

GCC Equity Fund
(Managed by Alawwal Invest Company)

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020



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**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE UNITHOLDERS OF GCC EQUITY FUND
(Managed by Alawwal Invest Company)**

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of GCC Equity Fund (the "Fund") managed by Alawwal Invest Company (the "Fund Manager") as at 30 June 2020 and the related interim condensed statements of comprehensive income, cash flows and changes in equity for the six-month period ended 30 June 2020, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Yousef A. AIMubarak
Certified Public Accountant
License No. 427



Riyadh: 23 Thul-Hijjah 1441H
(13 August 2020)

GCC Equity Fund (Managed by Alawwal Invest Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

		<i>30 June</i> 2020 SR	<i>31 December</i> 2019 SR
ASSETS			
Cash and cash equivalents		1,508,975	1,131,897
Investments at fair value through profit or loss	4	7,980,909	9,837,712
Receivables and advances		3,817	3,524
TOTAL ASSETS		9,493,701	10,973,133
LIABILITY			
Accrued expenses		42,961	73,071
EQUITY			
Net assets attributable to the redeemable unitholders		9,450,740	10,900,062
TOTAL LIABILITY AND EQUITY		9,493,701	10,973,133
Units in issue		741,609	744,612
Net assets value attributable to each unit		12.7436	14.6386

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

GCC Equity Fund (Managed by Alawwal Invest Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2020

		2020	2019
	<i>Notes</i>	SR	SR
INCOME			
Net (loss) gain from investments at fair value through profit or loss	5	(1,461,975)	2,161,997
Dividend income		206,404	447,431
		<u>(1,255,571)</u>	<u>2,609,428</u>
EXPENSES			
Management fees	8	(91,835)	(199,067)
Other expenses	7	(59,025)	(81,405)
		<u>(150,860)</u>	<u>(280,472)</u>
(LOSS) PROFIT FOR THE PERIOD		(1,406,431)	2,328,956
Other comprehensive income		-	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		<u>(1,406,431)</u>	<u>2,328,956</u>

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

GCC Equity Fund (Managed by Alawwal Invest Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2020

	2020 SR	2019 SR
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) Profit for the period	(1,406,431)	2,328,956
Adjustments to reconcile profit for the period to net cash flows:		-
Unrealized loss (gain) on investments at fair value through profit or loss	849,499	(976,863)
	(556,932)	1,352,093
Working capital adjustments:		
Decrease in investments at fair value through profit or loss	1,007,304	10,577,705
Increase in receivables and advances	(293)	(935)
Decrease in accrued expenses	(30,110)	(70,933)
Net cash flows from operating activities	419,969	11,857,930
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on redemption of units	(42,891)	(16,806,569)
Net cash flows used in financing activities	(42,891)	(16,806,569)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	377,078	(4,948,639)
Cash and cash equivalents at the beginning of the period	1,131,897	5,605,874
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,508,975	657,235

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GCC Equity Fund (Managed by Alawwal Invest Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six-month period ended 30 June 2020

	2020	2019
	SR	SR
EQUITY AT THE BEGINNING OF THE PERIOD	10,900,062	23,587,693
(Loss) Profit for the period	(1,406,431)	2,328,956
Other comprehensive income for the period	-	-
Total comprehensive (loss) income for the period	(1,406,431)	2,328,956
Issuance of units during the year	-	-
Redemptions of units during the period	(42,891)	(16,806,569)
EQUITY AT THE END OF THE PERIOD	9,450,740	9,110,080

UNIT TRANSACTIONS

Transactions in units for the period ended 30 June are summarised as follows:

	2020	2019
	Units	Units
UNITS AT THE BEGINNING OF THE PERIOD	744,612	1,787,738
Units issued during the year	-	-
Units redeemed during the period	(3,003)	(1,181,817)
NET DECREASE IN UNITS	(3,003)	(1,181,817)
UNITS AT THE END OF THE PERIOD	741,609	605,921

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 2020

1. GENERAL

GCC Equity Fund (the “Fund”) is an open-ended fund domiciled in Kingdom of Saudi Arabia, created by an agreement between Alawwal Invest Company (the “Fund Manager”), a subsidiary of The Saudi British Bank (formerly a subsidiary of Alawwal Bank) (the “Bank”) and investors in the Fund (the “Unitholders”).

The Fund’s Manager registered office is at P.O. Box 1467, Riyadh 11431, Kingdom of Saudi Arabia.

GCC Equity Fund	
Commencement Date	30 November 2005
Latest Governing Terms and Condition Date	7 November 2019
Latest Governing Information Memorandum Date	7 November 2019
Category	Conventional
Objective	Long-term capital appreciation
Allowed Investment Channels	GCC equity markets
	Money market funds

The Fund has appointed Riyadh Capital Company (the “Custodian”) to act as its custodian, administrator and registrar. The fees of the custodian and administrator’s services are paid by the Fund.

The Fund Manager is responsible for the overall management of the Fund’s activities. The Fund Manager can also enter into arrangements with other institutions for the provision of investment, custody or other administrative services on behalf of the Fund.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) detailing requirements for all investments funds operating within the Kingdom of Saudi Arabia and published by the Capital Market Authority (the “CMA”) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006). The Regulations were further amended on 16 Sha’aban 1437H (corresponding to 23 May 2016) (the “Amended Regulations”). The Fund Manager believes that the Amended Regulations was effective since 6 Safar 1438H (corresponding to 6 November 2016).

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

3.1. Basis of preparation

These interim condensed financial statements for the six-month period ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Fund’s annual financial statements as at 31 December 2019.

The interim condensed financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for investments held at fair value through profit or loss that are measured at fair value. These interim condensed financial statements are presented in Saudi Arabian Riyals (“SR”), which is the Fund’s functional currency. All financial information presented has been rounded to the nearest SR.

3.2 New standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Fund’s annual financial statements for the year ended 31 December 2019.

There are other several amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund’s interim condensed financial statements. In the opinion of the Board, these will have no significant impact on the interim condensed financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

At 30 June 2020

4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments comprise the following sector exposures as at interim condensed statement of financial position date:

	30 June 2020				31 December 2019			
	% of	Cost	Market	Unrealized	% of	Cost	Market	Unrealized
	Value	SR	value	gain (loss)	Value	SR	value	gain (loss)
Equities								
Banks	32.67	2,968,999	2,607,116	(361,883)	36.12	3,169,107	3,552,960	383,853
Materials	10.67	975,250	851,635	(123,615)	11.97	1,213,078	1,177,265	(35,813)
Telecommunication								
Services	8.87	645,632	707,810	62,178	7.01	624,565	689,360	64,795
Health Care								
Equipment and Svc	8.78	568,398	700,482	132,084	2.22	251,107	218,850	(32,257)
Energy	4.44	378,481	354,293	(24,188)	10.50	1,055,867	1,033,070	(22,797)
Food and Beverages	4.00	262,253	319,064	56,811	2.13	200,336	209,171	8,835
Consumer Services	2.90	196,829	231,365	34,536	4.55	338,862	447,366	108,504
Retailing	2.63	217,433	209,580	(7,853)	2.96	268,410	290,765	22,355
Food & Staples					0.89	78,125	87,613	9,488
Retailing	1.51	78,126	120,185	42,059				
Utilities	1.29	116,261	103,092	(13,169)	1.35	116,261	133,452	17,191
Insurance	1.27	81,564	101,556	19,992	0.96	81,563	95,232	13,669
Capital Goods	-	-	-	-	0.28	41,833	27,360	(14,473)
Transportation	0.54	51,908	42,700	(9,208)	-	-	-	-
Others	20.43	2,025,985	1,632,031	(393,954)	19.06	2,135,309	1,875,248	(260,061)
	100	8,567,119	7,980,909	(586,210)	100	9,574,423	9,837,712	263,289

The geographical exposure of the investment portfolio as at interim condensed statement of financial position date as follow:

	30 June 2020				31 December 2019			
	% of	Cost	Market	Unrealized	% of	Cost	Market	Unrealized
	value	SR	value	gain (loss)	value	SR	value	gain (loss)
Equities								
Kingdom of Saudi								
Arabia	79.55	6,541,134	6,348,878	(192,256)	80.94	7,439,116	7,962,464	523,348
State of Kuwait	10.35	948,722	826,352	(122,370)	12.12	1,455,254	1,192,516	(262,738)
United Arab								
Emirates	10.10	1,077,263	805,679	(271,584)	6.94	680,053	682,732	2,679
	100	8,567,119	7,980,909	(586,210)	100	9,574,423	9,837,712	263,289

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

At 30 June 2020

5. NET GAIN FROM INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>For the six-month period ended 30 June</i>	
	2020	2019
	SR	SR
Realised (loss) gain	(612,476)	1,185,133
Unrealised (loss) gain	(849,499)	976,864
	(1,461,975)	2,161,997

6. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fund has only investments at fair value through profit or loss which is measured at fair values and are classified within level 1 of the fair value hierarchy. Management believes that the fair value of all other financial assets and liabilities at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. These are all classified within level 2 of the fair value hierarchy. During the period, there was no transfer in fair value hierarchy for the financial assets held at fair value through profit or loss.

7. OTHER EXPENSES

	<i>For the six-month period ended 30 June</i>	
	2020	2019
	SR	SR
Audit fees	19,945	17,355
Custodian fees	12,000	12,000
Benchmark fees	7,946	7,439
Value Added Tax	6,925	12,041
Board member fees (note 8)	4,273	2,471
CMA monitoring fees	3,740	3,720
Tadawul fees	2,494	2,480
Brokerage	1,702	23,899
	59,025	81,405

8. TRANSACTIONS WITH RELATED PARTIES

Management fee and other transactions

The Fund is managed and administered by the Fund Manager. For this service the Fund pays a management fee calculated on every valuation day, at an annual rate of 1.95 % of the Fund's daily net assets. In addition, the Fund Manager charges a subscription fee of 1.5 % on gross subscriptions to cover administration costs and a redemption fee of 0.5% on redemptions within a month of subscribing, which is reinvested in the Fund. Total management fees for the period amounted to SR 91,835 (30 June 2019: SR 199,067).

Other expenses paid by the Fund Manager on behalf of the Fund are charged to the Fund.

Board of directors

The independent directors are entitled to remuneration for their services at rates determined by the Fund's terms and conditions in respect of attending meetings of the board of directors or meetings of the Fund. Independent director's fees are currently SR 3,000 per meeting up to a maximum of 2 meetings per annum per director which is paid equally by all funds supervised by the board, in addition, SR 2,000 are paid to each independent director by the Fund per annum. The directors' remuneration for the period end amounted to SR 4,273 (30 June 2019: SR 2,471), the fees payable to directors at the period-end were SR 4,273 (31 December 2019: SR 8,571).

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

At 30 June 2020

8. TRANSACTIONS WITH RELATED PARTIES (continued)

Units held by related parties

The balances as at period end resulting from such transactions included in the interim condensed financial statements are as follows:

<i>Related party and nature of relationship</i>	<i>Nature of transaction</i>	30 June 2020	31 December 2019
		<i>Units</i>	<i>Units</i>
Employees of the Bank	Units held	500	500
		500	500

9. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

<i>As at 30 June 2020</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Cash and cash equivalents	1,508,975	-	1,508,975
Investments at fair value through profit or loss	7,980,909	-	7,980,909
Receivables and advances	3,817	-	3,817
TOTAL ASSETS	9,493,701	-	9,493,701
LIABILITY			
Accrued expenses	42,961	-	42,961
TOTAL LIABILITY	42,961	-	42,961
<i>As at 31 December 2019</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Cash and cash equivalents	1,131,897	-	1,131,897
Investments at fair value through profit or loss	9,837,712	-	9,837,712
Receivables and advances	3,524	-	3,524
TOTAL ASSETS	10,973,133	-	10,973,133
LIABILITY			
Accrued expenses	73,071	-	73,071
TOTAL LIABILITY	73,071	-	73,071

10. VALUATION PERIOD

The last valuation day of the period was 30 June 2020 (2019: 31 December 2019).

11. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The outbreak of the newly emerging Corona Virus (COVID-19) is still evolving and increasing. Therefore, it is now difficult to predict the magnitude and full extent of the resulting impact on business and the Fund.

It is still not certain what size and extent of these impacts will be determined, depending on future developments that cannot be accurately predicted at the present time, such as the rate of virus transmission and the size and effectiveness of measures taken to contain it. In light of the current uncertainty of the economic impact, it is not possible to make a reliable estimate of the resulting impact at the date of these financial statements being approved.

These developments may affect the future financial results, cash flows and the financial position of the Fund.

12. SUBSEQUENT EVENTS

In the opinion of management, no events have occurred subsequent to the reporting date and before the issuance of these interim condensed financial statements which requires adjustment to, or disclosure, in these interim condensed financial statements.

13. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements are approved by the Fund Board on 23 Thul-Hijjah 1441H (13 August 2020).