

NBO GCC FUND**UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014**

	Note	30 June 2014 RO Unaudited	31 December 2013 RO Audited
Assets			
Financial assets at fair value through profit or loss	6	13,121,353	9,584,193
Amounts due from related parties	7	-	12,000
Cash and cash equivalents		3,734,103	3,878,299
Dividend receivable		101,363	-
Total assets		16,956,819	13,474,492
Liabilities			
Payables		252,456	39,966
Amounts due to related parties	7	570,998	160,623
Total liabilities		823,454	200,589
Net assets attributable to unit holders		16,133,365	13,273,903
Represented by:			
Total liabilities and net assets attributable to the unit holders		16,956,819	13,474,492
Net asset value per unit		1.147	1.038

These financial statements' on pages 2 to 11 were authorised for issue on ²¹ July 2014 in accordance with a resolution of the Management Body.



CHAIRMAN



MEMBER

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Statement of comprehensive income for the six months period ended 30 June 2014

	Notes	For the six months period ended 30 June 2014 RO	For the six months period ended 30 June 2013 RO	For the year ended 31 December 2013 RO
Income				
Dividend income		4,657,093	4,018,189	4,267,802
Interest and other income		117,247	145,979	464,509
		<u>4,774,340</u>	<u>4,164,168</u>	<u>4,732,311</u>
Realised gain on sale of financial assets		1,976,398	5,439,311	12,407,791
Unrealised (loss) / gain on financial assets		(391,348)	5,334,543	5,397,914
		<u>6,359,390</u>	<u>14,938,022</u>	<u>22,538,016</u>
Net investment income				
		<u>6,359,390</u>	<u>14,938,022</u>	<u>22,538,016</u>
Expenses				
General and administration expenses	14	(276,889)	(260,678)	(1,391,530)
		<u>6,082,501</u>	<u>14,677,344</u>	<u>21,146,486</u>
Increase in net assets attributable to holders of redeemable units				
		<u>6,082,501</u>	<u>14,677,344</u>	<u>21,146,486</u>
Earnings per unit- basic	7	<u>0.052</u>	<u>0.123</u>	<u>0.179</u>

The accompanying notes form an integral part of these financial statements.

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Statement of changes in unit holders' funds for the six months period ended 30 June 2014

	For the six months period ended 30 June 2014 RO	For the six months period ended 30 June 2013 RO	For the year ended 31 December 2013 RO
At 1 January	138,585,400	124,692,360	124,692,360
Increase in net assets attributable to holders of redeemable units	6,082,501	14,677,344	21,146,486
Cash Dividend	(5,808,492)	-	-
Issue of redeemable units during the year (note 6)	-	-	7,872,514
Units redeemed during the year (note 6)	-	(13,653,783)	(14,593,318)
Unit premium (net)	-	-	(532,642)
At 30 June	138,859,409	125,715,921	138,585,400

The accompanying notes form an integral part of these financial statements.

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Statement of cash flows for the six months period ended 30 June 2014

	For the six months period ended 30 June 2014 RO	For the six months period ended 30 June 2013 RO	For the year ended 31 December 2013 RO
Operating activities:			
Increase in net assets attributable to holders of redeemable units	6,082,501	14,677,344	21,146,486
Adjustments for:			
Change in fair value of investments in MSM 30 index	391,348	(5,334,543)	(5,397,914)
Operating profit before working capital changes	6,473,849	9,342,801	15,748,572
Changes in working capital:			
(Increase) / Decrease in of investments in MSM 30 index	(2,715,710)	3,333,762	(195,998)
(Increase) / Decrease in other asset	(418,756)	(123,259)	201
(Decrease) / Increase in payables	(856,292)	(59,578)	798,103
Net cash (used in) / from operating activities	2,483,091	12,493,726	16,350,878
Financing activities			
Cash dividend paid	(5,808,492)	-	-
Proceeds from issue of units	-	-	9,117,647
Value of units redeemed	-	(13,653,783)	(16,371,093)
Net cash used in financing activities	(5,808,492)	(13,653,783)	(7,253,446)
Net change in cash and cash equivalents	(3,325,401)	(1,160,057)	9,097,432
Cash and cash equivalents at the beginning of the period / year	25,927,859	16,830,427	16,830,427
Cash and cash equivalents at the end of the period / year(note 11)	22,602,458	15,670,370	25,927,859

The accompanying notes form an integral part of these financial statements.

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Notes to the financial statements for the 6 months period ended 30 June 2014 (continued)

1. Legal status and principal activities

Investment Stabilization Fund ("the Fund") is registered and incorporated in the Sultanate of Oman in accordance with the regulations issued by the Capital Market Authority ("CMA") as an open-ended fund. The investment objectives of the Fund are to:

- assist with stabilizing prices of listed equities on the Muscat Securities Market ("MSM");
- boost investor confidence and liquidity in the MSM;
- focus on and invest in companies in the MSM with strong fundamentals; and
- achieve capital growth for unit holders over the long-term by investing in the MSM, with the intended focus of the Fund being mainly on MSM 30 Index companies.

The Fund commenced its operation on 1 February 2009. The Fund is valued on weekly basis and the financial statements are prepared on the last valuation day for the 6 months period ended on 30 June 2014.

2. Adoption of new and revised International Financial Reporting Standards ("IFRS")

For the period ended 30 June 2014, the Fund has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the period beginning on 1 January 2014.

2.1 Standards and Interpretations in issue not yet effective

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations have been issued but not yet effective:

	Effective for annual periods beginning on or after
New IFRSs and relevant amendments	
Financial Instruments	
IFRS 9: <i>Financial Instruments</i> (as revised in 2010 to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements)	January 2015
IFRS 15: <i>Revenue from Contracts with Customers</i> provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: (1) identify the contract with the customer (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contracts (5) recognise revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.	January 2017

The Investors' committee anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Fund in the period of initial application.

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Notes to the financial statements for the 6 months period ended 30 June 2014 (continued)

3. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the disclosure requirements of Capital Market Authority of the Sultanate of Oman.

Presentation of financial statements

The following accounting policies have been consistently applied in dealing with items considered material to the Fund's financial statements.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the disclosure requirements of Capital Market Authority of the Sultanate of Oman.

The accounting policies applied by the Fund in the financial statements are consistent with those applied by the Fund in its audited financial statements as at and for the year ended 31 December 2013.

Basis of measurement

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

Functional and presentation currency

These financial statements are presented in Rials Omani ("RO"), which is the Fund's functional and presentation currency.

Income

Income mainly comprises dividend income and interest income. Dividend income from financial assets is recognized in the statement of comprehensive income when the Fund's right to receive the payment is established. Interest income is recognized in the statement of income on accrual basis.

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Notes to the financial statements for the 6 months period ended 30 June 2014 (continued)

3. Significant accounting policies (continued)

Financial assets

Investments are held for trading and quoted in organized financial markets. They are initially recognized at fair value (transaction price). Subsequent fair value changes are recognized in the statement of comprehensive income. Fair values of quoted investments are determined with reference to the last traded prices in organized financial markets. Realized gains on sale of investments are determined by the difference between the sale proceeds and the carrying value and are included in the statement of comprehensive income in the year in which they arise.

Receivables

Accounts receivable originated by the Fund is measured at cost. An allowance for credit losses for receivables is established when there is objective evidence that the Fund will not be able to collect the amounts due. When a receivable is uncollectible, it is written off against the allowance account for credit losses. The carrying values of receivables approximate to their fair values due to the short-term nature of those receivables.

Impairment

At each reporting date, the Fund assesses if there is any objective evidence indicating impairment of financial assets. An impairment loss, if any, arrived at as a difference between the carrying amount and the recoverable amount, is recognized in the statement of comprehensive income. The recoverable amount represents the present value of expected future cash flows discounted at the original effective interest rate.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balances having the maturity of three months or less at the time of placements.

Payables

Liabilities are recognized for amounts to be paid in the future for goods or services received whether or not billed to the Fund and are stated at amortized cost subsequent to initial recognition at fair value.

Taxation

As per Royal Decree No. 47/81 (as amended), the income of funds registered with the CMA is exempt from income tax. The income earned by the Fund is therefore exempt from Omani taxation (but may be subject to local taxation to the extent income is derived from other jurisdictions).

Foreign currency transactions

In accordance with the primary objective of the Fund, the investment is made only in the listed equities on the Muscat Securities Market. Foreign currency purchase and sale transactions are not envisaged.

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Notes to the financial statements for the 6 months period ended 30 June 2014 (continued)

4. Critical accounting estimates and judgments

In preparing the financial statements, the management is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgement based on historical experience and other factors are inherent in the formation of estimates that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

5. Performance data

	Total return for the period / year	Growth / loss of an assumed investment of RO 10,000
For the 6months period 30 June 2014 (Adjusted for corporate action)	4.43%	10,443
For the 6months period 30 June 2013	11.92%	11,192
For the year 31 December 2013	17.54%	11,754

The above information represents past performance and is no guarantee of future performance. The basis of performance data calculations are set out in note 20.

6. Redeemable units

	For the six months period ended 30 June 2014 Nos.	For the six months period ended 30 June 2013 Nos.	For the year ended 31 December 2013 Nos.
At 1 January	116,169,843	122,890,647	122,890,647
Issue of redeemable units	-	-	7,872,514
Units redeemed	-	(12,200,792)	(14,593,318)
	116,169,843	110,689,855	116,169,843

7. Earnings per unit- basic

Basic earnings per unit is calculated by dividing increase in net assets attributable to holders of redeemable units for the six months period ended 30 June 2014 of RO 6,082,501 (30 June 2013: RO 14,677,344) by the weighted average number of units outstanding during the year / period is 116,169,843 (30 June 2013: 119,659,308).

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Notes to the financial statements for the 6 months period ended 30 June 2014 (continued)

8. Per unit ratios

	For the six months period ended 30 June 2014 %	For the six months period ended 30 June 2013	For the year ended 31 December 2013 %
Simple return: (Change in net asset value during the year to opening NAV) (adjusted for corporate action)	4.43	11.92	17.54
Expense ratio: (% of expense to average NAV)	0.20	0.21	1.06
Brokerage expense ratio: (Brokerage commissions to average NAV)	0.63	0.48	1.03
Liability ratio: (% of liabilities to closing NAV)	0.03	0.04	0.65
Portfolio turnover rate (in Rial Omani) (not annualised) (Securities traded to average NAV)	90.75	68.10	147.87

The bases of per unit ratio calculations are set out in note 20.

9. Portfolio highlights

At the reporting date, the ten largest single investment holdings are as follows:

30 June 2014	Number of Shares	Amount in Rial Omani	Percentage of net assets
Bank Muscat SAOG	19,452,368	13,227,610	9.53%
Bank Sohar SAOG	38,070,489	10,126,750	7.29%
Renaissance Services SAOG	14,752,034	9,264,277	6.67%
Omani Qatari Telecom Co. SAOG	14,893,764	8,489,445	6.11%
Raysut Cement Co. SAOG	4,119,635	8,486,448	6.11%
Oman Cement Co. SAOG	9,636,901	7,555,330	5.44%
Ahli Bank SAOG	41,175,916	7,535,193	5.43%
Oman Telecommunications Co. SAOG	3,597,534	5,863,980	4.22%
Bank Dhofar SOAG	14,562,512	5,562,880	4.01%
Al Anwar Ceramic Tiles Co. SAOG	9,394,804	5,486,566	3.95%
		81,598,479	58.76%

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Notes to the financial statements for the 6 months period ended 30 June 2014 (continued)

9. Portfolio highlights (continued)

At 30 June 2013	Number of shares	Amount in Rial Omani	Percentage of net assets
Bank Muscat SAOG	20,601,002	12,051,586	9.59%
Oman Telecommunication SAOG	7,268,398	10,888,060	8.66%
Bank Sohar SAOG	43,539,173	8,490,139	6.75%
Raysut Cement Co. SAOG	4,313,915	8,390,565	6.67%
Renaissance Services SAOG	13,156,266	7,880,603	6.27%
Ahli Bank SAOG	35,772,854	7,011,479	5.58%
National Bank of Oman SAOG	22,986,745	6,206,421	4.94%
HSBC Bank Oman SAOG	31,526,181	5,989,974	4.76%
Bank Dhofar SAOG	14,879,484	5,386,373	4.28%
Omani Qatari Telecom SAOG	10,081,317	4,939,845	3.93%
		77,235,045	61.43%
31 December 2013	Number of shares	Amount in Rial Omani	Percentage of net assets
Bank Muscat SAOG	18,477,686	11,751,808	8.48%
Bank Sohar SAOG	46,892,651	9,706,779	7.00%
Ahli Bank SAOG	43,344,546	8,062,086	5.82%
Oman Telecommunications Co. SAOG	5,224,232	7,862,469	5.67%
Raysut Cement Co. SAOG	3,889,795	7,837,937	5.66%
Renaissance Services SAOG	9,456,687	6,922,295	4.99%
Bank Dhofar SAOG	16,858,477	6,102,769	4.40%
HSBC Bank Oman SAOG	33,858,132	5,959,031	4.30%
Oman Cement Co. SAOG	6,945,921	5,723,439	4.13%
Omani Qatari Telecom Co. SAOG	8,967,088	5,380,253	3.88%
		75,308,866	54.33%

The five largest securities purchased by the Fund (by value) during the period were as follows:

30 June 2014	Number of shares	Amount in RO
Oman Telecommunications Co. SAOG	11,746,113	18,147,376
Bank Muscat SAOG	27,548,765	18,042,392
Renaissance Services SAOG	14,478,429	10,750,647
Omani Qatari Telecom Co. SAOG	17,040,828	10,368,702
Oman Investment & Finance Co. SAOG	27,822,239	7,926,722

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Notes to the financial statements for the 6 months period ended 30 June 2014 (continued)

9. Portfolio highlights (continued)

	Number of shares	Amount in RO
30 June 2013		
Bank Muscat SAOG	17,420,138	10,884,192
Oman Telecommunication SAOG	5,586,429	8,156,809
Oman Investment & Finance Co. SAOG	26,906,702	7,663,155
Bank Sohar SAOG	33,765,108	6,370,074
Renaissance Services SAOG	9,370,834	5,157,068
31 December 2013		
Bank Muscat SAOG	33,923,247	20,910,363
Oman Telecommunications Co. SAOG	12,322,566	18,640,011
Oman Investment & Finance Co. SAOG	57,552,235	16,131,704
Renaissance Services SAOG	22,815,225	14,400,421
Bank Sohar SAOG	66,968,324	13,294,057

The five largest securities sold by the Fund (by value) during the period were as follows:

	Number of shares	Amount in RO
30 June 2014		
Oman Telecommunications Co. SAOG	13,372,811	20,717,722
Bank Muscat SAOG	26,574,083	17,384,907
Bank Sohar SAOG	40,217,810	9,322,975
Oman Investment & Finance Co. SAOG	28,934,694	8,278,683
National Bank of Oman SAOG	24,588,217	7,614,500
At 30 June 2013		
Bank Muscat SAOG	17,158,629	10,625,463
Renaissance Services SAOG	14,247,670	7,628,081
Oman Telecommunication SAOG	5,205,030	7,551,083
Oman Cement Co. SAOG	10,852,704	7,399,108
Omani Qatari Telecom SAOG	14,591,911	7,279,448
31 December 2013		
Bank Muscat SAOG	35,785,054	21,944,092
Oman Telecommunications Co. SAOG	13,985,333	21,042,449
Renaissance Services SAOG	31,391,640	19,291,928
Omani Qatari Telecom Co. SAOG	28,728,867	14,879,842
Oman Cement Co. SAOG	18,716,906	13,552,306

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Notes to the financial statements for the 6 months period ended 30 June 2014 (continued)

10. Fund per unit table

	For the six months period ended 30 June 2014 RO	For the six months period ended 30 June 2013 RO	For the year ended 31 December 2013 RO
Investment income	0.041	0.038	0.041
Net profit on financial assets	0.013	0.097	0.153
Management and other expenses	(0.002)	(0.002)	(0.012)
Net increase in NAV	0.052	0.133	0.182
NAV at the beginning of the year per fund unit	1.193	1.015	1.015
Cash Dividend	(0.050)	-	-
Loss on subscription / redemption of units	-	(0.012)	(0.004)
NAV at the end of the year per fund unit	1.195	1.136	1.193
Brokerage commission	0.008	0.005	0.012

The movement in net asset value per fund unit is affected by the Fund's performance and by the subscription and redemption of units during a period/ year.

11. Cash and cash equivalents

Cash and cash equivalents comprise of cash balances with National Bank of Oman SAOG in the amount of RO 22,602,458 (30 June 2013: RO 15,670,370 and 31 December 2013 25,927,859).

12. Financial assets

(a) Investments are analysed as follows:

Sector	Carrying value			Cost		
	30 June 2014 RO	30 June 2013 RO	31 December 2013 RO	30 June 2014 RO	30 June 2013 RO	31 December 2013 RO
Banking and investments	49,696,872	45,135,973	50,391,138	46,447,024	44,838,273	49,424,774
Industry	30,175,094	29,623,271	29,807,831	31,350,394	26,138,618	27,246,687
Services	36,008,711	35,203,940	33,357,346	38,474,607	33,651,750	31,486,940
Bonds	-	-	-	-	-	-
	115,880,677	109,963,184	113,556,315	116,272,025	104,628,641	108,158,401

INVESTMENT STABILIZATION FUND

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Notes to the financial statements for the 6 months period ended 30 June 2014 (continued)

12. Financial assets (continued)

(b) Details of the Fund's holdings exceeding 5% of the market value of its investment portfolio at 30 June 2014, 30 June 2013 and 31 December 2013 are as follows:

	% of Portfolio	Market value RO	Cost RO	% of net assets
30 June 2014				
Bank Muscat SAOG	11.41%	13,227,610	12,673,464	9.53%
Bank Sohar SAOG	8.74%	10,126,750	8,119,732	7.29%
Renaissance Services SAOG	7.99%	9,264,277	10,779,283	6.67%
Omani Qatari Telecom Co. SAOG	7.33%	8,489,445	8,999,126	6.11%
Raysut Cement Co. SAOG	7.32%	8,486,448	8,567,384	6.11%
Oman Cement Co. SAOG	6.52%	7,555,330	7,886,787	5.44%
Ahli Bank SAOG	6.50%	7,535,193	7,515,152	5.43%
Oman Telecommunications Co. SAOG	5.06%	5,863,980	5,547,515	4.22%
30 June 2013				
Bank Muscat SAOG	10.96%	12,051,586	12,508,979	9.59%
Oman Telecommunication SAOG	9.90%	10,888,060	10,670,137	8.66%
Bank Sohar SAOG	7.72%	8,490,139	8,027,039	6.75%
Raysut Cement Co. SAOG	7.63%	8,390,565	6,687,936	6.67%
Renaissance Services SAOG	7.17%	7,880,603	7,035,918	6.27%
Ahli Bank SAOG	6.38%	7,011,479	6,219,370	5.58%
National Bank of Oman SAOG	5.64%	6,206,421	6,538,632	4.94%
HSBC Bank Oman SAOG	5.45%	5,989,974	6,433,332	4.76%
31 December 2013				
Bank Muscat SAOG	10.35%	11,751,808	11,247,741	8.48%
Bank Sohar SAOG	8.55%	9,706,779	9,226,745	7.00%
Ahli Bank SAOG	7.10%	8,062,086	7,883,980	5.82%
Oman Telecommunications Co. SAOG	6.92%	7,862,469	7,943,115	5.67%
Raysut Cement Co. SAOG	6.90%	7,837,937	6,892,819	5.66%
Renaissance Services SAOG	6.10%	6,922,295	6,050,638	4.99%
Bank Dhofar SAOG	5.37%	6,102,769	5,921,197	4.40%
HSBC Bank Oman SAOG	5.25%	5,959,031	6,609,976	4.30%
Oman Cement Co. SAOG	5.04%	5,723,439	5,345,467	4.13%

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Notes to the financial statements for the 6 months period ended 30 June 2014 (continued)

13. Unit capital

The following unit holders own 10% or more of the Fund's units:

	30 June 2014		30 June 2013		31 December 2013	
	(%)	Units owned	(%)	Units owned	(%)	Units owned
Government of Oman, represented by Ministry of Commerce and Industry	57.32	66,591,873	60.16	66,591,873	57.32	66,591,873

14. General and administration expenses

	For the six months period ended 30 June 2014 RO	For the six months period ended 30 June 2013 RO	For the year ended 31 December 2013 RO
Management fee	137,223	125,125	261,147
Coordinator's fees	48,000	42,000	84,000
Custody fees	39,671	39,671	80,000
Administration fees	32,233	32,233	65,000
Performance fees	-	-	815,926
Insurance	2,215	2,348	4,668
Investor Committee fees	7,000	6,500	60,500
Legal and professional fees	-	1,362	2,887
Bank charges	158	75	170
Advertisement fees	6,138	6,138	7,806
Other Expenses	4,251	5,226	9,426
	<u>276,889</u>	<u>260,678</u>	<u>1,391,530</u>

15. Fees

Bank Muscat SAOG Asset Management and Oman Arab Bank SAOC act as the Fund managers to the Fund and earn management fees. National Bank of Oman acts as Custodian and Administrator of the Fund and earns administration and custodian fees. In addition, two Fund managers have been appointed by the Fund on 1 September 2009; Gulf Baader Capital Market SAOC and United Securities LLC and also earn management fees.

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Notes to the financial statements for the 6 months period ended 30 June 2014 (continued)

15. Fees (continued)

Management fees

A management fee of RO 22,454 (30 - 06 - 2013: RO 20,736) was payable to the investment managers. Management fees are calculated at 0.20% of Net Asset Value of the respective Investment managers.

Custodian fees

A custodian fee of RO 6,575 (30 - 06 - 2013: RO 6,575) was payable to the custodian. Custodian fee is calculated based on a fixed fee of RO 80,000 per annum.

Administration fees

Administration fee of RO 5,342 (30 - 06 - 2013: RO 5,342) was payable to National Bank of Oman SAOG, the Administrator. Administration fee is calculated based on a fixed fee of RO 65,000 per annum.

Co-ordinator fees

Al-Hosn Investment Company SAOC acts as the coordinator of the Fund on a fixed fee. Co-ordinator fee is RO 8,000 per month (30-06-2013: RO 7,000) in accordance with the terms and conditions agreed with the Fund.

16. Related party transactions

During the year, the related party transactions, on the basis of the agreements, were as follows.

	For the six months period ended 30 June 2014 RO	For the six months period ended 30 June 2013 RO	For the year ended 31 December 2013 RO
Administration fees	32,233	32,233	65,000
Brokerage commissions	289,137	200,824	469,255
Coordinator fees	48,000	42,000	84,000
Custody fees	39,671	39,671	80,000
Investors' Committee Members' Remuneration	-	-	45,000
Investors' Committee Members sitting fees	7,000	6,500	15,500
Performance Fee	-	-	815,926
Management fees	137,223	125,125	261,147

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Notes to the financial statements for the 6 months period ended 30 June 2014 (continued)

17. Taxation

In accordance with Royal Decrees 54 and 55 of 2003, amending certain provisions of the income tax laws, investment funds incorporated in the Sultanate of Oman are exempt from tax with effect from 1 January 2003. Accordingly, the Fund has not made any provision for tax for the year ended 30 June 2014 (30 June 2013 and 31 December 2013: Nil).

18. Financial risk and capital management

Financial instruments of the Fund are cash and bank balances, and investments MSM 30 index. The Fund is exposed to market price risk, interest rate risk, credit risk and liquidity risk arising from the financial instruments it holds.

The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Fund. Risk management is carried out by the Fund Managers under policies approved by the Investors' Committee of the Fund. The objective of risk management is to ensure that the Fund operates within the risk levels set and monitored by the Fund Manager. The risk levels are measured and monitored on a continuous basis and compliance with the prescribed risk levels are reported by the Fund Managers to the Investors' Committee on a periodic basis.

Market price risk

The Fund trades in securities quoted on MSM that are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Fund's market price risk is managed through the daily monitoring of the Fund's overall market positions by the Fund Managers. The overall market position, trend and risk levels per category are reviewed by the Investors' committee on a quarterly basis.

Furthermore, the Fund's investments are managed in five portfolios according to the guidelines provided to the Investment Managers which are consistent with the Investment policies and restrictions.

The Fund's investments are publicly traded in the Muscat Securities Market. The Fund performance will vary depending on the market performance.

At 30 June, the overall market exposure was as follows:

	30 June 2014		30 June 2013		31 December 2013	
	Market value RO	% of net assets	Market value RO	% of net assets	Market value RO	% of net assets
Investments MSM 30 index	<u>115,880,677</u>	<u>83.5%</u>	<u>109,963,184</u>	<u>87.5%</u>	<u>113,556,315</u>	<u>81.9%</u>

INVESTMENT STABILIZATION FUND

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Notes to the financial statements for the 6 months period ended 30 June 2014 (continued)

18. Financial risk and capital management (continued)

Currency risk

The Investment policy of the Fund requires investment only in Omani equity and related securities, hence there is no currency risk.

Interest rate risk

All of the Fund's financial assets are non-interest bearing.

Liquidity risk

The Fund is exposed to a monthly redemption of redeemable participating units. The redeemable units are redeemed on demand at the participating unit holders' option as per the prospectus. To reduce the liquidity risk, all the Fund's assets are traded in an active market and can be readily disposed.

The table below analyses the Fund's financial liabilities as at the statement of financial position date based on the contractual maturity date.

The amounts listed below show undiscounted amounts, which are not different from their carrying amounts as all those amounts fall within six months of the statement of financial position date.

	Less than 6 months RO	Total RO
30 June 2014		
Amounts due to related parties	42,384	42,384
Payables	3,439	3,439
	<hr/> 45,823	<hr/> 45,823
30 June 2013		
Amounts due to related parties	39,666	39,666
Payables	4,768	4,768
	<hr/> 44,434	<hr/> 44,434
31 December 2013		
Amounts due to related parties	896,515	896,515
Payables	5,600	5,600
	<hr/> 902,115	<hr/> 902,115

INVESTMENT STABILIZATION FUND

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Notes to the financial statements for the 6 months period ended 30 June 2014 (continued)

18. Financial risk and capital management (continued)

Credit risk

Credit risk on accounts receivable is limited since the Fund reviews these balances to assess non-collectability for amounts where recoverability is in doubt. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Capital management

The Fund's objectives when managing capital is to ensure that it continues as a going concern, so that it can continue to provide adequate returns to the Unit holders. There are no externally imposed capital requirements binding on the Fund.

In order to maintain or adjust the capital structure, the Fund may adjust the amount of dividends paid to the Unit holders, return capital to Unit holders or issue additional capital.

At the year end the Fund holds borrowing facility of RO 25 million which can be utilized for any planned investments in Muscat Securities Market.

19. Percentage changes

	For the six months period ended 30 June 2014 %	For the six months period ended 30 June 2013 %	For the year ended 31 December 2013 %
Realised gain on investments at fair value			
through profit or loss	(63.66)	664.16	2,286.87
Dividend income	15.9	0.60	0.004
Fair value changes on investments at fair value			
through profit or loss	(107.34)	969.39	313.22
Operating expenses	6.2	2.31	146.38
Profit from operations	(58.56)	271.31	352.28
Basic earnings per unit	(57.43)	283.31	371.05
Total assets	10.45	1.41	11.77
Investments at fair value through profit or loss	5.38	3.57	5.18
Total liabilities	3.13	2.13	767.32
Unit holders' funds	10.45	1.41	11.14
Net asset value per outstanding unit	9.70	12.56	17.54

INVESTMENT STABILIZATION FUND

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Notes to the financial statements for the 6 months period ended 30 June 2014 (continued)

20 Definition of ratios

NAV or net asset value

Represents the equity value of one unit of the "Investment Stabilization Fund". It is calculated by subtracting the liabilities per unit from the assets per unit or, by dividing the net assets by the number of Outstanding Units.

Average annual total return

Average annual compounded rate of return, calculated on the assumption that all dividends have been reinvested at the time they were distributed. Average annual total return is based on the net asset value at the time of purchase, and does not reflect payment of initial sales charges.

Simple return

Calculated by dividing the per unit after tax profit for the period, by the NAV at the beginning of the period or, calculated by dividing the sum of per unit dividends and change in the net asset value during the period, by the NAV at the beginning of the period. (Adjust this definition if necessary to fairly reflect return, where there have been distributions or repurchases of units at a value different from net asset value).

Expense ratio

Per unit, expenses during the period (interest expenses + all management and other expenses (except for brokerage commissions and mark-ups), divided by Average NAV for the period.

Brokerage expense ratio

Per unit, brokerage commissions and mark-ups during the period (Brokerage Commissions plus Mark-ups) divided by Average NAV for the period.

Portfolio turnover rate

Per unit, average of the price of assets bought and the price of the assets sold [(purchases + sales) ÷ 2], during the period, divided by Average NAV for the period.

Liability ratio

Per unit, liabilities at the end of the period, divided by the NAV at the end of the period.

INVESTMENT STABILIZATION FUND

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Notes to the financial statements for the 6 months period ended 30 June 2014 (continued)

21 Fair value information

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in the active market for similar instruments, quoted market prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments that are valued based on quoted prices of similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Fund investments as at 30 June 2014, 30 June 2013 and 31 December 2013 are quoted investments.

22 Approval of financial statements

The financial statements were approved and authorized for issue by the Investors' Committee Members on __ July 2014.