

# **NBO GCC FUND**

**UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014**

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## **NBO GCC FUND**

### **UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014**

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## **Review report to the unit holders of NBO GCC FUND**

### **Introduction**

We have reviewed the accompanying interim statement of financial position of **NBO GCC Fund** (the fund) as at 31 March 2014 and the related interim statement of comprehensive income, statement of changes in net assets attributable to the unitholders and statement of cash flows for the three month period then ended, and a summary of significant accounting policies and other explanatory notes (the unaudited interim financial information).

The Directors are responsible for the preparation and presentation of the unaudited interim financial information in accordance with the International Accounting Standard 34 – 'Interim Financial Reporting' and the requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority. Our responsibility is to express a conclusion on the unaudited interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information 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 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 unaudited condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – 'Interim Financial Reporting' and with the minimum disclosure requirements as set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority.

30 April 2014

Muscat, Sultanate of Oman

**NBO GCC FUND****UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014**

	Note	31 March 2014 RO Unaudited Note 1
<b>Income</b>		
Gains on financial assets at fair value through profit or loss		
- realised	6	399,138
- unrealised	6	649,929
Dividend income		465,607
Interest income		1,404
<b>Net investment income</b>		<u>1,516,078</u>
<b>Expenses</b>		
Management and administration fee	7	43,599
Other expenses		48,799
<b>Total expense</b>		<u>92,398</u>
<b>Increase in net assets attributable to unit holders</b>		<u>1,423,680</u>
<b>Basic earnings per unit holder</b>		<u>0.112</u>

The notes and other explanatory information on pages 6 to 11 form an integral part of these financial statements.

Independent auditor's report - Page 1.

## NBO GCC FUND

### UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2014

	Note	31 March 2014 RO Unaudited	31 December 2013 RO Audited
<b>Assets</b>			
Financial assets at fair value through profit or loss	6	14,120,903	9,584,193
Amounts due from related parties	7	98,014	12,000
Cash and cash equivalents		573,314	3,878,299
Dividend receivable		154,813	-
<b>Total assets</b>		<b>14,947,044</b>	<b>13,474,492</b>
<b>Liabilities</b>			
Payables		118,117	39,966
Amounts due to related parties	7	131,344	160,623
<b>Total liabilities</b>		<b>249,461</b>	<b>200,589</b>
<b>Net assets attributable to unit holders</b>		<b>14,697,583</b>	<b>13,273,903</b>
<b>Represented by:</b>			
<b>Total liabilities and net assets attributable to the unit holders</b>		<b>14,947,044</b>	<b>13,474,492</b>
<b>Net asset value per unit</b>		<b>1.150</b>	<b>1.038</b>

These financial statements on pages 2 to 11 were authorised for issue on 29<sup>th</sup> April 2014 in accordance with a resolution of the Management Body.



CHAIRMAN



MEMBER

**NBO GCC FUND****UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS  
ATTRIBUTABLE TO THE UNITHOLDERS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014**

	Unit capital RO	Share Premium RO	Retained earnings RO	Net assets attributable to unit holders RO
<b>Note 1</b>				
Net assets attributable to unit holders on 1 January 2014	12,784,221	7,208	482,474	13,273,903
Profit and total comprehensive income for the period	-	-	1,423,680	1,423,680
Net assets attributable to unit holders on 31 March 2014	<u>12,784,221</u>	<u>7,208</u>	<u>1,906,154</u>	<u>14,697,583</u>

The notes and other explanatory information on pages 6 to 11 form an integral part of these financial statements.

Independent auditor's report - Page 1.

**NBO GCC FUND****UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014**

	<b>31 March 2014 RO Unaudited Note 1</b>
<b>Profit for the period</b>	<b>1,423,680</b>
<b>Adjustments for:</b>	
Dividend income	(465,607)
Unrealised gain on financial assets at fair value through profit or loss	(649,929)
Realised gain on sale of financial assets at fair value through profit or loss	(399,138)
Purchases of financial assets at fair value through profit or loss	6(a) (9,451,711)
Proceeds from disposal of financial assets at fair value through profit or loss	6(a) 5,964,068
<b>Changes in working capital:</b>	
Other receivables	(86,014)
Payable and accruals	78,151
<b>Net cash used in operating activities</b>	<u>(3,586,500)</u>
<b>Cash flows from investing activities</b>	
Net dividend received	310,794
Payments to related parties	(29,279)
<b>Net cash flow generated from investing activities</b>	<u>281,515</u>
Net decrease in cash and cash equivalents	(3,304,985)
Cash and cash equivalents at the beginning of the period	3,878,299
Cash and cash equivalents at the end of the period	7 <u>573,314</u>

The notes and other explanatory information on pages 6 to 11 form an integral part of these financial statements.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014****1 Legal status and principal activities**

NBO GCC Fund (the fund), was established as an open ended investment fund, in accordance with the Capital Market Authority Law. The fund obtained its license on 10 July 2013 and commenced operations on 15 August 2013. The terms and conditions of investment as well as the restrictions relevant to the fund were specified in the fund prospectus.

National Bank of Oman SAOG (the managing company) is responsible for the management of the fund and for investing and broking activities on behalf of the fund.

Gulf Custody Company (the custody) is appointed as the custodian of the Fund. Fund's assets will be kept with the custodian whose principal place of business is within Oman, for foreign transactions the custodian may appoint a sub custodian and will not exonerate the main custodian of any of its obligations.

The primary objective of the fund is to generate dividend income along with capital growth from an actively managed portfolio comprising of companies listed in GCC markets, which may have potential to yield dividends and with limited exposure to other equity and fixed income opportunities in the region.

**2 Basis of preparation**

This unaudited condensed interim financial information (interim financial information) for the three months ended 31 March 2014 has been prepared in accordance with IAS 34, 'Interim financial reporting' and in compliance with the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority of the Sultanate of Oman. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The fund commenced operations on 15 August 2013 as a result there are no comparative numbers present in the unaudited condensed interim statement of comprehensive income, statement of cash flows and statement of changes in net assets attributable to unit holders.

**3 Significant accounting policies**

The principal accounting policies applied in the preparation of the unaudited condensed interim financial information are set out below.

**(a) Standards, amendments and interpretation effective in 2014**

For the period ended 31 March 2014, the Fund has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2014.

The adoption of those standards and interpretations has not resulted in changes to the Funds' accounting policies and has not affected the amounts reported for the current period.

**(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Fund:**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Fund's accounting periods beginning on or after 1 January 2015 or later periods, but the Fund has not early adopted them and the impact of these standards and interpretations is not reasonably estimable as at 31 March 2014:

- IFRS 9, 'Financial instruments', (effective on or after 1 January 2015);
- Amendments to IFRS 13, 'Fair value measurement' Annual periods beginning on or after 1 July 2014



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014**

**4 Estimates**

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

In preparing these interim financial information, the significant judgements made by management in applying the funds' accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2013.

**5 Financial risk factors**

The Funds' activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at 31 December 2013. There have been no changes in the risk management policies since year end.

**6 Financial assets at fair value through profit or loss**

(a) Financial assets at fair value through profit or loss comprise of listed marketable securities and are measured at fair value at the close of business on 31 March 2014. The fair value is determined by reference to the stock exchange quoted closing prices.

Movements in financial assets at fair value through profit or loss during the period are as disclosed below:

	31 March 2014 RO Unaudited	31 December 2013 RO Audited
At the beginning of the year	9,584,193	-
Purchases	9,451,711	9,584,894
Sales	(5,964,068)	(529,142)
Realised gain on sales	399,138	34,780
Fair value gain	649,929	493,661
At 31 December	<u>14,120,903</u>	<u>9,584,193</u>

(b) The financial assets at fair value through profit or loss comprise investments in equity securities analysed as follows:

	31 March 2014	
	RO Unaudited	Percentage of net assets value
<b>Local:</b>		
Banks and financial services sector	1,036,855	7.05
Industrial and manufacturing sector	282,934	1.93
Services and other sectors	618,240	4.21
Bonds	8,712	0.06
<b>Other GCC Markets:</b>		
Banks and financial services sector	2,736,794	18.62
Industrial and manufacturing sector	4,753,331	32.34
Services and Insurance sector	4,684,037	31.87
<b>Total</b>	<u>14,120,903</u>	<u>96.08</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014

6 Financial assets at fair value through profit or loss (continued)

	31 December 2013	
	RO Audited	Percentage of net assets value
<b>Local:</b>		
Banks and financial services sector	529,413	3.99
Industrial and manufacturing sector	150,166	1.13
Services and other sectors	1,007,649	7.59
<b>Other GCC Markets:</b>		
Banks and financial services sector	2,148,190	16.18
Industrial and manufacturing sector	3,726,791	28.08
Services and Insurance sector	2,021,984	15.23
<b>Total</b>	<b>9,584,193</b>	<b>72.20</b>

(c) At 31 March 2014, none of the fund's holding represents 10% or more of the investee's share capital.

(d) The details of investments which are 5% or more of the total fair value of the investment portfolio of the fund at 31 March 2014 are as follows:

	Number of securities	Cost RO Unaudited	Market value RO Unaudited	Market value as percentage of net assets	Market value as a percentage of the total portfolio
<b>31 March 2014</b>					
Doha Bank	150,000	956,310	979,839	6.67	6.94
Saudi Basic Industries Corp.	75,000	879,095	905,044	6.16	6.41
Al Meera	53,090	861,542	850,139	5.78	6.02
Saudi Arabia Fertilizers	47,000	775,974	772,304	5.25	5.47
Etihad Etisalat	79,500	714,875	757,271	5.15	5.36
First Gulf Bank	416,000	681,100	710,967	4.84	5.03

	Number of securities	Cost RO Audited	Market value RO Audited	Market value as percentage of net assets	Market value as a percentage of the total portfolio
<b>31 December 2013</b>					
Saudi Basic Industries Corporation	60,500	645,139	692,789	5.22	7.23
Doha Bank	99,500	587,263	612,098	4.61	6.39
Saudi Arabia Fertilizers Company	35,000	551,377	562,539	4.24	5.87
Etihad Etisalat Company	59,500	517,021	522,461	3.94	5.45

7 Related parties

During the period, the Fund entered into transactions in the ordinary course of business with entities over which certain members of the Management Body have a significant influence. These transactions are entered into on terms which the Management Body considers correspond to those that could be obtained through normal arm's length transactions with third parties.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014**

**7 Related parties (continued)**

(a) The nature of significant related party transactions and the amounts are as follows:

	31 March 2014 RO Unaudited
<b>In the capacity of stock brokers (inclusive of brokerage expense)</b>	
Sale proceeds received from sale of investments	<u>3,520,440</u>
Payment for purchase of investments	<u>5,033,321</u>
<b>Other transactions</b>	
Management and Administration fees (note (b))	<u>43,599</u>
Management Body's fees	<u>2,100</u>
Amounts due to related parties	<u>131,344</u>
Amounts due from related parties	<u>98,014</u>
Brokerage expense	<u>24,111</u>

(b) Management and administration fees are charged on a daily basis at the rate of 1.1% and 0.15% per annum respectively of the net asset value.

**8 Performance data**

	31 March 2014 RO Unaudited
Average annual return (%)	43.16%
Growth of an assumed investment of RO 10,000	14,316

(a) The above information represents past performance and is no guarantee of future performance.

**9 Fund per unit table**

	31 March 2014 RO Unaudited
Number of outstanding units	12,784,221
<b>Per-unit changes in net assets value (NAV)</b>	
Dividend and interest income	0.037
Net investment gains or losses (realised and unrealised)	0.082
Total expenses	(0.007)
Net increase in net assets for the period	0.112
NAV at the beginning of the period	1.038
NAV at the end of the period	1.150
Brokerage commission and mark up	(0.003)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014**

**10 Portfolio highlights**

(a) Details of the ten largest holdings by market value at 31 March based on market values:

31 March 2014 Security name	Number of securities RO Unaudited	Market value RO Unaudited	Percentage of net assets % Unaudited
Doha Bank	150,000	979,839	6.67
Saudi Basic Industries Corporation	75,000	905,044	6.16
Al Meera	53,090	850,159	5.78
Saudi Arabia Fertilizers Company	47,000	772,304	5.25
Etihad Etisalat	79,500	757,271	5.15
First Gulf Bank	416,000	710,967	4.84
Bank Sohar	3,042,468	681,513	4.64
Saudi Pharmaceutical & Indust & Med .App.Corp	73,143	540,849	3.68
Advanced Petrochemical Co.	92,380	404,164	2.75
Qatar Navigation	40,551	386,619	2.63

(b) During the period 2014, the Fund received no bonus shares.

(c) Five largest security purchases during the period ended 31 March:

31 March 2014 Security name	RO Unaudited
Al Meera	868,768
Qatar National Bank	618,711
Qatar Navigation	429,595
First Gulf Bank	429,225
Bank Muscat	369,640

(d) Five largest security sales during the period ended 31 March:

31 March 2014 Security name	RO Unaudited
Dubai Investment	515,946
Qatar National Bank	474,473
Industries Qatar	395,528
Riyad Bank	394,131
Qatar Electricity & Water	363,003

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION  
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**10 Portfolio highlights (continued)**

(e) Details of investment holdings by country

	31 March 2014		Percentage of net assets
	Cost	Market value	
	RO	RO	
	Unaudited	Unaudited	Unaudited
Oman	1,834,232	1,946,741	13.25
KSA	5,876,976	6,159,392	41.91
UAE	2,226,279	2,422,353	16.48
Qatar	3,555,692	3,592,417	24.44
<b>Grand total</b>	<b>13,493,179</b>	<b>14,120,903</b>	<b>96.08</b>

**11 Ratios**

	31 March 2014 RO Unaudited
Net assets	14,697,583
Number of outstanding units	12,784,221
<b>Net asset value (NAV)</b>	<b>1.150</b>
+ Simple return: (Profit after tax to opening NAV)	10.79%
*Expense ratio (Total expenses to average NAV)	0.66%
*Brokerage expense ratio (Brokerage commissions to average NAV)	0.27%
*Portfolio turnover rate (in R.O.): (Securities traded to average NAV)	110.22%
*Liability ratio (Liabilities to NAV)	1.70%
+ Not annualised	
* Annualised	

Net Asset Value (NAV) is calculated by dividing the net assets by the number of outstanding units at statement of financial position date. Total return, growth of an assumed investment and simple return are based on the dividends paid to the unit holders, and the growth in the net asset value during the period. These ratios are based on, or affected by, the price at which the units were purchased in the market, or the price for which units may be sold in the market.