

# **NBO GCC FUND**

## **FINANCIAL STATEMENTS FOR THE PERIOD FROM 15 AUGUST TO 31 DECEMBER 2013**

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# **NBO GCC FUND**

## **FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2013**

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## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF NBO GCC FUND**

### **Report on the financial statements**

We have audited the accompanying financial statements of NBO GCC Fund ('the fund'), which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the period from 15 August to 31 December 2013, and a summary of significant accounting policies and other explanatory information.

### **Management Body's responsibility for the financial statements**

The Management Body of the fund is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the relevant disclosure requirements of the Regulation for Investment Funds and the Rules and Guidelines on Disclosure issued by the Capital Market Authority of the Sultanate of Oman, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's 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 whether the financial statements are free of 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 the auditor's 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, the auditor considers 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 cash flows for the period from 15 August to 31 December 2013 in accordance with International Financial Reporting Standards.

### **Report on Other Legal and Regulatory Requirements**

In our opinion the financial statements comply, in all material respects, with the relevant disclosure requirements of the Regulation for Investment Funds and the Rules and Guidelines on Disclosure issued by the Capital Market Authority.

**PricewaterhouseCoopers LLP**

**27 February 2014**

**Muscat, Sultanate of Oman**

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**NBO GCC FUND****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 DECEMBER 2013**

	Note	15 August to 31 December 2013 RO
<b>Income</b>		
Gains on financial assets at fair value through profit or loss		
- realised	4	34,780
- unrealised	4	493,661
Dividend income		21,667
Interest income		28,428
<b>Net investment income</b>		<u>578,536</u>
<b>Expenses</b>		
Management and administration fee	9(b)	60,032
Net foreign currency loss on cash and cash equivalent		1,207
Other expenses	14	34,823
<b>Total expense</b>		<u>96,062</u>
<b>Increase in net assets attributable to unit holders</b>		<u>482,474</u>
<b>Basic earnings per unit holder</b>	8	<u>0.038</u>

The notes and other explanatory information on pages 6 to 16 form an integral part of these financial statements.

**NBO GCC FUND****STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013**

	<b>Note</b>	<b>2013 RO</b>
<b>Assets</b>		
Financial assets at fair value through profit or loss	4	9,584,193
Amounts due from related parties	9	12,000
Cash and cash equivalents	5	<u>3,878,299</u>
<b>Total assets</b>		<b><u>13,474,492</u></b>
<b>Liabilities</b>		
Payables		39,966
Amounts due to related parties	9	<u>160,623</u>
<b>Total liabilities</b>		<b><u>200,589</u></b>
<b>Net assets attributable to unit holders</b>		<b><u>13,273,903</u></b>
<b>Represented by:</b>		
<b>Total liabilities and net assets attributable to the unit holders</b>		<b><u>13,474,492</u></b>
<b>Net asset value per unit</b>	7	<b><u>1.038</u></b>

These financial statements on pages 2 to 16 were authorised for issue on 24 February 2014 in accordance with a resolution of the Management Body.

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**CHAIRMAN**


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**MEMBER**

**NBO GCC FUND****STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS  
FOR THE PERIOD ENDED 31 DECEMBER 2013**

	Unit capital RO	Share Premium RO	Retained earnings RO	Net assets attributable to unit holders RO
Net assets attributable to unit holders on 15 August 2013	-	-	-	-
Profit and total comprehensive income for the period	-		482,474	482,474
Units subscribed during the period	<u>12,784,221</u>	<u>7,208</u>	-	<u>12,791,429</u>
Net assets attributable to unit holders on 31 December 2013	<u>12,784,221</u>	<u>7,208</u>	<u>482,474</u>	<u>13,273,903</u>

The notes and other explanatory information on pages 6 to 16 form an integral part of these financial statements.

Report of the Auditors - page 1.

**NBO GCC FUND****STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 2013**

	<b>15 August to 31 December 2013 RO</b>
<b>Cash flows from operating activities</b>	
Proceeds from sale of securities	529,142
Payments for purchase of securities - net	(9,461,126)
Net dividend received	21,667
Payments to a related party	(8,716)
Interest received	28,428
Expenses paid	(22,525)
<b>Net cash flow used in operating activities</b>	<u>(8,913,130)</u>
 <b>Cash flows from financing activities</b>	
Receipt on subscription	<u>12,791,429</u>
<b>Net cash generated from financing activities</b>	<u>12,791,429</u>
 <b>Net increase in cash and cash equivalents</b>	<u><u>3,878,299</u></u>

The notes and other explanatory information on pages 6 to 16 form an integral part of these financial statements.

Report of the Auditors - page 1.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2013****1 Legal status and principal activities**

NBO GCC Fund (the fund), was established as an open ended investment fund, in accordance with the Capital Market Authority Law. The fund obtained its license on 10 July 2013 and commenced operations on 15 August 2013. The terms and conditions of investment as well as the restrictions relevant to the fund were specified in the fund prospectus.

National Bank of Oman SAOG (the managing company) is responsible for the management of the fund and for investing and broking activities on behalf of the fund.

Gulf Custody Company (the custody) is appointed as the custodian of the Fund. Fund's assets will be kept with the custodian whose principal place of business is within Oman, for foreign transactions the custodian may appoint a sub custodian and will not exonerate the main custodian of any of its obligations.

The primary objective of the fund is to generate dividend income along with capital growth from an actively managed portfolio comprising of companies listed in GCC markets, which may have potential to yield dividends and with limited exposure to other equity and fixed income opportunities in the region..

**2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and include the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority of the Sultanate of Oman. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

All the Fund's assets and liabilities are held for the purpose of being traded and does not distinguish between current and non-current.

**2.1.1 Changes in accounting policy and disclosures***(a) Standards and amendments to existing standards effective 1 January 2013*

IFRS 13, 'Fair value measurement' - The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. This is the first year of the Fund's operations, and the use of last traded prices is recognised as a standard pricing convention within the industry.

*(b) New standards, amendments and interpretations effective after 1 January 2014 and have not been early adopted.*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the fund except for the one mentioned below.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2013 (continued)****2 Summary of significant accounting policies (continued)****2.2 Foreign currency****(a) Functional and presentation currency**

Items included in the Fund's financial statements are measured and presented using Rial Omani which is the currency of the primary economic environment in which the Fund operates.

**(b) Transactions and balances**

Foreign currency transactions are translated into Rial Omani at the exchange rate prevailing on the transaction date. Foreign currency assets and liabilities are translated into Rial Omani at the exchange rate prevailing at the statement of financial position date.

Foreign exchange differences on exchange are dealt with in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within 'net foreign currency gains or losses on cash and cash equivalents'.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within 'other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss'.

**2.3 Dividend and interest income**

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income when the fund's right to receive payment is established. Interest income is recognised in the income statement for all debt instruments using the effective interest method.

**2.4 Financial assets**

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**(i) Financial assets at fair value through profit or loss**

This category has financial assets those designated by management at fair value through profit or loss at inception.

Regular-way purchases and sales of investments are recognised on trade date, the date on which the Fund commits to purchase or sell the asset. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the statement of comprehensive income in the year in which they arise. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets are carried at fair value.

The fair value of financial assets through profit or loss is based on their last traded market price where the last traded price falls within the bid-ask spread.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are realisable within twelve months from the reporting date.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2013 (continued)****2 Summary of significant accounting policies (continued)****2.5 Other receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise during the ordinary course of the business. Receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition origination. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**2.6 Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**2.7 Taxation**

The Fund is domiciled in the Sultanate of Oman. In accordance with Article 117 of the Income Tax Law, income accruing to investment funds set up in Oman under the Capital Market Authority Law, is exempt from tax.

**2.8 Payables**

Payables are recognised for amounts to be paid for goods and services received, whether or not billed to the Fund.

**2.9 Unit holders**

The Fund issues units which are redeemable at the unit holder's option. Unit holders have equal participating rights. Redeemable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value (NAV). The redeemable units are carried at the redemption amount that is payable at the reporting date.

Redeemable units are issued and redeemed at the holder's option at prices based on the Fund's net assets value per unit at the time of issue or redemption. The Fund's net asset value per unit is computed by dividing the net assets attributable to the holders of the redeemable units by the total number of outstanding redeemable units on all business days. In accordance with the Fund's Prospectus, investment positions are valued based on the last Wednesday of every week traded market price of the week for the purpose of determining the net asset value per unit for subscriptions and redemptions.

**2.10 Dividend payable to the unit holders**

Proposed dividends to the unit holders of redeemable units are recognised when they are approved by the Fund's Management Body.

**2.11 Transaction costs**

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in statement of comprehensive income under general and administrative expenses.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2013 (continued)**

**3 Financial instrument and financial risk management**

**3.1 Financial risk factors**

The Fund's activities expose it to a variety of financial risks, including the effects of changes in equity market prices. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Fund. Risk management is carried out by the managing company under guidance of the Management Body. The objective of risk management is to ensure that the Fund operates within the agreed risk levels set and are monitored by the managing company. The risk levels are measured and monitored on a continuous basis and compliance with the prescribed risk levels are reported by the managing company to the Management Body on a periodic basis.

The Fund is exposed to market risk (including price risk and currency risk), credit risk and liquidity risk arising from the financial instruments it holds. The risk management policies employed by the Fund to manage these risks are discussed below.

**(a) Market risk**

**(i) Price risk**

Market price risk is the risk of a loss to capital due to adverse changes in the market price of financial assets. The Fund trades in equity securities 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 managing company. The overall market position, trend and risk levels per category are reviewed by the Board of Directors on a periodic basis. The Fund will have an investment limit of 10% (of NAV) for any single stock in the portfolio as presented in the Prospectus.

Fund's strategy focuses on investment opportunities expected to produce attractive returns over the medium to long term. The main factors analysed and used for the evaluation of the investments are the price, earnings and dividend yield ratios.

The table below summarises the impact of increases/decreases of the country wise indices on the Fund's profit for the period. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index.

Security per country	2013	
	Percentage of net assets value	Change in fair value RO
Oman	13	1,687,228
KSA	32	4,278,934
UAE	11	1,525,021
Qatar	16	2,093,010
<b>Total</b>	<b>72</b>	<b>9,584,193</b>

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2013 (continued)**

**3 Financial instrument and financial risk management (continued)**

**3.1 Financial risk factors (continued)**

**(ii) Currency risk**

Foreign exchange risk is the risk that any foreign currency positions taken by the Fund may adversely affect the NAV due to volatility in exchange rates. The Fund's exposure to foreign exchange risk arises from recognised assets and liabilities.

The Fund is exposed to foreign exchange risk arising from currency exposures primarily with respect to UAE Dirham, Saud Riyals and Qatari Riyals which are pegged to US Dollars.

For foreign currency transactions other than currencies which are pegged to US Dollars, management believes that should it weaken or strengthen against the Rial Omani there would be an insignificant effect on the post-tax profits of the Fund.

**(b) Credit risk**

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Fund has no significant concentration of credit risk. All transactions in listed securities are settled / paid upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade fails if either party fails to meet its obligation. The outstanding amounts are collected within three days of the transaction, in line with the market norms.

The Fund limits its credit risk with regard to bank deposits by dealing with reputable banks. The table below shows the short-term deposits and bank balances with the counterparties analysed by credit rating based on Moody's global ratings.

<b>Rating</b>	<b>2013 RO</b>
<b>P2</b>	<b>2,271,248</b>
<b>Unrated</b>	<b>1,607,051</b>
	<b><u>3,878,299</u></b>

Similarly, management believe that credit risk related to amounts due from related party of RO 12,000 is minimum as management has a long history of dealing with them and the amounts are settled on a transaction plus three days basis.

The Fund's credit position is continuously monitored by the management company and reviewed by the Management Body on a periodic basis. Maximum exposure to credit risk before credit enhancements for all assets are based on net carrying amounts as reported in the statement of financial position.

**(c) Liquidity risk**

Liquidity risk is the current and prospective risk to earnings or capital arising from the Fund's inability to meet its obligations on the due dates and to replace funds when they are withdrawn or facilities expires.

The Fund is exposed to cash redemptions of unit holders. The redeemable units are redeemed on demand at the participating unit holders' option. As per the Fund's Prospectus, the units may be redeemed for cash with a limit of no more than 5% of the Fund's total outstanding units on any single business day. To reduce the liquidity risk, all the Fund's assets are traded in an active market and can be readily disposed off.

The Fund's financial liabilities as at the statement of financial position date fall within three months of the statement of financial position date.

**3 Financial instrument and financial risk management (continued)**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2013 (continued)**

**3.2 Financial instruments by category**

The accounting policies for financial instruments have been applied to the line items below:

2013	<b>Financial assets at fair value through profit or loss RO</b>	<b>Other Assets  RO</b>	<b>Total  RO</b>
<b>Assets as per statement of financial position</b>			
Financial assets at fair value through profit or loss	9,584,193	-	9,584,193
Amounts due from related parties	-	12,000	12,000
Cash and cash equivalents	-	3,878,299	3,878,299
<b>Total</b>	<b>9,584,193</b>	<b>3,890,299</b>	<b>13,474,492</b>
		<b>Financial liabilities RO</b>	<b>Total RO</b>
<b>Liabilities as per statement of financial position</b>			
Payables		200,589	200,589

**3.3 Capital risk management**

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 on a weekly basis, as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to monitor the level of subscriptions and redemptions relative to the assets and adjust the amount of distributions the Fund pays to redeemable unit holders.

The Management Body and the fund manager monitor capital on the basis of the value of net assets attributable to redeemable unit holders.

**3.4 Fair value estimation**

All the financial assets of the fund are recognised at fair value through profit or loss which are carried at quoted price in active markets, these fall under Level 1 of the fair value measurement hierarchy. All other financial assets are recognised at realisable value which management believes is the approximate fair value.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2013 (continued)**

**4 Financial assets at fair value through profit or loss**

(a) Financial assets at fair value through profit or loss comprise of listed marketable securities and are measured at fair value at the close of business on 31 December 2013. The fair value is determined by reference to the stock exchange quoted closing prices.

Movements in financial assets at fair value through profit or loss during the period are as disclosed below:

	<b>2013 RO</b>
At 15 August	-
Purchases	<b>9,584,894</b>
Sales	<b>(529,142)</b>
Realised gain on sales	<b>34,780</b>
Fair value gain	<b>493,661</b>
At 31 December	<b><u>9,584,193</u></b>

(b) The financial assets at fair value through profit or loss comprise investments in equity securities analysed as follows:

	<b>2013 RO</b>	<b>Percentage of net assets value</b>
<b>Local:</b>		
Banks and financial services sector	<b>529,413</b>	<b>3.99</b>
Industrial and manufacturing sector	<b>150,166</b>	<b>1.13</b>
Services and other sectors	<b>1,007,649</b>	<b>7.59</b>
<b>Other GCC Markets:</b>		
Banks and financial services sector	<b>2,148,190</b>	<b>16.18</b>
Industrial and manufacturing sector	<b>3,726,791</b>	<b>28.08</b>
Services and Insurance sector	<b>2,021,984</b>	<b>15.23</b>
<b>Total</b>	<b><u>9,584,193</u></b>	<b><u>72.20</u></b>

(c) At 31 December 2013, none of the fund's holding represents 10% or more of the investee's share capital.

(d) The details of investments which are 5% or more of the total fair value of the investment portfolio of the fund at 31 December 2013 are as follows:

	<b>Number of securities</b>	<b>Cost RO</b>	<b>Market value RO</b>	<b>Market value as percentage of net assets</b>	<b>Market value as a percentage of the total portfolio</b>
Saudi Basic Industries Corporation	<b>60,500</b>	<b>645,139</b>	<b>692,789</b>	<b>5.22</b>	<b>7.23</b>
Doha Bank	<b>99,500</b>	<b>587,263</b>	<b>612,098</b>	<b>4.61</b>	<b>6.39</b>
Saudi Arabia Fertilizers Company	<b>35,000</b>	<b>551,377</b>	<b>562,539</b>	<b>4.24</b>	<b>5.87</b>
Etihad Etisalat Company	<b>59,500</b>	<b>517,021</b>	<b>522,461</b>	<b>3.94</b>	<b>5.45</b>

**5 Cash and cash equivalents**

	<b>2013 RO</b>
Current accounts and call accounts	<b><u>3,878,299</u></b>

Call accounts are placed with the commercial banks in Oman and Qatar at an interest rate of 1.1% and 0.5% per annum respectively.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2013 (continued)**

**6 Unit holders**

**Authorised and issued unit capital**

The unit capital of the fund is RO 12,784,221 divided into 12,784,221 redeemable participating units of RO 1 par value with each carrying one vote. All issued redeemable units are fully paid. The fund's capital is represented by these redeemable participating units. Quantitative information about the fund's capital is provided in the statement of changes in net assets attributable to unit holders. The units are entitled to dividends when declared and to payment of a proportionate share of the fund's net asset value on the redemption date or upon winding up of the fund.

The following are the details of unit holders who own, directly or indirectly, 10% or more of the total number of units outstanding at 31 December 2013:

	<b>2013 Units'000</b>
The Commercial Bank of Qatar	<u>2,000</u>
Royal Court Affairs	<u>2,000</u>
Diwan of Royal Court Pension Fund	<u>1,300</u>

**7 Net asset value per unit holder**

	<b>2013 RO</b>
Net asset value (RO)	<u>13,273,903</u>
Number of outstanding units	<u>12,784,221</u>
Net assets value per unit (RO)	<u>1.038</u>

In accordance with the Capital Market Authority requirements and the fund's prospectus, net asset value per unit has been derived by dividing the net assets by the number of units in issue at the reporting date.

**8 Earnings per unit holder**

Basic earnings per unit is calculated by dividing the increase in assets attributable to unit holders for the period by the weighted average number of redeemable units outstanding during the period.

The Fund's earnings per unit is the same as basic earnings per unit, since the fund has not issued any instrument with dilutive potential.

	<b>2013 RO</b>
Increase in net assets attributable to unit holders	<u>482,474</u>
Weighted average number of redeemable units	<u>12,542,704</u>
<b>Basic earnings per redeemable unit holder</b>	<u>0.038</u>

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2013 (continued)**

**9 Related party transactions**

During the period, the Fund entered into transactions in the ordinary course of business with entities over which certain members of the Management Body have a significant influence. These transactions are entered into on terms which the Management Body considers correspond to those that could be obtained through normal arm's length transactions with third parties.

(a) The nature of significant related party transactions and the amounts are as follows:

	<b>2013 RO</b>
<b>In the capacity of stock brokers (inclusive of brokerage expense)</b>	
Sale proceeds received from sale of investments	<u>300,864</u>
Payment for purchase of investments	<u>3,972,749</u>
<b>Other transactions</b>	
Management and Administration fees (note (b))	<u>60,032</u>
Management Body's fees	<u>3,800</u>
Amounts due to related parties	<u>160,623</u>
Amounts due from related parties	<u>12,000</u>
Brokerage expense	<u>12,588</u>

(b) Management and administration fees are charged on a daily basis at the rate of 1.1% and 0.15% per annum respectively of the net asset value.

**10 Performance data**

	<b>Period ended 31 December 2013 RO</b>
Average annual return (%)	<u>9.12%</u>
Growth of an assumed investment of RO 10,000	<u>10,912</u>

(a) The above information represents past performance and is no guarantee of future performance.

**11 Fund per unit table**

	<b>2013 RO</b>
Number of outstanding units	<u>12,784,221</u>
<b>Per-unit changes in net assets value (NAV)</b>	
Dividend and interest income	<u>0.004</u>
Net investment gains or losses (realised and unrealised)	<u>0.042</u>
Total expenses	<u>(0.008)</u>
Net increase in net assets for the period	<u>0.038</u>
<b>Amounts received on subscription</b>	<u>0.001</u>
<b>NAV at the end of the period</b>	<u>1.038</u>
<b>Brokerage commission and mark up</b>	<u>0.002</u>

**12 Portfolio highlights**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2013 (continued)**

(a) Details of the ten largest holdings by market value at 31 December based on market values:

<b>2013 Security name</b>	<b>Number of securities RO</b>	<b>Market value RO</b>	<b>Percentage of net assets %</b>
Saudi Basic Industries Corporation	60,500	692,789	5.22
Doha Bank	99,500	612,098	4.61
Saudi Arabia Fertilizers Company	35,000	562,539	4.24
Etihad Etisalat Company	59,500	522,461	3.94
Bank Sohar SAOG	1,960,450	405,813	3.06
Saudi Pharmaceutical Industries and Medical Corporation	53,143	354,756	2.67
Abu Dhabi Commercial Bank	500,000	340,763	2.57
Oman Telecommunication Company	224,138	337,328	2.54
Industries Qatar	18,500	330,276	2.49
Saudi Telecom-STC	51,465	282,772	2.13

(b) During the period 2013, the Fund received no bonus shares.

(c) Five largest security purchases during the period ended 31 December:

<b>2013 Security name</b>	<b>Cost RO</b>
Saudi Basic Industries Corp	645,231
Doha Bank	587,768
Saudi Arabia Fertilizers Co.	551,377
Etihad Etisalat Co	517,166
Oman Telecommunication	463,022

(d) Five largest security sales during the period ended 31 December:

<b>2013 Security name</b>	<b>Cost RO</b>
Rabigh Refining and Petrochemical Co	134,940
Al Madina Takaful	121,072
Commercial Bank of Qatar	105,653
Oman Telecommunication	74,140
The Qassim Cement Co	55,391

(e) Details of investment holdings by country

	<b>2013 Cost RO</b>	<b>2013 Market value RO</b>	<b>Percentage of net assets</b>
Oman	1,695,667	1,687,228	12.71
KSA	4,089,228	4,278,934	32.24
UAE	1,355,635	1,525,021	11.49
Qatar	1,970,499	2,093,010	15.77
<b>Grand Total</b>	<b>9,111,029</b>	<b>9,584,193</b>	<b>72.21</b>

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2013 (continued)**

	<b>2013 RO</b>
Net assets	<b>13,273,903</b>
Number of outstanding units	<b>12,784,221</b>
<b>Net asset value (NAV)</b>	<b>1.038</b>
+ Simple return:	<b>3.8%</b>
(Profit after tax to opening NAV)	
*Expense ratio	<b>0.75%</b>
(Total expenses to average NAV)	
*Brokerage expense ratio	<b>0.17%</b>
(Brokerage commissions to average NAV)	
*Portfolio turnover rate (in R.O.):	<b>79.11%</b>
(Securities traded to average NAV)	
*Liability ratio	<b>1.57%</b>
(Liabilities to NAV)	
+ Not annualised	
*Annualised	

Net Asset Value (NAV) is calculated by dividing the net assets by the number of outstanding units at statement of financial position date. Total return, growth of an assumed investment and simple return are based on the dividends paid to the unit holders, and the growth in the net asset value during the year. These ratios are based on, or affected by, the price at which the units were purchased in the market, or the price for which units may be sold in the market.

**14 Other expenses**

	<b>2013 RO</b>
Brokerage expense	<b>21,747</b>
Custodian fees	<b>4,322</b>
Management Body's fee	<b>3,800</b>
Miscellaneous expenses	<b>4,954</b>
Total	<b>34,823</b>