the purchase of securities only on receipt of security from the broker. The trade will fail if either party fails to meet its obligations.

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

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

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

11. Financial instruments and management of risk (continued)

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	**31December 2013**	31December 2012
Saudi Arabia	16,888,580	15,575,585
UAE	4,921,873	2,928,575
Qatar	2,528,727	2,442,318
Oman	2,064,365	1,547,663
Kuwait	1,275,247	1,587,630
Bahrain	268,616	312,295

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

	31December 2013			31 December 2012		
Market indices	**Change in market index** %	**Effect on equity**	**Effect on profit or loss**	Change in market index %	Effect on equity	Effect on profit or loss
Saudi Arabia	5	444,748	444,748	5	481,129	481,129
UAE	5	322,040	322,040	5	226,763	226,763
Qatar	5	6,707,501	6,707,501	5	101,484	101,484
Oman	5	114,558	114,558	5	36,748	36,748
Kuwait	5	25,499	25,499	5	(32,679)	(32,679)
Bahrain	5	6,662	6,662	5	(20,833)	(20,833)

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.

11. Financial instruments and management of risk (continued)

As at 31 December 2013, the Fund holds 95.87% (2012: 97.42%) of its assets in foreign currency denominated assets, which are in currencies other than the functional currency of the Fund. Since the value of the equities denominated in other currencies will fluctuate due to changes in exchange rates, the Fund is therefore exposed to currency risk. The Fund's currency risk is managed on a daily basis by the Fund Manager in accordance with the policies and procedures in place.

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

	31December 2013	31 December 2012
Kuwaiti Dinars	1,275,247	1,587,630

Sensitivity Analysis

	31December 2013		31 December 2012	
Currency	**Change in currency rate %**	**Effect on profit**	Change in currency rate %	Effect on profit
Kuwaiti Dinars	±5%	63,762	±5%	79,382

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

Liquidity risk

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

The Fund is exposed to the weekly cash redemptions of redeemable units. Its policy is therefore to invest its assets in investments that are traded in an active market and can be readily disposed. As per the prospectus of the Fund, the investment manager has the right to scale down redemptions to 10% of the net asset value of the Fund if the redemption request on any valuation day exceeds more than10% of the net asset value of the Fund.

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.

11. Financial instruments and management of risk (continued)

2013	**Less than 1 month**	**1-12 months**	**Total**
Liabilities			
Current liabilities			
Redemption payable	456,883	-	456,883
Payables and other liabilities	5,463	138,066	143,529
Liabilities (excluding net assets attributable to holders of redeemable units)	462,346	138,066	600,412
Net assets attributable to holders of redeemable units	28,270,028	-	28,270,028
	28,732,374	138,066	28,870,440

2012	Less than 1 month	1-12 months	Total
Liabilities			
Current liabilities			
Due to brokers	-	94,250	94,250
Payables and other liabilities	4,579	92,424	97,003
Liabilities (excluding net assets attributable to holders of redeemable units)	4,579	186,674	191,253
Net assets attributable to holders of redeemable units	24,528,046	-	24,528,046
	24,532,625	186,674	24,719,299

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.

12. 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:

	31December 2013 Carrying amount	31December 2012 Carrying amount
Investments at fair value though profit or loss	27,947,408	24,394,066
Loans and receivables	923,032	325,233
Others at amortized cost	(600,412)	(191,253)
	28,270,028	24,528,046

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

Others at amortized cost represent redemption payable, balances due to brokers and other payables.

12. Classification and fair values 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.

i. Valuation models

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

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.
The Fund measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

ii. Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring.

31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Quoted equities at fair value through profit or loss	27,947,408	-	-	27,947,408
	27,947,408	-	-	**27,947,408**

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

31 December 2012	Level 1	Level 2	Level 3	Total
Quoted equities at fair value through profit or loss	24,394,066	-	-	24,394,066
	24,394,066	-	-	24,394,066

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

iii. Financial instruments not measured at fair value
The financial instruments not measured at fair value though profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.