

NBO GCC FUND

**UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

Registered office:
P O Box 751
Postal Code 112
Sultanate of Oman

Principal place of business:
Fahad Plaza
First Floor
CBD Area
Sultanate of Oman

NBO GCC FUND

UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014

Contents	Page
Review report to the unit holders	1
Unaudited condensed interim statement of comprehensive income	2
Unaudited condensed interim statement of financial position	3
Unaudited condensed interim statement of changes in net assets attributable to the unitholders	4
Unaudited condensed interim statement of cash flows	5
Notes to the unaudited condensed interim financial information	6 - 11



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 30 September 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 nine 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.

Basis for qualified conclusion

As stated in note 2 to the unaudited condensed interim financial statements, the Fund was registered on 10 July 2013 and started its commercial operations from 15 August 2013. The fund prepared its first financial statements only for the year ended 31 December 2013. Accordingly, these financial statements do not include comparative information for the statements of comprehensive income, changes in net assets attributable to unitholders and cash flows and related notes for the nine months period ended 30 September 2013, as required by International Accounting Standard 34 - Interim Financial Reporting.

Qualified conclusion

Based on our review, except for the matter described in the Basis for Qualified Conclusion paragraph, 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.

28 October 2014
Muscat, Sultanate of Oman



NBO GCC FUND**UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

	Note	30 September 2014 Unaudited Note 1 RO
Income		
Gains on financial assets at fair value through profit or loss		
- realised	6	1,963,956
- unrealised	6	877,473
Dividend income		683,658
Interest income		3,942
Other income		1,353
Net investment income		<u>3,530,382</u>
Expenses		
Management, administration and performance fees		328,002
Other expenses		198,651
Total expense		<u>526,653</u>
Increase in net assets attributable to unitholders		<u>3,003,729</u>
Basic earnings per unitholder		<u>0.222</u>

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

The review report is set forth on page 1.

NBO GCC FUND

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2014

	Note	30 September 2014 RO Unaudited	31 December 2013 RO Audited
Assets			
Financial assets at fair value through profit or loss	6	17,554,348	9,584,193
Amounts due from related parties	7	649,914	12,000
Cash and cash equivalents		835,776	3,878,299
Dividend receivable		93,274	-
Total assets		19,133,312	13,474,492
Liabilities			
Payables		523,952	39,966
Amounts due to related parties	7	230,674	160,623
Total liabilities		754,626	200,589
Net assets attributable to unit holders		18,378,686	13,273,903
Represented by:			
Total liabilities and net assets attributable to the unit holders		18,378,686	13,273,903
Net asset value per unit		1.263	1.038

These financial statements on pages 2 to 11 were authorised for issue on 23 October 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

	Unit capital RO	Share premium RO	Retained earnings RO	Net assets attributable to unit holders RO
Note 1				
Net assets attributable to unit holders on 1 January 2014	12,784,221	7,208	482,474	13,273,903
Units subscribed during the period	1,901,189	356,256	-	2,257,445
Units redeemed during the period	(132,000)	(24,391)	-	(156,391)
Profit and total comprehensive income for the period	-	-	3,003,729	3,003,729
Net assets attributable to unit holders on 30 September 2014	<u>14,553,410</u>	<u>339,073</u>	<u>3,486,203</u>	<u>18,378,686</u>

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

The review report is set forth on page 1.

NBO GCC FUND**UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

	30 June 2014 RO Unaudited Note 1
Profit for the period	3,003,729
Adjustments for:	
Dividend income	(683,658)
Unrealised gain on financial assets at fair value through profit or loss	(877,473)
Realised gain on sale of financial assets at fair value through profit or loss	(1,963,956)
Purchases of financial assets at fair value through profit or loss	6(a) (37,028,170)
Proceeds from disposal of financial assets at fair value through profit or loss	6(a) 31,899,444
Changes in working capital:	
Other receivables	(637,914)
Payable and accruals	483,986
Net cash used in operating activities	<u>(5,804,012)</u>
Cash flows from investing activities	
Net dividend received	590,384
Subscription of units during the period	2,257,445
Redemption of units during the period	(156,391)
Payments to related parties	70,051
Net cash flow generated from investing activities	<u>2,761,489</u>
Net decrease in cash and cash equivalents	(3,042,523)
Cash and cash equivalents at the beginning of the period	3,878,299
Cash and cash equivalents at the end of the period	<u>835,776</u>

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

The review report is set forth on page 1.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 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 nine months ended 30 September 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 was registered on 10 July 2013 and started its commercial operations from 15 August 2013. The fund published its first net asset value on 14 October 2013 after the lock in period, as prescribed in the prospectus. In view of this, the fund has postponed the preparation of quarterly report for the period ended 30 September 2013. This was duly communicated to Capital Market Authority and acknowledgement obtained. The fund submitted its first audited financial statements for 31 December 2013 covering the entire period from inception till 31 December 2013. Accordingly, these financial statements do not include comparative information for the statements of comprehensive income, changes in net assets attributable to unitholders and cash flows and related notes for the nine months period ended 30 September 2013, as required by International Accounting Standard 34 - Interim Financial Reporting.

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 30 September 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 30 September 2014:

- IFRS 9, 'Financial instruments', (effective on or after 1 January 2018);
- 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 30 September 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:

	30 September 2014 RO Unaudited	31 December 2013 RO Audited
At the beginning of the year	9,584,193	-
Purchases	37,028,170	9,584,894
Sales	(31,899,444)	(529,142)
Realised gain on sales	1,963,956	34,780
Fair value gain	877,473	493,661
At 31 September	17,554,348	9,584,193

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

	30 September 2014	
	Unaudited RO	Percentage of net assets value
Local:		
Banks and financial services sector	942,306	5.13
Other GCC Markets:		
Banks and financial services sector	5,490,937	29.88
Industrial and manufacturing sector	4,011,066	21.82
Services and Insurance sector	7,110,039	38.69
Total	17,544,348	95.52

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

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

	31 December 2013	
	Audited RO	Percentage of net assets value
Local:		
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
	<u>1,687,228</u>	<u>12.71</u>
Other GCC Markets:		
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
	<u>7,896,965</u>	<u>59.49</u>
Total	<u>9,584,193</u>	<u>72.20</u>

(c) At 30 September 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 30 September 2014 are as follows:

	Number of securities	Cost RO	Market value RO	Market value as percentage of net assets	Market value as a percentage of the total portfolio
30 September 2014	Unaudited	Unaudited	Unaudited		
Emaar Properties	1,425,000	1,516,302	1,725,700	9.39	9.83
Abu Dhabi Commercial Bank	1,340,000	1,111,872	1,190,026	6.48	6.78
Commercial Bank of Qatar	142,126	1,027,147	1,054,595	5.74	6.01
Rabigh Refining and Petrochemical	280,000	916,012	948,311	5.16	5.40
Doha Bank	153,500	991,502	941,047	5.12	5.36
Samba Financial Group	190,000	915,879	936,492	5.10	5.33
Savola Group	106,322	924,395	907,162	4.94	5.17

	Number of securities	Cost RO	Market value RO	Market value as percentage of net assets	Market value as a percentage of the total portfolio
31 December 2013	Audited	Audited	Audited		
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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

7 Related parties (continued)

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

	30 September 2014 RO Unaudited
In the capacity of stock brokers (inclusive of brokerage expense)	
Sale proceeds received from sale of investments	14,443,457
Payment for purchase of investments	15,112,015
Other transactions	
Management and Administration fees (note (b))	149,275
Management Body's fees	5,500
Amounts due to related parties	230,674
Amounts due from related parties	649,914
Brokerage expense	86,306

(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

	30 September 2014 RO Unaudited
Average annual return (%)	28.88%
Growth of an assumed investment of RO 10,000	12,888

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

9 Fund per unit table

	30 September 2014 RO Unaudited
Number of outstanding units	14,553,410
Per-unit changes in net assets value (NAV)	
Dividend, interest and other income	0.047
Net investment gains or losses (realised and unrealised)	0.195
Total expenses	(0.036)
Net increase in net assets for the period	0.206
NAV at the beginning of the period	1.038
Gain / (loss) on subscription / redemption of units	0.019
NAV at the end of the period	1.263
Brokerage commission and mark up	(0.010)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

10 Portfolio highlights

(a) Details of the ten largest holdings by market value at 30 September based on market values:

30 September 2014	Number of securities	Market value	Percentage
Security name	RO	RO	of net assets
	Unaudited	Unaudited	Unaudited
			%
Emaar Properties	1,425,000	1,725,700	9.39
Abu Dhabi Commercial Bank	1,340,000	1,190,026	6.48
Commercial Bank of Qatar	142,126	1,054,595	5.74
Rabigh Refining and Petrochemical	280,000	948,311	5.16
Doha Bank	153,500	941,047	5.12
Samba Financial Group	190,000	936,492	5.10
Savola Group	106,322	907,162	4.94
Al Meera	44,851	869,928	4.73
First Gulf Bank	377,646	742,428	4.04
Etihad Etisalat	79,117	732,190	3.98

(b) During nine months period ended 30 September 2014, the Fund received 444,348 bonus shares from various securities.

(c) Five largest security purchases during the period ended 30 September:

30 September 2014	RO
Security name	Unaudited
Emaar Properties	2,656,154
Barwa Real Estate	1,420,146
Savola Group	1,313,492
Qatar National Bank	1,225,576
Qatar Fuel	1,120,488

(d) Five largest security sales during the period ended 30 June:

30 September 2014	RO
Security name	Unaudited
Barwa Real Estate	1,426,958
Emaar Properties	1,144,446
Qatar National Bank	1,127,383
Saudi Basic Industries	1,002,222
Mazaya Qatar Real Estate Development	920,656

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

10 Portfolio highlights (continued)

(e) Details of investment holdings by country

	30 September 2014		
	Cost	Market value	Percentage of net assets
	RO Unaudited	RO Unaudited	Unaudited
Oman	927,075	942,306	5.13
Kuwait	473,190	472,715	2.57
KSA	7,068,146	7,350,294	39.99
UAE	3,984,799	4,383,644	23.85
Qatar	4,303,037	4,405,389	23.97
Grand total	16,756,247	17,554,348	95.51

11 Ratios

	30 September 2014 RO Unaudited
Net assets	18,378,686
Number of outstanding units	14,553,410
Net asset value (NAV)	1.263
+ Simple return: (Profit after tax to opening NAV)	22.63%
+ Expense ratio (Total expenses to average NAV)	3.33%
+ Brokerage expense ratio (Brokerage commissions to average NAV)	0.96%
+ Portfolio turnover rate (in R.O.): (Securities traded to average NAV)	435.68%
+ Liability ratio (Liabilities to closing NAV)	4.11%

+ 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.

The review report is set forth on page 1.