

**GCC ITHMAR FUND  
MANAGED BY ALBILAD INVESTMENT COMPANY  
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016  
AND LIMITED REVIEW REPORT TO THE UNIT HOLDERS**

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## LIMITED REVIEW REPORT

July 26, 2016

To the Unit Holders and the Fund Manager of  
GCC Ithmar Fund:

### Scope of review

We have reviewed the accompanying balance sheet of GCC Ithmar fund (the "Fund") as of 30 June 2016, and the related interim statements of income, cash flows and changes in net assets attributable to unit holders for the six-month period then ended and the related notes from (1) to (13) which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Fund's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the standard of review of interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of the limited review is substantially less than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in Saudi Arabia.

**PricewaterhouseCoopers**

By:

  
Omar M. Al Sagga  
License Number 369



**GCC ITHMAR FUND**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**INTERIM BALANCE SHEET (UN-AUDITED)**  
 (All amounts in Saudi Riyal '000' unless otherwise stated)

		<b>As at 30 June 30</b>	
	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>			
Cash and cash equivalents	7	4,152	670
Investments held for trading	6	21,859	41,749
Dividend receivable		62	24
<b>Total assets</b>		<b>26,073</b>	<b>42,443</b>
<b>LIABILITIES</b>			
Accrued management fees	7	117	189
Accrued expenses		20	24
<b>Total liabilities</b>		<b>137</b>	<b>213</b>
<b>Net assets attributable to unit holders</b>		<b>25,936</b>	<b>42,230</b>
<b>Units in issue (Units '000)</b>		<b>36,797</b>	<b>44,534</b>
<b>Net assets value - per unit (Saudi Riyal)</b>		<b>0.7048</b>	<b>0.9483</b>

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

**GCC ITHMAR FUND**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**INTERIM STATEMENT OF INCOME (UN-AUDITED)**  
 (All amounts in Saudi Riyal '000' unless otherwise stated)

		<b>For the six-month period ended 30 June,</b>	
	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>INCOME</b>			
Dividend income, net	10	742	754
Trading gain / (loss), net			
- Realised loss on investments		(3,960)	(843)
- Movement in unrealised gain from investments		<b>3,430</b>	<b>4,072</b>
		<b>212</b>	<b>3,983</b>
<b>EXPENSES</b>			
Management fees	5,7	(229)	(391)
Other expenses	5	(37)	(48)
		<b>(266)</b>	<b>(439)</b>
<b>Net (loss) / income for the period</b>		<b>(54)</b>	<b>3,544</b>

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

**GCC ITHMAR FUND**  
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**INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**  
(All amounts in Saudi Riyal '000' unless otherwise stated)

	<b>For the six-month period ended 30 June,</b>	
	<b>2016</b>	<b>2015</b>
<b>OPERATING ACTIVITIES</b>		
<b>Net (loss) / income for the period</b>	<b>(54)</b>	<b>3,544</b>
Adjustment to reconcile net (loss) / income to net cash from operating activities:		
Movement in unrealised gain on investments held for trading, net	<b>(3,430)</b>	<b>(4,072)</b>
	<b>(3,484)</b>	<b>(528)</b>
<b>Changes in operating assets and liabilities</b>		
Investments held of trading, net	<b>7,428</b>	<b>4,633</b>
Dividend receivable	<b>(47)</b>	<b>(24)</b>
Accrued management fee	<b>(20)</b>	<b>(42)</b>
Accrued expenses	<b>4</b>	<b>(3)</b>
<b>Net cash generated from operating activities</b>	<b>3,881</b>	<b>4,036</b>
<b>FINANCING ACTIVITIES</b>		
Dividend distribution	<b>(678)</b>	<b>(431)</b>
Proceeds from issuance of units	<b>56</b>	<b>2,576</b>
Payment towards units redeemed	<b>(2,090)</b>	<b>(8,567)</b>
<b>Net cash used in financing activities</b>	<b>(2,712)</b>	<b>(6,422)</b>
Net increase / (decrease) in cash and cash equivalents	<b>1,169</b>	<b>(2,386)</b>
Cash and cash equivalents at beginning of the period	<b>2,983</b>	<b>3,056</b>
<b>Cash and cash equivalents at end of the period</b>	<b>4,152</b>	<b>670</b>

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



**GCC ITHMAR FUND  
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016  
(All amounts in Saudi Riyal '000' unless otherwise stated)**

**1. THE FUND AND ITS ACTIVITIES**

The GCC Ithmar Fund (the "Fund") is an open-ended investment fund, managed by AlBilad Investment Company (the "Fund Manager"), a subsidiary of Bank AlBilad (the "Bank") for the benefit of the Fund's Unit Holders. The Fund's objective is to invest in the long-term listed equities of GCC Markets on a global scale in order to earn capital gain. The Fund will distribute dividend up to 5% of its Net Asset Value semi-annually on the last business day of the month of May and November.

The Fund commenced its operations on 1 June 2014 and operated under the regulations issued by Saudi Arabian Monetary Agency (SAMA) until the Capital Market Authority (CMA) pursuant to resolution number 1-219-2006 dated 3 Dhul Hijja 1427H (corresponding to 24 December 2006), issued Investment Funds Regulations detailing regulatory requirements for all funds operating within the Kingdom of Saudi Arabia. The terms and conditions of the Fund were initially approved by SAMA and subsequently endorsed by the CMA on 31 March 2014.

In dealing with the unit holders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate interim financial statements for the Fund. Furthermore, unit holders are considered to be owners of the assets of the Fund.

**2. REGULATORY AUTHORITY**

The Fund is governed by the Investment Fund Regulations ("the Regulations") published by the Capital Market Authority (CMA) on 22 Dhul Hijja 1427H (corresponding to 12 January 2007) detailing requirements for all funds within the Kingdom of Saudi Arabia.

**3. BASIS OF PREPARATION**

**3.1 Statement of compliance**

These interim financial statements are prepared in accordance with the requirements of the generally accepted accounting standards on financial reporting issued by the Saudi Organization of Certified Public Accountants ("SOCPA").

**3.2 Basis of measurement**

These interim financial statements have been prepared under the historical cost convention, except for the measurement of investments held for trading at fair value, using the accrual basis of accounting and the going concern concept.

**3.3 Functional and presentation currency**

These interim financial statements have been presented in Saudi Riyals (SR), which is the functional currency of the Fund. All financial information presented in SR has been rounded to the nearest thousand.

**3.4 Use of estimates and judgment**

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and future years affected. The significant judgment made by management in applying accounting policies and key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 31 December 2015.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these interim financial statements are consistent with those used in the preparation of annual the financial statements for the year ended 31 December 2015.



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**4.1 Investments held for trading**

Investments are classified as "held for trading" if they are purchased for the purpose of resale in the short term. Investments held for trading are initially recorded at cost which includes the purchase price plus all expenditures made by the Fund for the purpose of acquiring securities. Subsequent to initial recognition, investments held for trading are measured at fair value and resulting gains or losses are recognised in the statement of income but excluding dividend income which is separately shown in the statement of income. Realised gains or losses at disposal and unrealised gains or losses are determined on average cost basis.

**4.2 Trade date accounting**

All regular-way purchases and sales of financial assets are recognized and derecognized on the trade date, i.e. the date that the Fund commits to purchase or sell the assets. Regular-way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place.

All other financial asset and liabilities are initially recognized on trade date at which the Fund becomes a party to the contractual provision of the instrument.

**4.3 Management fees and other expenses**

Management fees and other expenses are charged at rates / amounts within limits mentioned in terms and conditions of the Fund. These charges are calculated and accrued on each valuation date.

**4.4 Provisions**

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

**4.5 Zakat / taxation**

Zakat / taxation is the obligation of the unit holders and is not provided for in these interim financial statements.

**4.6 Dividend income**

Dividend income is recognized when the right to receive the dividend is established.

**4.7 Cash and cash equivalents**

Cash and cash equivalents comprise balances held in investment account with Bank AlBilad in a pool of accounts managed by the Fund Manager.

**4.8 Subscription and redemption of units**

Units subscribed and redeemed are recorded at the net assets value per unit on the valuation day for which the subscription request and redemption applications are received.

**4.9 Net assets value**

The net assets value per unit disclosed in the balance sheet is calculated by dividing the net assets of the Fund by the number of units in issue at the period-end.

**4.10 Foreign currency transactions**

Transactions denominated in foreign currencies are translated into the functional currency of the Fund at the spot exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency of the Fund at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the statement of income. Translation gains or losses on non-monetary items carried at fair value are included as part of fair value adjustment in the statement of income.

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**4.11 Financial instruments**

Financial assets and liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of financial assets and financial liabilities is taken directly to the statement of income.

**5. MANAGEMENT FEE, ADMINISTRATION AND OTHER CHARGES**

The Fund Manager charges each investor a subscription fee of a percentage not exceeding 1% (2015: 1%) of the subscribed amount to cover administration costs and is netted off against proceeds from issuance of units.

The Fund Manager charges the Fund, a management fee at the rate of 1.75% per annum (2015: 1.75%) of the Fund's net asset value which is calculated and deducted on each valuation date and deducted on a quarterly basis.

The Fund Manager also recovers certain expenses incurred on behalf of the Fund within limits mentioned in the terms and conditions of the Fund.

**6. INVESTMENTS HELD FOR TRADING**

	Note	2016	2015
Equities - Quoted	6.1	21,859	33,207
Mutual fund	6.2	-	8,542
		<b>21,859</b>	<b>41,749</b>
Cost		27,588	43,309
Unrealised loss, net		(5,729)	(1,560)
		<b>21,859</b>	<b>41,749</b>

6.1 The Fund Manager has invested in the following markets:

Description by geographical segment	% of market value		Cost		Market value	
	2016	2015	2016	2015	2016	2015
Saudi Market *	54	59	13,245	23,494	11,795	24,591
United Arab Emirates (Dubai)	26	7	7,595	4,160	5,733	2,917
Kuwaiti Market	11	8	4,119	4,409	2,457	3,177
Qatar Market	9	6	2,629	2,694	1,874	2,522
<b>Total</b>	<b>100</b>	<b>80</b>	<b>27,588</b>	<b>34,757</b>	<b>21,859</b>	<b>33,207</b>

6.2 The investment in the investment Fund consists of the following as of June 30:

Market	% of market value		Cost		Market value	
	2016	2015	2016	2015	2016	2015
Al-Murabeh Fund	-	8	-	3,500	-	3,500
Ithmar Fund	-	12	-	5,252	-	4,042
<b>Total</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>8,552</b>	<b>-</b>	<b>8,542</b>

\* The Fund was not in compliance with its terms and conditions as of June 30, 2016 it since invested in the Saudi Market at the ratio of 45.4% of net assets, whereas the terms and conditions limit the investment in a single market to 45% of the net assets.

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**7. TRANSACTIONS WITH RELATED PARTIES**

In the ordinary course of its activities, the Fund transacts business with related parties. Related party transactions are in accordance with the terms and conditions of the Fund. All the related party transactions are approved by the Fund Board.

Related parties comprise the Fund Manager, Bank AlBilad (the Parent Company of the Fund Manager) and entities related to Bank AlBilad and Fund Manager.

Name of related party	Nature of transaction/balance	Value of transactions during the period		Closing balance	
		2016	2015	2016	2015
AlBilad Investment Company	Management fees	112	391	117	189
	Cash and cash equivalents (investment account balance)	-	-	2,045	155
Bank AlBilad	Current Account Balance	-	-	151	-
Murabeh Fund	Units purchased	-	8,500	-	-
	Units redeemed	-	10,027	-	-
	Closing balance	-	-	-	3,500
Ithmar Fund	Units redeemed	-	495	-	4,042
AlBilad Investment Company	Closing balance	-	-	3,524	-

The Fund manager also charges subscription fee to cover administrative costs from the subscribers and is netted-off against the proceeds from issuance of units (note 5).

**8. SUBSCRIPTION AND REDEMPTION OF UNITS**

Units of the Fund are made available for purchase only in the Kingdom of Saudi Arabia at the Bank AlBilad branches by natural and corporate persons. The net asset value of the Fund is determined on every Sunday and Wednesday ("Valuation Day") by dividing the net value of assets (fair value of total assets minus liabilities) by the total number of outstanding units on the relevant valuation day.

**9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Fund's financial assets comprise cash and cash equivalents and held for trading investments and its financial liabilities consist of accrued expenses. Investments are carried at fair values and with respect to other financial assets and liabilities, management believes that fair values of these instruments are not materially different from their carrying values.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise financial assets and financial liabilities.

The objective of the Funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety to unit holders.

The Fund manages its investment portfolio and other assets by monitoring the return on net assets and makes adjustments to its investment policy in the light of changes in market conditions. The capital available is dependent upon the issuance and redemption of units.

Asset allocation is determined by the Fund Manager with a view to achieving the investment objectives. The Fund maintains positions in different financial instruments as dictated by its investment policy. All investments are "held for trading" investments. The Fund is exposed to credit risk, equity price risk, liquidity risk and currency risk.

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**9.1 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 is exposed to credit risk on its cash balance which is maintained with a related party that has a sound credit rating. The Fund's maximum exposure at the reporting date is represented by respective carrying amounts of the relevant financial assets in the balance sheet.

**9.2 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 is exposed to equity price risk arising from its investments held for trading portfolio due to investment in quoted equity shares that are listed in the Saudi stock exchange. Equity price risk is managed by diversifying the portfolio. This is achieved by investing in securities in various sectors of the market (note 6) and continuous monitoring of the equity prices by the Fund Manager.

**9.3 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities and payment towards units redeemed. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

The Fund's terms and conditions provide for the subscription and redemption of units on every valuation day and it is, therefore, exposed to the liquidity risk of meeting redemptions at any time. The Fund's securities are considered to be readily realisable and they can be liquidated at any time. However, the Fund Manager has established certain liquidity guidelines for the Fund and monitors liquidity requirements on a regular basis to ensure sufficient funds are available to meet any commitments as they arise.

**9.4 Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. All the financial instruments of the Fund are denominated in Saudi Riyals and hence, not exposed to significant currency risk.

**10. INCOME EXCLUDED FROM THE STATEMENT OF INCOME**

As per the agreement between the Fund and Units' Holders in the Fund, income prohibited by Sharia'h, as defined, is excluded from the statement of income and paid to charities. Such amount is determined based on the information available to management upon preparation of these interim financial statements.

**11. FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the price that is received to sell an asset or paid to transfer a liability in an orderly transaction among market participants at the measurement date. Financial instruments comprise of financial assets and financial liabilities.

The Fund's financial assets comprise cash and cash equivalents and investments held for trading, and its financial liabilities comprise of accrued expenses.

Investments held for trading are carried at fair value. The fair values of other financial instruments are not materially different from their carrying values. Fluctuations in stock market can cause fluctuations in the investment portfolio.

**12. LAST VALUATION DATE OF THE PERIOD**

In accordance with the terms and condition of the Fund, the last valuation day of the year was June 29, 2016 (2015: 30 June 2015).

**13. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These interim financial statements were approved by the Fund Board before issuance.