

GCC Equity Fund
(Managed by Alawwal Invest Company)

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018



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**INDEPENDENT AUDITORS' 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 2018 and the related interim condensed statements of comprehensive income, cash flows and changes in equity for the six-month period then ended, 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

Waleed G. Tawfiq
Certified Public Accountant
License No. 437

Riyadh: 3 Dhul-Hijjah 1439H
(14 August 2018)



GCC Equity Fund (Managed by Alawwal Invest Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

		<i>30 June 2018</i>	<i>31 December 2017</i>	<i>1 January 2017</i>
	<i>Notes</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
ASSETS				
Cash and cash equivalents		3,212,403	7,443,733	7,685,994
Investments at fair value through profit or loss	9	21,336,690	18,982,931	20,161,989
Receivables and advances		33,835	4,390	2,400
TOTAL ASSETS		24,582,928	26,431,054	27,850,383
LIABILITY				
Accrued expenses		36,928	1,413	67,880
EQUITY				
Net assets attributable to the redeemable unitholders		24,546,000	26,429,641	27,782,503
Units in issue		1,805,106	2,139,998	2,326,029
Net assets value attributable to each unit		13.5981	12.3503	11.9442

The accompanying notes 1 to 19 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 2018

	<i>Notes</i>	2018 SR	2017 SR
INCOME			
Net gain from investments at fair value through profit or loss	10	2,403,612	580,119
Dividend income		469,085	473,050
		<hr/> 2,872,697 <hr/>	<hr/> 1,053,169 <hr/>
EXPENSES			
Management fees	13	(255,137)	(256,273)
Other expenses	12,13	(47,199)	(31,790)
		<hr/> (302,336) <hr/>	<hr/> (288,063) <hr/>
PROFIT FOR THE PERIOD		2,570,361	765,106
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,570,361	765,106

The accompanying notes 1 to 19 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 2018

	2018 SR	2017 SR
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	2,570,361	765,106
Adjustments to reconcile profit for the period to net cash flows:		
Unrealized gain on investments at fair value through profit or loss	(2,495,124)	(863,675)
	75,237	(98,569)
Working capital adjustments:		
Decrease in investments at fair value through profit or loss	141,365	800,789
Increase in receivables and advances	(29,445)	(58,232)
Increase (decrease) in accrued expenses	35,515	(24,210)
Net cash flows from operating activities	222,672	619,778
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuances of units	-	-
Payment on redemption of units	(4,454,002)	(1,690,561)
Net cash flows used in financing activities	(4,454,002)	(1,690,561)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,231,330)	(1,070,783)
Cash and cash equivalents at the beginning of the period	7,443,733	7,685,994
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,212,403	6,615,211

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements.

GCC Equity Fund (Managed by Alawwal Invest Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six-month period ended 30 June 2018

	2018 SR	2017 SR
NET ASSETS ATTRIBUTABLE TO THE REDEEMABLE UNITHOLDERS AT THE BEGINNING OF THE PERIOD	26,429,641	27,782,503
Profit for the period	<u>2,570,361</u>	<u>765,106</u>
	29,000,002	28,547,609
CONTRIBUTIONS AND REDEMPTIONS BY THE REDEEMABLE UNITHOLDERS:		
Issuance of units during the period	-	-
Redemptions of units during the period	<u>(4,454,002)</u>	<u>(1,690,561)</u>
Net redemptions by the Unitholders	<u>(4,454,002)</u>	<u>(1,690,561)</u>
NET ASSETS ATTRIBUTABLE TO THE REDEEMABLE UNITHOLDERS AT THE END OF THE PERIOD	<u>24,546,000</u>	<u>26,857,048</u>

UNIT TRANSACTIONS

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

	2018 Units	2017 Units
UNITS AT THE BEGINNING OF THE PERIOD	<u>2,139,998</u>	<u>2,326,029</u>
Units issued during the period	-	-
Units redeemed during the period	<u>(334,892)</u>	<u>(140,467)</u>
NET DECREASE IN UNITS	<u>(334,892)</u>	<u>(140,467)</u>
UNITS AT THE END OF THE PERIOD	<u>1,805,106</u>	<u>2,185,562</u>

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements.

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2018

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 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	1 April 2018
Latest Governing Information Memorandum Date	1 April 2018
Category	Conventional
Objective	Long-term capital appreciation
Allowed Investment Channels	GCC equity markets
	Times deposits
	Money market funds

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

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia. The interim condensed financial statements for the six-months period ended 30 June 2018 are the first financial statements of the Fund prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements that are issued by Saudi Organization of Certified Public Accountants (“IFRS”) and IFRS 1 “First-time Adoption” of International Financial Reporting Standards has been applied.

For all periods up to and including the year ended 31 December 2017, the Fund prepared its financial statements in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia (“SOCPA”). Refer to note 16 for information on how the Fund’s financial statements are impacted upon the adoption of IFRS.

These interim condensed financial statements have been prepared on a historical cost basis, (except for investments at FVPL which are stated at their fair value) using the accrual basis of accounting and the going concern concept.

The Fund presents its interim condensed statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 14.

4. FUNCTIONAL AND PRESENTATIONAL CURRENCY

These interim condensed financial statements are presented in Saudi Riyals (“SR”), which is the Fund’s functional currency.

Functional currency’ is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The majority of the Fund’s investments and transactions are denominated in SR. Investor subscriptions and redemptions are determined based on net asset value, and received and paid in SR. The expenses (including management fees, custodian fees and administration fees) are denominated and paid in SR. Accordingly, management has determined that the functional currency of the Fund is SR.

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the six-month period ended 30 June 2018

5. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these interim condensed financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Where policies are applicable only after or before 1 January 2018, those policies have been particularly specified.

5.1. Financial instruments

In the current period the Fund has adopted IFRS 9 Financial Instruments. See note 17 for an explanation of the impact.

(i) Classification

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

Financial assets

The Fund classifies its financial assets either as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- ▶ The entity's business model for managing the financial assets
- ▶ The contractual cash flow characteristics of the financial asset

· **Financial assets measured at amortised cost**

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund does not hold any financial assets measured at amortised cost.

· **Financial assets measured at fair value through profit or loss (FVPL)**

A financial asset is measured at fair value through profit or loss if:

- i. Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding Or
- ii. It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell Or
- iii. At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund includes in this category equity instruments held for trading which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the six-month period ended 30 June 2018

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

5.1. Financial instruments (continued)

(i) Classification (continued)

Financial liabilities

- ***Financial liabilities measured at fair value through profit or loss (FVPL)***
A financial liability is measured at FVPL if it meets the definition of held for trading. The Fund does not hold any financial liabilities measured at FVPL.
- ***Financial liabilities measured at amortised cost***
This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund does not hold any financial liabilities measured at amortised cost.

(ii) Recognition

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. 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 (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

(iii) Initial measurement

Financial assets and financial liabilities at FVPL are recorded in the interim condensed statement of financial position at fair value. All transaction costs for such instruments are recognised directly in interim condensed statement of comprehensive income.

Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at FVPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVPL in the interim condensed statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in the interim condensed statement of comprehensive income.

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset Or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset .

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the six-month period ended 30 June 2018

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

5.1. Financial instruments (continued)

(vi) Impairment of financial assets

The Fund holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Fund uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If a previous write-off is later recovered, the recovery is credited to the credit loss expense.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(vii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the interim condensed statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the interim condensed statement of financial position.

5.2. Cash and cash equivalents

Cash and cash equivalents in the interim condensed statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

For the purpose of the interim condensed statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

5.3. Amounts due to and due from brokers

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date. Refer to the accounting policy for financial liabilities, other than those classified as at FVPL, for recognition and measurement.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Margin accounts represent cash deposits held with brokers as collateral against open futures contracts.

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the six-month period ended 30 June 2018

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4. Redeemable Units

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument

In addition to the redeemable units having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders

The Fund's redeemable participating units meet the definition of puttable instruments classified as equity instruments under IAS 32.16A-B and accordingly, are classified as equity instruments.

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features, or meet all the conditions set out, to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions.

No gain or loss is recognised in the interim condensed statement of comprehensive income on the purchase, issuance or cancellation of the Fund's own equity instruments.

5.5. Dividend income

Dividend income is recognised in the interim condensed statement of comprehensive income on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at FVPL is recognised in interim condensed statement of comprehensive income in a separate line item.

5.6. Net gain or loss on financial assets and liabilities at Fair Value through Profit or Loss ("FVPL")

Net gains or losses on financial assets and liabilities at FVPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses for financial instruments which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at FVPL are calculated using the weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

5.7. Fee and other expenses

Fee and other expenses are recognized on an accrual basis.

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the six-month period ended 30 June 2018

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

5.8. Zakat and income tax

Under the current system of taxation in Kingdom of Saudi Arabia the Fund is not liable to pay any zakat or income tax as they are considered to be the obligation of the Unitholders and as such, are not provided in the accompanying interim condensed financial statements.

5.9. Foreign currency translation

Transactions in foreign currencies are translated into SR at the exchange rate at the dates of the transactions. Foreign exchange gains and losses arising from translation are included in the interim condensed statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies are retranslated into SR at the exchange rate at the reporting date.

Foreign currency differences arising on retranslation are recognised in the interim condensed statement of comprehensive income as net foreign exchange losses, except for those arising on financial instruments at FVPL, which are recognised as a component of net gain from financial instruments at FVPL.

6. USE OF JUDGMENTS AND ESTIMATES

The preparation of interim condensed financial statements in conformity with IFRS requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Funds' accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Significant areas where management has used estimates, assumptions or exercised judgement are as follows:

Fair value Measurement

The Fund measures its investments in financial instruments, such as equity instruments, debentures, other interest bearing investments and derivatives, at fair value at each reporting date. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted prices available on respective stock exchange, without any deduction for transaction costs. The Fund is using last traded prices which is recognised as standard pricing convention within the industry.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

The Fund measures financial instruments at fair value at each interim condensed statement of financial position date. Fair values of those financial instruments are disclosed in note 11.

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the six-month period ended 30 June 2018

7. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Fund applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018.

The nature and the impact of each new standard and amendment is described below:

IFRS 9 Financial Instruments

The Fund adopted this new standard on its effective date of 1 January 2018. The description of this standard and the impact on the adoption date have been disclosed in note 17.

IFRS 15 Revenue from contracts with customers

The Fund adopted IFRS 15 *Revenue from contracts with customers* on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 *Revenue* and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Fund.

8. STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are several standards 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 standards will clearly not impact the Fund. The Fund intends to adopt these standards, if applicable, when they become effective.

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the six-month period ended 30 June 2018

9. 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 2018				31 December 2017				1 January 2017			
	% of value	Cost SR	Market value SR	Unrealized gain (loss) SR	% of value	Cost SR	Market value SR	Unrealized gain (loss) SR	% of value	Cost SR	Market value SR	Unrealized gain (loss) SR
Equities												
Banks	36.03	6,420,573	7,687,441	1,266,868	31.93	6,480,549	6,060,751	(419,798)	27.43	6,714,816	5,529,656	(1,185,160)
Materials	22.41	4,410,638	4,782,455	371,817	20.37	4,239,964	3,867,525	(372,439)	19.73	4,529,956	3,978,422	(551,534)
Telecommunication Services	3.85	771,132	820,875	49,743	4.50	1,030,127	854,133	(175,994)	3.41	653,612	687,930	34,318
Food and Beverages	3.79	775,327	808,903	33,576	4.73	1,071,558	898,363	(173,195)	2.81	747,702	566,182	(181,520)
Real Estate Management and Development	3.49	823,500	743,633	(79,867)	0.35	94,400	66,080	(28,320)	2.40	495,700	482,953	(12,747)
Energy	3.44	756,375	733,457	(22,918)	4.36	937,587	828,226	(109,361)	3.06	614,583	616,310	1,727
Utilities	1.80	347,082	386,211	39,129	2.06	347,082	390,292	43,210	1.12	172,504	225,700	53,196
Insurance	1.70	399,380	363,038	(36,342)	2.21	399,380	419,331	19,951	2.57	418,577	518,912	100,335
Retailing	1.69	509,721	359,601	(150,120)	1.78	509,721	337,573	(172,148)	2.31	622,104	466,385	(155,719)
Consumer Services	1.55	475,528	330,965	(144,563)	1.80	475,528	342,142	(133,386)	2.10	499,960	424,367	(75,593)
Health Care Equipment and Svc	0.85	185,970	180,426	(5,544)	1.00	185,970	190,690	4,720	1.13	194,880	228,424	33,544
Capital Goods	0.94	473,459	200,410	(273,049)	1.53	546,517	290,363	(256,154)	1.80	572,313	363,106	(209,207)
Consumer Durables & Apparels	0.40	154,933	85,365	(69,568)	0.48	154,933	91,530	(63,403)	1.97	618,502	396,669	(221,833)
Food & Staples Retailing	0.24	85,284	51,884	(33,400)	1.60	256,950	301,791	44,841	1.43	269,834	287,326	17,492
Transportation	0.14	33,684	30,324	(3,360)	0.17	33,684	33,020	(664)	0.29	35,288	58,221	22,933
Others	17.68	5,039,125	3,771,702	(1,267,423)	21.13	5,039,125	4,011,121	(1,028,004)	26.44	6,007,612	5,331,426	(676,186)
	100.00	21,661,711	21,336,690	(325,021)	100.00	21,803,075	18,982,931	(2,820,144)	100.00	23,167,943	20,161,989	(3,005,954)

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the six-month period ended 30 June 2018

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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

	30 June 2018				31 December 2017				1 January 2017			
	% of value	Cost SR	Market value SR	Unrealized gain (loss) SR	% of value	Cost SR	Market value SR	Unrealized gain (loss) SR	% of value	Cost SR	Market value SR	Unrealized gain (loss) SR
Equities												
Kingdom of Saudi Arabia	82.32	16,622,586	17,564,989	942,403	78.87	16,763,950	14,971,809	(1,792,141)	73.56	17,160,331	14,830,562	(2,329,769)
State of Kuwait	10.43	3,501,828	2,226,104	(1,275,724)	11.64	3,501,828	2,209,377	(1,292,451)	8.92	3,451,575	1,797,924	(1,653,651)
United Arab Emirates	7.25	1,537,297	1,545,597	8,300	9.49	1,537,297	1,801,745	264,448	9.25	1,537,297	1,865,973	328,676
State of Qatar	-	-	-	-	-	-	-	-	8.27	1,018,740	1,667,530	648,790
	100.00	21,661,711	21,336,690	(325,021)	100.00	21,803,075	18,982,931	(2,820,144)	100.00	23,167,943	20,161,989	(3,005,954)

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the six-month period ended 30 June 2018

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

	<i>For the six-month period ended 30 June</i>	
	2018	2017
	SR	SR
Realised loss	(91,512)	(283,556)
Unrealised gain	2,495,124	863,675
	<u>2,403,612</u>	<u>580,119</u>

11. FAIR VALUES OF FINANCIAL INSTRUMENTS

All assets and liabilities for which fair value is measured or disclosed in the interim condensed financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

The table below presents the financial instruments measured at their fair values as of reporting date based on the fair value hierarchy:

	<i>30 June 2018</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	SR	SR	SR	SR
Investments at FVPL	21,336,690	-	-	21,336,690
Total	<u>21,336,690</u>	<u>-</u>	<u>-</u>	<u>21,336,690</u>

	<i>31 December 2017</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	SR	SR	SR	SR
Investments at FVPL	18,982,931	-	-	18,982,931
Total	<u>18,982,931</u>	<u>-</u>	<u>-</u>	<u>18,982,931</u>

	<i>1 January 2017</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	SR	SR	SR	SR
Investments at FVPL	20,161,989	-	-	20,161,989
Total	<u>20,161,989</u>	<u>-</u>	<u>-</u>	<u>20,161,989</u>

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the six-month period ended 30 June 2018

11. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the end of the reporting period during which the change has occurred. During the period, there was no transfer in fair value hierarchy for the financial assets held at fair value through profit or loss.

For all other financial assets and liabilities, the carrying value is an approximation of fair value, including: cash and cash equivalents, receivables and advances and accrued expenses.

12. OTHER EXPENSES

	<i>For the six-month period ended 30 June</i>	
	2018	2017
	SR	SR
Audit fees	15,620	14,876
Value Added Tax	12,757	-
Standard & Poor's benchmark fees	6,639	6,322
Brokerage	3,453	1,029
Tadawul fees	2,603	2,480
CMA monitoring fees	3,906	3,720
Board member fees (note 13)	2,221	3,352
Special interest expense	-	11
	47,199	31,790

13. 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 255,137 (30 June 2017: SR 256,273).

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

The Bank acts as the Fund's banker and the Fund Manager acted as the custodian to the Fund's investment until 31 March 2018 after that custody was transferred to Riyadh Capital Company.

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 received total remuneration of SR 2,221 during the period ended 30 June 2018 (2017: SR 3,352), the fees payable to directors at the period-end were SR 2,221 (31 December 2017: SR Nil).

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the six-month period ended 30 June 2018

13. 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>	<i>30 June 2018</i>	<i>31 December 2017</i>	<i>1 January 2017</i>
		<i>Units</i>	<i>Units</i>	<i>Units</i>
The Bank	Units held	1,000,000	1,000,000	1,000,000
Employees of the Bank	Units held	500	500	500
		<u>1,000,500</u>	<u>1,000,500</u>	<u>1,000,500</u>

14. 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 2018</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Cash and cash equivalents	3,212,403	-	3,212,403
Investments at fair value through profit or loss	21,336,690	-	21,336,690
Receivables and advances	33,835	-	33,835
TOTAL ASSETS	<u>24,582,928</u>	<u>-</u>	<u>24,582,928</u>
LIABILITY			
Accrued expenses	36,928	-	36,928
TOTAL LIABILITY	<u>36,928</u>	<u>-</u>	<u>36,928</u>
<i>As at 31 December 2017</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Cash and cash equivalents	7,443,733	-	7,443,733
Investments at fair value through profit or loss	18,982,931	-	18,982,931
Receivables and advances	4,390	-	4,390
TOTAL ASSETS	<u>26,431,054</u>	<u>-</u>	<u>26,431,054</u>
LIABILITY			
Accrued expenses	1,413	-	1,413
TOTAL LIABILITY	<u>1,413</u>	<u>-</u>	<u>1,413</u>

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the six-month period ended 30 June 2018

14. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

As at 1 January 2017	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Cash and cash equivalents	7,685,994	-	7,685,994
Investments at fair value through profit or loss	20,161,989	-	20,161,989
Receivables and advances	2,400	-	2,400
TOTAL ASSETS	27,850,383	-	27,850,383
LIABILITY			
Accrued expenses	67,880	-	67,880
TOTAL LIABILITY	67,880	-	67,880

15. FINANCIAL RISK MANAGEMENT

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

- Credit risk;
- Liquidity risk; and
- Market risk;

This note presents information about the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Financial risk management framework

The Fund's objective in managing risk is the creation and protection of unitholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk, currency risk and price risk).

The Fund's investment manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives. The composition of the portfolio are monitored by the Fund Board on a semi-annual basis.

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

In order to avoid excessive concentrations of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The investment manager is instructed to reduce exposure or to use derivative instruments to manage excessive risk concentrations when they arise.

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the six-month period ended 30 June 2018

15. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties. The Fund Manager seeks to limit its credit risk by monitoring credit exposure and by dealing with reputed counterparties.

The Fund is exposed to credit risk on its bank balance which is held with Alawwal bank, the parent of the Fund Manager.

The table below shows the maximum exposure to credit risk for the component of the interim condensed statement of financial position.

	30 June 2018 SR	31 December 2017 SR	1 January 2017 SR
Cash and cash equivalents	3,212,403	7,443,733	7,685,994
Total exposure to credit risk	3,212,403	7,443,733	7,685,994

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities that are settled by delivering cash or another financial assets.

The Fund's terms and conditions provide for the terms of subscriptions and redemptions of units and it is, therefore, exposed to the liquidity risk of meeting unitholder redemptions. However, the Fund is allowed to borrow in order to satisfy redemptions. The Fund's securities are considered to be readily realizable as they are all listed on stock markets. The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

Market Risk

Market Risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the fair value of its holdings in financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective as per Fund's terms and conditions. The Fund's market risk is managed on a timely basis by the investment manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a timely basis by the Fund Manager.

Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices.

The Fund's investments are susceptible to market price risk arising from uncertainties about future prices. The Fund Manager manages this risk through diversification of its investment portfolio in terms of geographical distribution and industry concentration.

GCC Equity Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the six-month period ended 30 June 2018

15. FINANCIAL RISK MANAGEMENT (continued)

Equity price risk (continued)

Sensitivity analysis

The table below sets out the effect on profit or loss of a reasonably possible weakening / strengthening in the individual equity market prices of 5% at reporting date. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular interest and foreign currency rates, remain constant.

	For the six-month period ended 30 June			
	2018		2017	
		SR		SR
Net gain (loss) on investments held at FVPL	+ 5%	120,181	+ 5%	29,006
	- 5%	(120,181)	- 5%	(29,006)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund invests in securities and other investments that are denominated in currencies other than the Saudi Riyal. Accordingly, the value of the Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates. Therefore, the Fund will necessarily be subject to foreign exchange risks. Since the foreign currency risk is considered as part of the market risk associated with the fair value of the funds foreign equity investments, the Fund's management believes that there is minimal risk of significant losses due to exchange rate fluctuation and foreign exchange gains and losses are not significant.

16. FIRST-TIME ADOPTION OF IFRS

As stated in note 3, these interim condensed financial statements are the first financial statements prepared by the Fund's in accordance with IFRS.

The accounting policies set out in note 5 have been applied in preparing the financial statements for the year ended 31 December 2017 and in the preparation of an opening IFRS statement of financial position at 1 January 2017 (the Fund's date of transition) except for IFRS 9 as disclosed in note 17 below.

The transition from previous GAAP i.e. accounting standards generally accepted in the Kingdom of Saudi Arabia ("SOCPA") to IFRS has no significant impact on the Fund's financial position, comprehensive income, and statements of cash flows and changes in equity.

17. IMPACT OF CHANGE IN ACCOUNTING POLICIES

The Fund has adopted IFRS 9 "Financial Instruments" from its effective date of 1 January 2018. Based on which the Fund has evaluated the classification and measurement of all its financial instruments under IFRS 9.

As all of the Fund's investments are either held for trading and/or managed or evaluated on a fair value basis, they have remained classified as fair value through profit or loss up to upon adoption of IFRS 9. The adoption of IFRS 9 therefore has not resulted in any change to the classification or measurement of financial instruments, in either the current or prior period. So, no separate reconciliation statement is prepared to reconcile the financial position balances from previous GAAP i.e. SOCPA to IFRS 9.

18. VALUATION PERIOD

The last valuation day of the period was 30 June 2018 (2017: 31 December 2017).

19. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements are approved by the Fund Board on 3 Dhul-Hijjah 1439H (Corresponding to 14 August 2018).