

**GCC Equity Fund
Open-Ended Fund
(Managed by Alawwal Invest Company)
Financial Statements
For the Year ended 31 December 2022
Together with the
Independent Auditor's Report to the Unitholders**

GCC EQUITY FUND Open-Ended Fund
(Managed by Alawwal Invest Company)
FINANCIAL STATEMENTS
For the Year Ending 31 December 2022

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PKF

Ibrahim Ahmed Al-Bassam & Co.
Certified Public Accountants
(Member of PKF International)

INDEPENDENT AUDITOR'S REPORT

TO THE UNIT HOLDERS OF GCC EQUITY FUND

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, the Fund financial statements present fairly, in all material respects, the financial position of the **GCC EQUITY FUND** (the "Fund") managed by Al Awwal Invest Company (the "Fund Manager" as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the financial statements of the Fund, which comprise of the following:

- The statement of financial position as at 31 December 2022;
- The statement of comprehensive income for the year then ended;
- The statement of changes in net assets (Equity) attributable to the unit holders for the year then ended;
- The statement of cash flows for the year then ended, and;
- The notes to the financial statements, including a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the code of professional conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Fund's financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Fund and the Fund's terms and conditions and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations or has no realistic alternative but to do so.

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INDEPENDENT AUDITOR'S REPORT

TO THE UNIT HOLDERS OF GCC EQUITY FUND

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS (continued)

Those charged with governance, i.e. the Fund Manager, is responsible for overseeing the Fund's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by the management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern; and

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INDEPENDENT AUDITOR'S REPORT

TO THE UNIT HOLDERS OF GCC EQUITY FUND

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Al-Bassam & Co.



Ibrahim A. Al-Bassam
Certified Public Accountant
License No. 337
Riyadh: 06 Ramadhan 1444H
Corresponding to: 28 March 2023

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GCC EQUITY FUND Open-Ended Fund

(Managed by Alawwal Invest Company)

STATEMENT OF FINANCIAL POSITION**As at 31 December 2022****(Amounts in Saudi Arabian Riyals)**

	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalent	6	830,898	1,301,251
Investments carried at fair value through profit or loss (FVTPL)	7	9,748,244	9,978,062
Trade receivables	8	264,829	-
Total assets		10,843,971	11,279,313
LIABILITIES			
Accruals and other liabilities	11	74,823	82,914
Total liabilities		74,823	82,914
Net assets (equity) attributable to the unit holders		10,769,148	11,196,399
Units in issue (number)		540,915	550,413
Net assets attributable to each unit		19.91	20.34

The accompanying notes 1 to 17 form an integral part of these financial statements.

GCC EQUITY FUND Open-Ended Fund

(Managed by Alawwal Invest Company)

STATEMENT OF COMPREHENSIVE (LOSS) / INCOME

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

	Note	31 December 2022	31 December 2021
<u>Income</u>			
Net (loss) / gain from investments	9	(153,794)	3,202,814
Dividend Income		300,231	272,940
		<u>146,437</u>	<u>3,475,754</u>
<u>Expenses</u>			
Management fee	10	(233,261)	(196,117)
Other expense	12	(136,146)	(121,198)
		<u>(369,407)</u>	<u>(317,315)</u>
Net (loss) / gain for the year		<u>(222,970)</u>	<u>3,158,439</u>
Other comprehensive income for the year		-	-
Total comprehensive (loss) / income for the year		<u>(222,970)</u>	<u>3,158,439</u>

The accompanying notes 1 to 17 form an integral part of these financial statements.

GCC EQUITY FUND Open-Ended Fund

(Managed by Alawwal Invest Company)

STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

	31 December 2022	31 December 2021
Net assets (equity) attributable to the unit holders at the beginning of the year	11,196,399	8,387,752
Total comprehensive (loss) / income for the year	(222,970)	3,158,439
Changes from unit transactions		
Issuance of units during the year	-	-
Redemption of units during the year	(204,281)	(349,792)
Net assets (equity) attributable to the Unit holders at the end of the year	10,769,148	11,196,399

REDEEMABLE UNIT TRANSACTIONS

Transactions in redeemable units during the year are summarized as follows:

	31 December 2022 Units	31 December 2021 Units
Units at the beginning of the year	550,413	569,918
Units issued during the year	-	-
Units redeemed during the year	(9,498)	(19,505)
Net increase / (decrease) in unit	(9,498)	(19,505)
Units at end of the year	540,915	550,413

The accompanying notes 1 to 17 form an integral part of these financial statements.

GCC EQUITY FUND Open-Ended Fund

(Managed by Alawwal Invest Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

	<u>Note</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
<u>Cash flows from operating activities:</u>			
Net (loss) / income for the year		(222,970)	3,158,439
Unrealized loss / (gains) on investments carried at FVPL	9	(649,805)	(2,199,489)
Purchase of Investment		(7,011,520)	(1,427,063)
Proceeds from sale of Investment		7,891,143	1,879,883
(Increase) / decrease in trade receivables		(264,829)	1,712
(Decrease) / increase in accrued expenses		(8,091)	21,394
Net cash used / generated from operating activities		(266,072)	1,434,876
<u>Cash flows from financing activities:</u>			
Payment on Redemption of units		(204,281)	(349,792)
Net cash used in from financing activities		(204,281)	(349,792)
Net (decrease) / increase in cash and cash equivalents		(470,353)	1,085,084
Cash and cash equivalents at beginning of the year		1,301,251	216,167
Cash and cash equivalents at end of the year		830,898	1,301,251

The accompanying notes 1 to 17 form an integral part of these financial statements.

GCC EQUITY FUND Open-Ended Fund

(Managed by Alawwal Invest Company)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

1 INCORPORATION AND PRINCIPAL ACTIVITIES

GCC Equity Fund (the “Fund”) is an open-ended fund domiciled in Kingdom of Saudi Arabia, created by an agreement between Alawwal Invest (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 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	28 February 2022
Latest Governing Information Memorandum Date	28 February 2022
Category	Conventional
Objective	Long term capital appreciation
Investable Universe	GCC equity markets
	Money market funds

The Fund has appointed Riyadh Capital Company (the “Custodian”) to act as its custodian and registrar. The fees of the custody and registration 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 12 07 (Rajab) 1442H (corresponding to 22 February 2021) (the “Amended Regulations”). The Fund Manager believes that the Amended Regulations was effective since 19 09 (Ramadan) 1442H (corresponding to 01 May 2021).

3. BASIS OF PREPARATION

3.1. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in the KSA”).

3.2. Basis of measurement

These financial statements have been prepared on a going concern basis under the historical cost convention, except for the investments at fair value through profit or loss that are measured at fair value. Furthermore, these financial statements are prepared, using the accrual basis of accounting.

3.3. Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyal (SAR) which is also the functional currency of the Fund.

GCC EQUITY FUND Open-Ended Fund

(Managed by Alawwal Invest Company)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

3. BASIS OF PREPARATION (CONTINUED)

3.4. Financial year

The financial year of the Fund commences on 1 January and ends on 31 December of each calendar year.

3.5. Significant Accounting Judgements, Estimates, And Assumptions

In the ordinary course of business, the preparation of financial statements requires management to make judgements, 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 period in which the estimates are revised and in future periods affected. Major areas where estimates or judgements made are significant to the Fund's financial statements or where judgement was exercised in the application of accounting policies are as follows:

Use of Judgements

Assessment as investment entity

Entities that meet the definition of an investment entity under IFRS are required to measure their investments at fair value through profit or loss rather than applying equity accounting method or consolidation. The criteria, which define an investment entity, is as follows:

- an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis. The Fund's investment proposal to the unit holders clearly states its objective of providing investment management services to investors, for the purpose of capital appreciation with a clearly documented exit strategy from the investment.

The Fund's investment proposal to the unit holders clearly states its objective of providing investment management services to investors, for the purpose of capital appreciation with a clearly documented exit strategy from the investment.

The Fund reports to its investors and to its management, the investment it manages on a fair value basis. The investment is reported at fair value to the extent allowed by accounting standards in the Fund's annual financials. The Fund's exit strategy for its investment is reviewed annually. Therefore, the Management concluded that the Fund meets the definition of an investment entity.

Going concern

The Fund's management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern. Accordingly, these financial statements have been prepared on a going concern basis.

GCC EQUITY FUND Open-Ended Fund

(Managed by Alawwal Invest Company)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

3. BASIS OF PREPARATION (CONTINUED)

3.5. Significant Accounting Judgements, Estimates, And Assumptions (continued)

Use of Estimates

Measurement of fair values

The Fund's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Fund uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted priced included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Fund recognizes transfers between the levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 14 of these financial statements.

Impairment of financial assets

The Fund applies and determines expected credit loss (ECL) model for the measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost e.g., bank balances. An expected credit loss is the probability weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. For the determination of the expected credit loss, the fund evaluates among other factors, the credit risk, default and timing of collection since initial recognition. This requires recognizing allowance for expected credit losses in the statements of profit or loss and other comprehensive income.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

4.1. New standards, amendments to standards and interpretations

The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Following standard, interpretation or amendment are effective from the current year and are adopted by the Fund, however, these does not have any impact on the financial statements of the Fund.

GCC EQUITY FUND Open-Ended Fund

(Managed by Alawwal Invest Company)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

4.1. New standards, amendments to standards and interpretations (continued)

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p><i>Amendments to IFRS 3, 'Business combinations'</i> update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p><i>Amendments to IAS 16, 'Property, plant and equipment'</i> prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p><i>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'</i> specify which costs a company includes when assessing whether a contract will be loss-making.</p> <p><i>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</i></p>	Annual periods beginning on or after 1 January 2022.

Management has assessed the impact of new standards and amendments effective from 1 January 2022 and determined that they have no material impact on the financial statements of the Fund.

GCC EQUITY FUND Open-Ended Fund

(Managed by Alawwal Invest Company)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

4.2. New standards, interpretations and amendments not yet effective

The following new standards, amendments and revisions to existing standards, which were issued by IASB but not yet effective up to the date of issuance of the Fund's financial statements. The Fund has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements of the Fund.

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.</p> <p>Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.</p> <p>Note that the IASB has issued a new exposure draft proposing change to this amendment.</p>	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.</p> <p>Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.</p>	Deferred until accounting periods starting not earlier than 1 January 2024

GCC EQUITY FUND Open-Ended Fund

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NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

4.2. New standards, interpretations and amendments not yet effective (continued)

Note that the IASB has issued a new exposure draft proposing change to this amendment.

Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
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Management anticipates that these new standards interpretations and amendments will be adopted in the Fund's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Fund in the period of initial application.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been adopted by the Fund and applied consistently throughout all years presented in these financial statements.

Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank.

Financial instruments

Initial recognition and measurement of financial assets

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Fund executes purchase or sale of the assets). Regular way purchase or sale of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the marketplace.

All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on trade date at which the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss is recognized immediately in profit or loss. For all other financial assets and financial liabilities transaction costs are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

De-recognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards are transferred.

GCC EQUITY FUND Open-Ended Fund

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NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification and subsequent measurement of financial assets

Financial assets are classified into the following specified categories:

- Financial assets at fair value through profit or loss (FVPL);
- Financial assets at fair value through other comprehensive income (FVOCI); or
- Financial assets at amortized cost.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate Sukuk, Murabaha placement.

Classification and subsequent measurement of debt instruments depend on:

- (i) The Fund's business model for managing the asset; and
 - (ii) The cash flow characteristics of the asset.
- **Financial assets at Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized in profit or loss statement. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method.
 - **Financial assets at Fair value through other comprehensive income:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortized cost are recognized in profit or loss statement. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss statement. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method.
 - **Fair value through profit or loss:** Financial assets that do not meet the criteria for amortized cost or FVOCI are classified as fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value is presented in the statement of profit or loss in the year in which it arises. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to the statement of profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported

GCC EQUITY FUND Open-Ended Fund

(Managed by Alawwal Invest Company)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity instruments (continued)

separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Fund's right to receive payments is established.

Impairment of financial assets

The Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Fund's financial assets fall into this category.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second and third category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

Liabilities are recognized on an accrual basis for amounts to be paid in the future in return for services received, whether or not billed by the provider.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Fund has designated a financial liability at FVPL.

Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method.

Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at the market price because this price provides a reasonable approximation of the exit price.

Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of assets and liabilities when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity attributable to unitholders

The net assets attributable to the unitholders comprise redeemable units issued and accumulated profit generated by the Fund. The redeemable units are classified as equity as explained below.

Redeemable 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.

The Fund classifies its redeemable units as an equity instrument if the redeemable units have all of the following features:

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

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 any of the features or meet all the conditions set out in paragraphs 16A and 16B of International Accounting Standard (IAS 32), 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 recognized in net assets attributable to unit holders. The subscription and redemption of redeemable units are accounted for as equity transactions as long as units are classified as equity.

Net assets value per unit

The net assets value per unit disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the number of units in issue at the reporting date.

Zakat

Zakat is the obligation of the Unitholder and is not provided for in these financial statements.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the amount can be reliably measured, regardless of when payment is being made.

Dividend income

Dividend income is recognized in the statement of profit or loss when declared (i.e. when the Fund's right to receive the dividend is established).

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5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management fee, custody fee and other expenses

The Fund's expenses include management fee, custody fee and other expenses. Management and custody fee are based on predetermined rates as specified in the Terms and Conditions of the Fund. Detailed policies are as follows:

Management fee

Fund management fees are recognized on accrual basis and charged to the statement of comprehensive income. Fund management fee is charged at agreed rates with the Fund Manager and as stated in the terms and conditions of the Fund.

Custody fee

The Fund shall pay the Custodian an annual fee (the "Custodian Fee") equal to 0.0647% of the value of the Fund's assets (based on the most recent asset valuation). The Custody fee shall be paid in quarterly instalments.

6. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash in current account	<u>830,898</u>	<u>1,301,251</u>
	<u>830,898</u>	<u>1,301,251</u>

6.1 The fund's balance with the bank is held in current account and does not earn profit.

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7. INVESTMENT CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)

Investment Sector	2022				2021			
	Market Value	Cost	Unrealized gain / (loss)	Percentage	Market Value	Cost	Unrealized gain / (loss)	Percentage
Banks	3,996,288	3,183,235	813,053	40.99	3,285,063	1,804,147	1,480,916	32.92
Food & Staples Retailing	731,077	701,532	29,545	7.50	-	-	-	0.00
Health Care Equipment & Svc	634,515	594,364	40,151	6.51	279,816	184,844	94,972	2.80
Materials	584,783	552,833	31,950	6.00	1,688,146	1,323,454	364,692	16.92
Utilities	251,478	238,588	12,890	2.58	146,278	107,454	38,824	1.47
Transport Sector	228,459	230,501	(2,042)	2.34	-	-	-	0.00
Building & Construction Sector	218,066	231,146	(13,080)	2.24	180,338	178,200	2,138	1.81
Telecommunication Services	213,907	196,203	17,704	2.19	876,169	727,653	148,516	8.78
Energy & Utilities Sector	197,898	213,588	(15,690)	2.03	-	-	-	0.00
Energy	184,307	165,602	18,705	1.89	389,520	370,164	19,356	3.90
Retailing	165,748	176,516	(10,768)	1.70	215,474	117,784	97,690	2.16
Consumer services	-	-	-	0.00	132,435	70,279	62,156	1.33
Capital goods	-	-	-	0.00	79,840	62,640	17,200	0.80
Food and beverages	-	-	-	0.00	78,926	92,186	(13,260)	0.79
Transportation	-	-	-	0.00	68,155	76,654	(8,499)	0.68
Insurance	-	-	-	0.00	1,446	964	482	0.01
OTHERS	-	-	-	0.00	2,454,663	2,025,981	428,682	24.60
Jahez	-	-	-	0.00	101,793	101,793	-	1.02
Shares	-	-	-	0.00	-	-	-	0.00
United Arab Emirates	1,250,455	1,293,558	(43,103)	12.83	-	-	-	0.00
Qatar	528,686	725,470	(196,784)	5.42	-	-	-	0.00
Kuwait	562,577	595,303	(32,726)	5.77	-	-	-	0.00
	9,748,244	9,098,439	649,805	100.00	9,978,062	7,244,197	2,733,865	100.00

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8. TRADE RECEIVABLES

The details are given below:

Sale Proceed Receivable*	255,629
Advance Audit fee (Inclusive of VAT)	9,250
	264,879

*Sale proceeds are receivable for Sale of securities near to year end.

9. NET GAINS FROM INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)

	31 December 2022	31 December 2021
Unrealized gains	649,805	2,733,865
Realized gains	(803,599)	468,949
	(153,794)	3,202,814

10. 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 year amounted to SR 233,261 (31 December 2021: SR 196,117). 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.

Transaction:

Related party	Nature of transaction	For the year ended	
		31 December 2022	31 December 2021
Fund Manager	Management fee	(233,261)	(196,117)
	Board Members fee	(5,714)	(7,381)

Balances:

Related party - Nature of transaction	31 December 2022	31 December 2021
Fund Manager - Management fee	(17,649)	(18,302)
Board Members fee	(5,714)	(7,381)
Employee of Bank (SAAB) - Units held	500	500

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11. ACCRUALS AND OTHER LIABILITIES

	31 December 2022	31 December 2021
Management fee	17,649	18,302
Audit fees	20,000	20,000
Accrued benchmarking fee	15,936	15,936
CMA fee	7,500	7,500
Board members fees	5,714	7,381
Tadawul fee	-	5,000
VAT	5,957	6,795
Custody fee	2,067	2000
	74,823	82,914

12. OTHER EXPENSES

	31 December 2022	31 December 2021
VAT	42,468	36,768
Audit fees	20,000	20,000
Custody fee	24,858	24,000
Standard and Poor's benchmark fee	15,936	15,936
CMA monitoring fees	7,500	7,500
Board members fees	5,714	7,381
Tadawul fees	5,000	5,000
Brokerage fee	14,670	4,613
	136,146	121,198

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Fund has only investments at fair value through profit or loss which are 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 1 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current year or prior year.

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13. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**MATURITY ANALYSIS**

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

	31 December 2022		
	Within 12 months	After 12 months	Total
Cash and cash equivalent	830,898	-	830,898
Investments carried at FVPL	9,748,244	-	9,748,244
Trade receivables	264,829	-	264,829
TOTAL ASSETS	10,843,971		10,843,971
Accrued expenses and other liabilities	74,823	-	74,823
TOTAL LIABILITIES	74,823		74,823
Maturity gap	10,769,148	-	10,769,148
Cumulative maturity gap	10,769,148		10,769,148
	31 December 2021		
	Within 12 months	After 12 months	Total
Cash and cash equivalent	1,301,251	-	1,301,251
Investments carried at FVPL	9,978,062	-	9,978,062
Trade receivables	-	-	-
TOTAL ASSETS	11,279,313	-	11,279,313
Accrued expenses and other liabilities	82,914	-	82,914
TOTAL LIABILITIES	82,914	-	82,914
Maturity gap	11,196,399	-	-
Cumulative maturity gap	11,196,399		11,196,399

14. 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.

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14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management framework

The Fund's objective in managing risk is the creation and protection of Unitholder's 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 special commission 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's 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.

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

	31 December 2022	31 December 2021
Cash and cash equivalents	830,898	1,301,251
Trade receivables	264,829	-
	1,095,727	1,301,251

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 other 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 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.

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14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Market Risk is the risk that changes in market prices - such as foreign exchange rates, special commission 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 industry concentration.

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 special commission and foreign currency rates, remain constant.

Sector	31 December 2022		31 December 2021	
	Potential reasonable change	Effect on NAV	Potential reasonable change	Effect on NAV
Banks	+/- 5%	199,814	+/- 5%	164,253
Food & Staples Retailing	+/- 5%	36,554	+/- 5%	-
Health Care Equipment & Svc	+/- 5%	31,726	+/- 5%	13,991
Materials	+/- 5%	29,239	+/- 5%	84,407
Utilities	+/- 5%	12,574	+/- 5%	7,314
Transport Sector	+/- 5%	11,423	+/- 5%	-
Building & Construction Sector	+/- 5%	10,903	+/- 5%	9,017
Telecommunication Services	+/- 5%	10,695	+/- 5%	43,808
Energy & Utilities Sector	+/- 5%	9,895	+/- 5%	-
Energy	+/- 5%	9,215	+/- 5%	19,476
Retailing	+/- 5%	8,287	+/- 5%	10,774
Consumer services	+/- 5%	-	+/- 5%	6,622
Capital goods	+/- 5%	-	+/- 5%	3,992
Food and beverages	+/- 5%	-	+/- 5%	3,946
Transportation	+/- 5%	-	+/- 5%	3,408
Insurance	+/- 5%	-	+/- 5%	72
OTHERS	+/- 5%	-	+/- 5%	122,733
Jahez	+/- 5%	-	+/- 5%	5,090
Shares				
United Arab Emirates	+/- 5%	62,523	+/- 5%	-
Qatar	+/- 5%	26,434	+/- 5%	-
Kuwait	+/- 5%	28,129	+/- 5%	-

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14. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 is not subject to fluctuations in foreign exchange rates as it ordinary transact in Saudi Riyal, Qatar Riyal , Emirates Dirhams and Kuwaiti Dinar.

15. SUBSEQUENT EVENTS

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

16. LAST VALUATION DAY

The last valuation day for the year was 31 December 2022 (31 December 2021).

17. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Fund's Board on 06 Ramadan 1444H corresponding to 28 March 2023G.