

**GCC Equity Fund**  
(Managed by Alawwal Invest Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS**  
(UNAUDITED)

**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**



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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 2019 and the related interim condensed statements of comprehensive income, cash flows and changes in equity for the six-month period ended 30 June 2019, 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. AlMubarak  
Certified Public Accountant  
License No. 427



Riyadh: 4 Dhual-Hijjah 1440H  
(5 August 2019)

## GCC Equity Fund (Managed by Alawwal Invest Company)

### INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2019

	<i>Notes</i>	<b>30 June 2019 SR</b>	<b>31 December 2018 SR</b>
<b>ASSETS</b>			
Cash and cash equivalents		<b>657,235</b>	5,605,874
Investments at fair value through profit or loss	4	<b>8,481,874</b>	18,082,716
Receivables and advances		<b>6,110</b>	5,175
<b>TOTAL ASSETS</b>		<b>9,145,219</b>	23,693,765
<b>LIABILITY</b>			
Accrued expenses		<b>35,139</b>	106,072
<b>EQUITY</b>			
Net assets attributable to the redeemable unitholders		<b>9,110,080</b>	23,587,693
Units in issue		<b>605,921</b>	1,787,738
Net assets value attributable to each unit		<b>15.0351</b>	13.1942

The accompanying notes 1 to 11 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 2019

	<i>Notes</i>	<b>2019</b> <b>SR</b>	<b>2018</b> <b>SR</b>
<b>INCOME</b>			
Net gain from investments at fair value through profit or loss	5	<b>2,161,997</b>	2,403,612
Dividend income		<b>447,431</b>	469,085
		<hr/> <b>2,609,428</b>	<hr/> 2,872,697
<b>EXPENSES</b>			
Management fees	8	<b>(199,067)</b>	(255,137)
Other expenses	7,8	<b>(81,405)</b>	(47,199)
		<hr/> <b>(280,472)</b>	<hr/> (302,336)
<b>PROFIT FOR THE PERIOD</b>		<b>2,328,956</b>	2,570,361
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>2,328,956</b>	2,570,361

The accompanying notes 1 to 11 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 2019

	2019 SR	2018 SR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	<b>2,328,956</b>	2,570,361
Adjustments to reconcile profit for the period to net cash flows:	-	-
Unrealized gain on investments at fair value through profit or loss	<b>(976,863)</b>	(2,495,124)
	<b>1,352,093</b>	75,237
Working capital adjustments:		
Decrease in investments at fair value through profit or loss	<b>10,577,705</b>	141,365
Increase in receivables and advances	<b>(935)</b>	(29,445)
(Decrease) increase in accrued expenses	<b>(70,933)</b>	35,515
Net cash flows from operating activities	<b>11,857,930</b>	222,672
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on redemption of units	<b>(16,806,569)</b>	(4,454,002)
Net cash flows used in financing activities	<b>(16,806,569)</b>	(4,454,002)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(4,948,639)</b>	(4,231,330)
Cash and cash equivalents at the beginning of the period	<b>5,605,874</b>	7,443,733
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>657,235</b>	3,212,403

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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 2019

	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
<b>EQUITY AT THE BEGINNING OF THE PERIOD</b>	<b>23,587,693</b>	26,429,641
Profit for the period	<b>2,328,956</b>	2,570,361
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<b>2,328,956</b>	2,570,361
Redemptions of units during the period	<b>(16,806,569)</b>	(4,454,002)
<b>EQUITY AT THE END OF THE PERIOD</b>	<b>9,110,080</b>	24,546,000

#### UNIT TRANSACTIONS

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

	<i>2019</i> <i>Units</i>	<i>2018</i> <i>Units</i>
<b>UNITS AT THE BEGINNING OF THE PERIOD</b>	<b>1,787,738</b>	2,139,998
Units redeemed during the period	<b>(1,181,817)</b>	(334,892)
<b>NET DECREASE IN UNITS</b>	<b>(1,181,817)</b>	(334,892)
<b>UNITS AT THE END OF THE PERIOD</b>	<b>605,921</b>	1,805,106

The accompanying notes 1 to 11 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 2019

### 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	24 July 2018
Latest Governing Information Memorandum Date	24 July 2018
Category	Conventional
Objective	Long-term capital appreciation
Allowed Investment Channels	GCC equity markets
	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 AND CHANGES TO ACCOUNTING POLICIES

#### 3.1. Basis of preparation

These interim condensed financial statements for the six-month period ended 30 June 2019 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 2018.

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 2018. There are new standards, amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed financial statements of the Fund.

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)

For the six-month period ended 30 June 2019

#### 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 2019				31 December 2018			
	% of	Cost	Market	Unrealized	% of	Cost	Market	Unrealized
	Value	SR	value	gain (loss)	Value	SR	value	gain (loss)
<b>Equities</b>								
Banks	36.27	2,473,922	3,076,576	602,654	35.95	5,225,474	6,501,277	1,275,803
Materials	14.27	1,159,318	1,210,351	51,033	20.29	3,775,939	3,669,512	(106,427)
Commercial & Professional Svc	5.80	390,057	491,810	101,753	-	-	-	-
Telecommunication Services	5.03	362,605	426,552	63,947	4.19	684,800	758,185	73,385
Consumer Services	4.73	338,862	401,118	62,256	4.96	893,288	897,763	4,475
Retailing	2.63	211,990	223,275	11,285	3.05	682,205	551,572	(130,633)
Food and Beverages	2.36	200,336	199,967	(369)	3.52	775,327	636,016	(139,311)
Health Care								
Equipment and Svc	2.00	194,817	169,230	(25,587)	1.60	362,884	289,772	(73,112)
Energy	1.35	136,555	114,240	(22,315)	1.39	271,818	250,500	(21,318)
Utilities	1.44	116,261	122,496	6,235	1.55	347,082	280,847	(66,235)
Insurance	1.07	81,564	90,582	9,018	0.70	93,609	125,846	32,237
Food & Staples								
Retailing	0.98	78,126	83,313	5,187	-	-	-	-
Capital Goods	0.41	41,833	34,400	(7,433)	0.88	219,625	158,760	(60,865)
Real Estate								
Management and Development	-	-	-	-	0.40	94,400	71,980	(22,420)
Transportation	-	-	-	-	0.14	33,684	25,956	(7,728)
Financial Services	-	-	-	-	-	-	-	-
Industries	-	-	-	-	-	-	-	-
Others	21.66	2,135,308	1,837,964	(297,344)	21.38	5,039,125	3,864,730	(1,174,395)
	<b>100.00</b>	<b>7,921,554</b>	<b>8,481,874</b>	<b>560,320</b>	<b>100.00</b>	<b>18,499,260</b>	<b>18,082,716</b>	<b>(416,544)</b>

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

	30 June 2019				31 December 2018			
	% of	Cost	Market	Unrealized	% of	Cost	Market	Unrealized
	value	SR	value	gain (loss)	value	SR	value	gain (loss)
<b>Equities</b>								
Kingdom of Saudi Arabia	78	5,786,246	6,643,910	857,664	79	13,460,135	14,217,985	757,850
State of Kuwait	13	1,455,254	1,128,681	(326,573)	13	3,501,828	2,350,573	(1,151,255)
United Arab Emirates	9	680,054	709,283	29,229	8	1,537,297	1,514,158	(23,139)
	<b>100</b>	<b>7,921,554</b>	<b>8,481,874</b>	<b>560,320</b>	<b>100</b>	<b>18,499,260</b>	<b>18,082,716</b>	<b>(416,544)</b>



## 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 2019

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

	<i>For the six-month period ended 30 June</i>	
	<b>2019</b>	2018
	SR	SR
Realised gain (loss)	<b>1,185,133</b>	(91,512)
Unrealised gain	<b>976,864</b>	2,495,124
	<b>2,161,997</b>	2,403,612

#### 6. 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 2019</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	SR	SR	SR	SR
Investments at FVPL	<b>8,481,874</b>	-	-	<b>8,481,874</b>
Total	<b>8,481,874</b>	-	-	<b>8,481,874</b>

  

	<i>31 December 2018</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	SR	SR	SR	SR
Investments at FVPL	18,082,716	-	-	18,082,716
Total	18,082,716	-	-	18,082,716

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.

## 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 2019

#### 7. OTHER EXPENSES

	<i>For the six-month period ended 30 June</i>	
	2019	2018
	SR	SR
Brokerage	23,899	3,453
Audit fees	17,355	15,620
Value Added Tax	12,041	12,757
Custodian fees	12,000	-
Standard & Poor's benchmark fees	7,439	6,639
CMA monitoring fees	3,720	3,906
Tadawul fees	2,480	2,603
Board member fees (note 8)	2,471	2,221
	<u>81,405</u>	<u>47,199</u>

#### 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 199,067 (30 June 2018: SR 255,137).

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 remuneration for the period end amounted to SR 2,471 (30 June 2018: SR 2,221), the fees payable to directors at the period-end were SR 2,471 (31 December 2018: SR 4,267).

##### *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</i>	<i>31 December</i>
		<i>2019</i>	<i>2018</i>
		<i>Units</i>	<i>Units</i>
Employees of the Bank	Units held	500	500
The Bank	Units held	-	1,000,000
		<u>500</u>	<u>1,000,500</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 2019

#### 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 2019</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<b>ASSETS</b>			
Cash and cash equivalents	657,235	-	657,235
Investments at fair value through profit or loss	8,481,874	-	8,481,874
Receivables and advances	6,110	-	6,110
<b>TOTAL ASSETS</b>	<b>9,145,219</b>	<b>-</b>	<b>9,145,219</b>
<b>LIABILITY</b>			
Accrued expenses	35,139	-	35,139
<b>TOTAL LIABILITY</b>	<b>35,139</b>	<b>-</b>	<b>35,139</b>
<i>As at 31 December 2018</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<b>ASSETS</b>			
Cash and cash equivalents	5,605,874	-	5,605,874
Investments at fair value through profit or loss	18,082,716	-	18,082,716
Receivables and advances	5,175	-	5,175
<b>TOTAL ASSETS</b>	<b>23,693,765</b>	<b>-</b>	<b>23,693,765</b>
<b>LIABILITY</b>			
Accrued expenses	106,072	-	106,072
<b>TOTAL LIABILITY</b>	<b>106,072</b>	<b>-</b>	<b>106,072</b>

#### 10. VALUATION PERIOD

The last valuation day of the period was 30 June 2019 (2018: 31 December 2018).

#### 11. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements are approved by the Fund Board on 4 Dhu'l Hijjah 1440H (Corresponding to 5 August 2019).