

DERAYAH GCC GROWTH AND INCOME EQUITY FUND
Open-Ended Investment Fund
(Managed by Derayah Financial Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE
SIX-MONTH PERIOD ENDED 30 JUNE 2022 AND INDEPENDENT
AUDITOR'S REVIEW REPORT**

DERAYAH GCC GROWTH AND INCOME EQUITY FUND

Open-Ended Investment Fund

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**INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30
JUNE 2022 AND INDEPENDENT AUDITOR'S REVIEW REPORT**

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

(1 /1)

TO THE UNITHOLDERS OF
DERAYAH GCC GROWTH AND INCOME EQUITY FUND

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Derayah GCC Growth And Income Equity Fund (the "Fund") managed by Derayah Financial Company (the "Fund Manager") as at 30 June 2022 and the related interim statements of comprehensive income, changes in net assets attributable to the unitholders and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.



Ahmed A. Mohandis
Certified Public Accountant
License No. 477
Riyadh: 27 Muharram 1444 H
Corresponding to: 25 August 2022

DERAYAH GCC GROWTH AND INCOME EQUITY FUND

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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**As at 30 June 2022****(Amounts in Saudi Riyals)**

	Note	30 June 2022	31 December 2021
		(Unaudited)	(Audited)
ASSETS			
Cash and Cash equivalents	6	1,912,694	3,098,844
Investments carried at amortized cost		1,010,000	1,010,111
Investments carried at fair value through profit or loss (FVTPL)	7	38,483,472	24,560,131
Cash dividend receivable		-	316,200
TOTAL ASSETS		41,406,166	28,985,286
LIABILITIES			
Management fee payable	9	73,488	51,342
Accrued expenses		76,595	133,279
TOTAL LIABILITIES		150,083	184,621
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS			
		41,256,083	28,800,665
Units in issue (number)	8	3,662,273	2,649,012
NET ASSETS (EQUITY) ATTRIBUTABLE TO EACH UNIT		11.27	10.87

DERAYAH GCC GROWTH AND INCOME EQUITY FUND

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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**For the six-month period ended 30 June 2022****(Amounts in Saudi Riyals)**

	Note	30 June 2022	30 June 2021
		(Unaudited)	(Unaudited)
<u>Investment income</u>			
Special commission income		867,783	127,950
Realized gain from investments carried at FVPL		5,207,757	398,778
Unrealized (losses)/ gain from investments carried at FVPL		(4,606,741)	549,735
Other income		20,224	-
TOTAL INCOME FROM OPERATIONS		1,489,023	1,076,463
Management fees	9	(418,950)	(119,023)
Other expenses		(103,062)	(53,966)
TOTAL EXPENSES		(522,012)	(172,989)
NET INCOME FOR THE PERIOD		967,011	903,474
Other comprehensive income for the period		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		967,011	903,474

DERAYAH GCC GROWTH AND INCOME EQUITY FUND

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INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS (EQUITY)**For the six-month period ended 30 June 2022****(Amounts in Saudi Riyals)**

	<u>30 June 2022</u> (Unaudited)	<u>30 June 2021</u> (Unaudited)
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS AT THE BEGINNING OF THE PERIOD	28,800,665	-
Total comprehensive income for the period	967,011	903,474
Dividends	(651,138)	(75,563)
Changes from unit transactions:		
Issuance of units	20,542,437	27,799,213
Redemption of units	(8,402,892)	(3,151,981)
Net changes from unit transactions	12,139,545	24,647,232
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS AT THE END OF THE PERIOD	41,256,083	25,475,143

DERAYAH GCC GROWTH AND INCOME EQUITY FUND

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INTERIM CONDENSED STATEMENT OF CASH FLOWS**For the six-month period ended 30 June 2022****(Amounts in Saudi Riyals)**

	<u>30 June 2022</u> (Unaudited)	<u>30 June 2021</u> (Unaudited)
Cash Flows from Operating Activities:		
Net Income for The Period	967,011	903,474
Net Changes in Operating Assets and Liabilities:		
Cash Dividend Payable	316,200	(4,840)
Investments carried at FVPL	(13,923,341)	(19,384,031)
Investments carried at amortized cost	111	(1,000,000)
Management fees payable	22,146	42,633
Accrued expenses	(56,684)	51,597
Net Cash Used in Operating Activities	(12,674,557)	(19,391,167)
Cash Flows from Financing Activities:		
Proceeds from issuance of units	20,542,437	27,799,213
Redemptions of the units	(8,402,892)	(3,151,981)
Dividends	(651,138)	(75,563)
Net Cash Generated from Financing Activities	11,488,407	24,571,669
Net (Decrease)/Increase in Cash and Cash Equivalents	(1,186,150)	5,180,502
Cash and cash equivalents at beginning of the period	3,098,844	-
Cash and Cash Equivalents at End of the Period	1,912,694	5,180,502

DERAYAH GCC GROWTH AND INCOME EQUITY FUND

Open-Ended Investment Fund

Managed by Derayah Financial Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDTED)

For the six-month period ended 30 June 2022

(Amounts in Saudi Riyals)

1. FUND AND ITS ACTIVITIES

Derayah GCC Growth and Income Equity Fund (the “Fund”) is an open-ended, Shariah-compliant public investment fund managed under an agreement between Derayah Financial (the “Fund Manager”) and the fund’s investors (“Unit Holders”). The fund aims to provide long-term capital growth and distribute cash dividends periodically by investing primarily in the securities of companies listed in the Saudi stock market and in shares of companies listed in the Gulf financial markets, and this includes primary and secondary offerings, priority rights and units of real estate traded funds and units of stock index funds, traded sukuk and shares of companies listed in the parallel market. The fund also aims to invest in fixed income instruments such as sukuk and money market instruments locally, in the Gulf and internationally. The fund aims to distribute cash dividends to its unit holders on a semi-annual basis.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund’s Management prepares a separate financial statement for the Fund.

Capital Market Authority (“CMA”) approval for the establishment of the Fund was granted in its letter number (S/3/5/1574/21) dated Rajab 2, 1442 H (corresponding to 14 February 2021).

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) published by CMA on 17 rajab1427H (corresponding to 1 march 2021) detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations have effective dates starting from 19 Ramadan 1442H (corresponding to 1 May 2021).

3 BASIS OF PREPARATION

3.1 Statement of compliance

These interim condensed interim financial statements have been prepared in accordance with International Accounting Standard 34: “Interim Financial Reporting” (“IAS 34”) as endorsed in Kingdom of Saudi Arabia.

These interim condensed financial statements do not include all the information required in the annual financial statements, and should be read in conjunction with the Fund’s annual financial statements for the year ended December 31, 2021. The results for the six months period ended June 30, 2022 are not necessarily indicative of the financial statements as at December 31, 2022.

These interim condensed financial statements have been prepared under the historical cost convention, using accrual basis of accounting except for the investments carried at fair value through profit or loss at fair value.

3.2 Functional and Presentation Currency

Items included in these interim condensed financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These interim condensed financial statements are presented in Saudi Arabian Riyals (SAR) which is the Fund’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates prevailing at date of the statement of financial position. Foreign exchange gains and losses, if any, arising from translation are included in the statement of comprehensive income.

DERAYAH GCC GROWTH AND INCOME EQUITY FUND

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2022

(Amounts in Saudi Riyals)

3. BASIS OF PREPARATION (CONTINUED)

3.3 New standards, interpretations and amendments

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the financial statements of the Fund for the year 31 December 2021. There are new standards, amendments and interpretations that will be applied for the first time in 2022, but that do not have an impact on the interim condensed financial statements of the fund.

There are many other amendments and interpretations issued and not yet effective on the date of issuance of the Fund's interim condensed financial statements. The Fund Board of Directors believes that these amendments and interpretations will not have a material impact on the interim condensed financial statements of the Fund. The Fund intends to apply these amendments and interpretations, if any.

4. Critical accounting judgments, estimates and assumption

The preparation of the interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are described below. The Fund based its assumptions and estimates on parameters available when the interim condensed financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Going concern

The Fund Manager of the Fund 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.

Measurement of the expected credit loss allowance

In preparing the interim condensed financial statements, management has made certain additional assumptions in the measurement of expected credit loss (ECL). However, in light of the current uncertainty due to COVID-19, any future change in key assumptions and estimates may lead to results that may require a material adjustment to the carrying amounts of the assets or liabilities affected in future periods. As the situation is rapidly evolving with future uncertainty, management will continue to assess the impact based on potential developments.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

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(Amounts in Saudi Riyals)

5. MANAGEMENT FEE, ADMINISTRATION AND OTHER CHARGES

The fund manager charges the fund a management fee of 1.8% of the fund's net asset value, which is calculated on a daily basis and deducted at the end of each calendar month. The fund manager shall recover from the fund any expenses incurred on behalf of the fund such as audit fees, legal fees, board of directors' fees and other similar charges.

6. CASH AND CASH EQUIVALENTS

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Balances at banks	1,912,694	3,098,844
	1,912,694	3,098,844

6-1 Bank balances are held in investment accounts with local banks.

7. INVESTMENTS CARRIED AT FVPL

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	Cost	Fair Value	Cost	Fair Value
Banks	4,297,739	4,545,823	2,145,400	2,576,021
Materials	4,595,627	4,477,116	671,214	603,682
Health care	959,852	1,134,438	1,392,239	1,451,015
Transportation	3,370,056	2,457,270	803,311	840,181
Commercial and professional services	1,362,717	1,098,272	952,997	818,184
Retailing	4,395,137	3,983,100	2,178,682	2,331,317
Telecommunication services	3,312,946	2,995,050	1,963,209	2,081,086
Energy	3,778,288	3,876,155	1,119,558	1,163,856
Consumer services	1,366,429	1,261,159	2,164,488	1,956,290
Information technology	1,577,342	2,550,432	502,075	625,765
Insurance	-	-	670,817	575,205
Real Estate Management and Development	244,759	240,800	-	-
Shares in the UAE market	5,406,948	5,411,277	5,197,704	5,573,398
Shares in the Kuwaiti market	791,793	702,728	1,320,548	1,267,780
Shares in the Qatari market	4,168,361	3,749,852	2,688,748	2,696,351
	39,627,994	38,483,472	23,770,990	24,560,131

8. UNIT TRANSACTIONS

Transactions in units for the period are summarized as follows:

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Units at the beginning of the period	2,649,012	-
Units issued	1,719,305	2,768,949
Units redeemed	(706,044)	(310,067)
Net change in units	1,013,261	2,458,882
Units at the end of the period	3,662,273	2,458,882

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For the six-month period ended 30 June 2022

(Amounts in Saudi Riyals)

9. TRANSACTIONS AND BALANCE WITH RELATED PARTIES

Related parties of the Fund include Derayah Financial Company (the fund manager), and Albilad Capital (the custodian). In the ordinary course of its activities, the Fund transacts business with related parties. The related parties' transactions are governed by limits set by the regulations issued by the CMA. All related party transactions are approved by the Fund's Board of directors.

The following are the significant transactions with related parties that the fund entered into during the period and the balances resulting therefrom:

Related Party	Nature of transactions	Amount of transaction		Closing balance receivable / (Payable)	
		30 June 2022 (Unaudited)	30 June 2021 (Unaudited)	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Derayah Financial Company	Management Fees	418,950	119,023	(73,488)	(51,342)
Albilad Capital	Custody Fees	12,176	1,462	(2,882)	(5,241)

10. Fair value estimation

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales were reported on the valuation day are valued at the most recent bid price.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The carrying value less impairment provision of financial instruments carried at amortized cost are assumed to approximate their fair values.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

Fund classifies all of its financial assets except for those carried at amortized cost, at fair value as level 1.

11. LAST VALUATION DAY

The last valuation day of the period was 30 June 2022 (30 June 2021).

12. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were authorized for issue by the Fund Board of Directors on 25 Muharram 1444 H (corresponding to 23 August 2022).