Noor GCC Islamic Fund
State of Kuwait

Financial Statements and Independent Auditor's Report
For the year ended 31 December 2021

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Independent Auditor's Report

To Messrs. The Unit Holders of Noor GCC Islamic Fund
State of Kuwait

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Noor GCC Islamic Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2021, and its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis of Opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with ethical requirements that are relevant to our audit of the financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

Other Matter
The financial statements of the Fund for the financial year ended 31 December 2020 were audited by another auditor who expressed an unqualified opinion on these statements on 8 February 2021.

Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements
The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Fund Manager 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, the Fund Manager 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 the General Assembly of Units Holders either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, 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 ISAs 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 be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (Continued)

To Messrs. The Unit Holders of Noor GCC Islamic Fund
State of Kuwait

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks 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 those 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 made by the Fund Manager.
- Conclude on the appropriateness of Fund Manager'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 a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- 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.

Report on Other Legal and Regulatory Requirements
Also in our opinion, the financial statements include the disclosures required by Law No. 7 of 2010 concerning the establishment of Capital Markets Authority and organization of Securities' Activity and its Executive Regulations, as amended, and the Fund's Articles of Association, as amended, and we had obtained the information we required to perform our audit. According to the information available to us, there were no violations during the financial year ended 31 December 2021 of either the Law No. 7 of 2010 concerning the establishment of Capital Markets Authority and organization of Securities' Activity and its Executive Regulations, as amended, or of the Fund's Articles of Association, as amended, which might have materially affected the Fund's activity or its financial position.

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Kuwait: 13 February 2022

Noor GCC Islamic Fund
State of Kuwait

Statement of Financial Position
As at 31 December 2021

	Notes	2021 KD	2020 KD
Assets			
Cash and cash equivalents	6	1,566,499	1,047,359
Financial assets at fair value through profit or loss	7	5,833,266	4,952,401
Accrued revenues and other debit balances		16,822	7,527
Total assets		7,416,587	6,007,287
Liabilities			
Accrued expenses and other credit balances	8	133,422	137,249
Total Liabilities		133,422	137,249
Equity			
Share capital	9	6,847,098	6,883,998
Units premium	10	295,543	294,160
Retained earnings/(accumulated losses)		140,524	(1,308,120)
Total equity		7,283,165	5,870,038
Total liabilities and equity		7,416,587	6,007,287
Net assets value per unit	10	1.064	0.853

The accompanying notes on pages 7 to 24 form an integral part of these financial statements.

Noor Financial Investment Company K.P.S.C.
Fund Manager

Gulf Custody Company K.S.C.C.
Fund Custodian and Investment Controller

Noor GCC Islamic Fund
State of Kuwait

Statement of Comprehensive Income
For the year ended 31 December 2021

	Notes	2021 KD	2020 KD
Revenues			
Unrealized profit on financial assets at fair value through profit or loss	7	1,236,396	150,537
Realized profit/(loss) on sale of financial assets at fair value through profit or loss		271,791	(26,351)
Dividends income		161,685	156,092
Profit from savings account		64	318
Total revenues		1,669,936	280,596
Expenses			
Management Fees	11	(202,497)	(81,409)
Fund Custodian and Investment Controller fees	12,13	(8,510)	(6,784)
Other expenses		(8,505)	(7,908)
Losses from foreign exchange differences		(1,780)	(1,939)
Total expenses		(221,292)	(98,040)
Total comprehensive income for the year		1,448,644	182,556

The accompanying notes on pages 7 to 24 form an integral part of these financial statements.

Noor GCC Islamic Fund
State of Kuwait

Statement of Changes in Equity
For the year ended 31 December 2021

	Share capital	Units premium	(Accumulated losses)/Retained earnings	Total equity
	KD	KD	KD	KD
At 1 January 2020	6,896,998	291,664	(1,490,676)	5,697,986
Total comprehensive income for the year	-	-	182,556	182,556
Redemption on units	(13,000)	2,496	-	(10,504)
At 31 December 2020	6,883,998	294,160	(1,308,120)	5,870,038
At 1 January 2021	6,883,998	294,160	(1,308,120)	5,870,038
Total comprehensive income for the year	-	-	1,448,644	1,448,644
Redemption on units	(36,900)	1,383	-	(35,517)
At 31 December 2021	6,847,098	295,543	140,524	7,283,165

The accompanying notes on pages 7 to 24 form an integral part of these financial statements.

Noor GCC Islamic Fund
State of Kuwait

Statement of Cash Flows
For the year ended 31 December 2021

	2021	2020
	KD	KD
Operating activities		
Net profit for the year	1,448,644	182,556
Adjustments for:		
Unrealized profit on financial assets at fair value through profit or loss	(1,236,396)	(150,537)
Realized (profit)/losses on sale of financial assets at fair value through profit or loss	(271,791)	26,351
Dividends income	(161,685)	(156,092)
Profit from savings account	(64)	(318)
	(221,292)	(98,040)
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	627,322	317,886
Accrued expenses and other credit balances	100,517	139,346
Dividend revenues received	152,390	175,747
Profit received from savings account	64	318
Management, Custodian and Investment Controller fees paid	(104,344)	(87,561)
Net cash flows from operating activities	554,657	447,696
Financing activities		
Payment for redeemed units	(35,517)	(10,504)
Net cash flows used in financing activities	(35,517)	(10,504)
Net increase in cash and cash equivalents	519,140	437,192
Cash and cash equivalents at beginning of the year	1,047,359	610,167
Cash and cash equivalents at end of the year	1,566,499	1,047,359

The accompanying notes on pages 7 to 24 form an integral part of these financial statements.

1. General Information

Noor GCC Islamic Fund ("the Fund") is an open-ended investment Fund domiciled in the State of Kuwait. The Fund has been incorporated on 13 February 2007 as an open-ended investment fund with a five-year period in accordance with the Decree Law No. 31 of 1990 on the Regulation of Securities Trading and the Establishment of Investment Funds.

The term of the Fund is five years commencing from the date of establishment. This term is renewable for further similar periods subject to approval of more than 50% of the Unit Holders.

On 19 November 2020, the Capital Markets Authority (CMA) has approved the renewal of the Fund's license for three years renewable for similar periods effective from 5 February 2021.

The Fund aims to realize long-term capital profits, to develop returns by mainly investing in the listed shares or holding interests in the companies that will be listed in Kuwait Stock Exchange, or in the official GCC stock exchanges and to invest surplus funds in investment instruments market (short and medium-term deposits that are in compliance with Islamic Sharia principles) while considering the restrictions applicable to investment in such system.

The Fund is being managed by Noor Financial Investment Company K.P.S.C. ("the Fund Manager') whose head office is located in Noor building, Shuwaikh, intersection of Jahra Street and International Airport Road, P.O. Box 3311, Safat 13034, the State of Kuwait.

Gulf Custody Company K.S.C.C. is the Fund Custodian, Investment Controller and Unitholders registrar.

The annual General Assembly for Unit Holders held on 3 October 2021 has approved the financial statements for the financial year ended 31 December 2020.

The financial statements for the year ended 31 December 2021 were authorized for issue by the Fund Manager on 13 February 2022.

2. Basis of preparation

These financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss that were stated at fair value.

The financial statements have been presented in Kuwaiti Dinars (“KD”) which is the Fund’s functional and presentation currency.

The preparation of financial statements in compliance with applied IFRSs requires the use of certain critical accounting estimates. It also requires the Fund Manager to exercise judgment in applying the Fund’s accounting policies. The areas of accounting estimates and assumptions and critical judgements made in preparing the financial statements and their effect are disclosed in Note 5.

2.1 Statement of compliance

The financial statements of the Fund have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”), IFRIC interpretations, Fund’s Articles of Association and the guidelines of CMA.

3. Application of new and revised international financial reporting standards ("IFRSs")

a) New standards, interpretations and amendments effective from 1 January 2021

The accounting policies used in preparation of the financial statements are consistent with those used in the previous year ended 31 December 2020 except for the changes due to implementation some of the new and amended International Financial Reporting Standards as at 1 January 2021. A number of other amendments are effective from 1 January 2021, but they do not have a material impact on the Fund's financial statements.

COVID-19-Related Rent Concessions (Amendments to IFRS 16)
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to be applied until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

However, the Fund has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within the allowed period of application.

Interest Rate Benchmark Reform - phase 2: amendments to IFRS 9, IAS 39, IFRSs (7), (4), and (16)
The amendments provide temporary reliefs which address the financial statements' effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in the market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when a RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Fund. The Fund intends to use the practical expedients in future periods if they become applicable.

b) Standards and amendments issued but not yet effective

The following new and amended IASB Standards have been issued but are not yet effective, and have not been early applied by the Fund.

3. Application of new and revised international financial reporting standards (IFRSs) (Continued)

b) Standards and amendments issued but not yet effective (Continued)

IFRS 17: Insurance Contracts
This standard will be effective for annual periods beginning on or after 1 January 2023 and replaces IFRS 4 - "Insurance Contracts". The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the general model, supplemented by:

- A specific adoption for contracts with direct participation features (Variable fee approach).
- A simplified approach (premium allocation approach) mainly for short duration contracts.

Early application is permitted provided that the Fund also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not expected to have any impact on the financial statements of the Fund.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retroactively. The Fund is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IFRS 3: Reference to the Conceptual Framework
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

3. Application of new and revised international financial reporting standards (IFRSs) (Continued)

b) Standards and amendments issued but not yet effective (Continued)

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retroactively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Fund.

Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. It will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to IFRS Standards 2018-2020 cycle

The following is the summary of the amendments from the 2018-2020 annual improvements cycle:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the Parent Company, based on the Parent Company's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS 1.

These amendments will become effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The amendments are not expected to have an impact on the Fund.

3. Application of new and revised international financial reporting standards (IFRSs) (Continued)

b) Standards and amendments issued but not yet effective (Continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

These amendments will become effective for annual periods beginning on or after 1 January 2022, with early application permitted. The Fund will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Fund.

IFRS 16 Leases: Lease incentives
The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

The amendments are not expected to have an impact on the Fund.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have an impact on the Fund.

Disclosure of Accounting Policies - Amendments to IAS (1) and IFRS Practice Statement (2)
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Fund is currently assessing the impact of the amendments to determine the impact they will have on the Fund's accounting policy disclosures.

4. Significant accounting policies

4.1 Presenting assets and liabilities in the statement of financial position

The nature of Fund's activity, as an entity established for the purposes of investment, requires classification of assets and liabilities in descending order as per its liquidity in the statement of financial position, as the management believes that this presentation provides information more relevant and reliable to the Fund's activities. This way of presentation of assets and liabilities requires submission of other information about the maturities of all financial assets and liabilities in the notes to the financial statements. The Fund submits this information based on the length of the remaining contractual term as at the financial statements date.

The Fund's financial assets include cash and cash equivalents, financial assets at fair value through profit or loss, accrued revenues and other debit balances.

The Fund's financial liabilities include accrued expenses and other credit balances.

The amounts expected to be collected for assets or to be paid for the liabilities are presented, at minimum, in notes as assets and liabilities due within one year from the financial statements date. However, the Fund has no assets or liabilities due within a period exceeding one year from the financial statements date.

4.2 Financial instruments

The Fund classifies its financial instruments as financial assets and financial liabilities. Financial assets and financial liabilities are recognized when the Fund becomes a party of the contractual provisions of such instruments.

The financial assets and liabilities that are stated in the statement of financial position include cash and cash equivalents, financial assets at fair value through profit or loss, accrued revenues, other debit balances, accrued expenses and other credit balances.

<u>**Financial assets**</u>

Classification and initial recognition
To determine the classification and measurement category of financial assets, IFRS 9 requires assessment of all financial assets, except for equity instruments and derivatives, based on the Fund's business model for managing the Fund's assets and the contractual cash flows characteristics of these instruments.

Financial assets classified in the financial statements within the scope of IFRS 9 are as follows:
- Financial assets at amortised cost.
- Financial assets at fair value through profit or loss.

4. Significant accounting policies (Continued)

4.2 Financial instruments (Continued)

Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets carried at amortised cost
A financial asset is measured at amortised cost if both of the following conditions are met and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and yield on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses, if any. Profits and losses are recognized in the statement of comprehensive income when the asset is derecognised, adjusted or impaired.

The financial assets at amortised cost consist of cash and cash equivalents, accrued revenues and other debit balances.

Effective yield rate method
The effective yield rate method is a method of calculating the amortised cost of a financial asset. The effective yield rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Cash and cash equivalents
Cash and cash equivalents include cash at local and foreign banks and cash in investment portfolios. Cash at banks and at investment portfolios are exposed to an insignificant risk of changes in value.

Accrued revenues and other debit balances
Accrued revenues and other debit balances are amounts due in the ordinary course of business and are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Impairment of financial assets

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is discounted at an approximation to the asset's original effective yield rate. The expected cash flows will include cash flows from sale of collateral held or other credit enhancements that are regarded as an integral part of the contractual terms.

4. Significant accounting policies (Continued)

4.2 Financial instruments (Continued)

Financial assets (continued)

Impairment of financial assets (continued)

In terms of accrued revenues and other debit balances, the Fund adopted the standard's simplified approach and calculated ECL on the basis of ECL period. The Fund has established a provision based on the historical experience of credit losses, adjusted for the future factors of debtors and the economic environment.

<u>Financial assets at fair value through profit or loss</u>
The Fund classifies the financial assets as held for trading primarily when purchased or issued in order to achieve short-term profits through trading activities or when they form a part of a financial instruments portfolio that are managed together, there is evidence for emerging a new pattern to achieve short-term profits. Assets held for trading are recognized and measured at fair value in the statement of financial position. The fair value of financial assets traded in active market (such as trading securities) are based on quoted market prices at the close of trading on the reporting date.

Profits or losses on the change in fair value, profits or losses on sale and dividends are recognized in the statement of income under the contract conditions or when the right to receive the profits amount is established.

Derecognition
The financial assets are derecognised (wholly or partially) when the contractual rights to receive the cash flows from the financial assets expire or when the fund transfers its right to receive cash flows from the financial assets in either of the following circumstances: (a) when the Fund transfers all risks and rewards of the financial assets ownership, or (b) when all risks and rewards of the financial assets are not transferred or retained, but the control over the financial assets is transferred. When the Fund retains control, it must continue to recognize the financial assets to the extent of its participation therein.

<u>Financial liabilities</u>
All financial liabilities are initially recognized at fair value and in case of loans, borrowings and creditors directly attributable transactions costs are discounted. All financial liabilities are subsequently measured at fair value through profit or loss or at amortised cost using the effective yield rate method.

<u>Accounts payable</u>
Accounts payable item represents a commitment to repay the value of services that have been obtained in the ordinary course of business. Accounts payable are initially carried at fair value and subsequently measured at amortized cost using the effective yield rate method. Accounts payable are classified as current liabilities if the payment is due within one year or less (or within the natural operational cycle of the activity, whichever is longer), otherwise they shall be classified as non-current liabilities.

4.3 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4. Significant accounting policies (Continued)

4.4 Share capital

The Fund issues redeemable units, which are redeemable in accordance with the Unit Holders option and are classified as equity under the amendment to IAS 32. Subject to the Articles of Association, as amended, the redeemable units can be returned to the Fund at any time against cash that is equal to a proportionate share of the net assets of the Fund.

4.5 Provisions

Provisions are recognized where the Fund has a present obligation (legal or probable) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured. At the end of each financial period, provisions are reviewed and adjusted to reflect the best current estimate. When the time value of money has material effect, the amount recognized as a provision must be the present value of the expected expenses required to settle the obligation. Provisions for operating losses are not recognized.

4.6 Revenue recognition

The Fund's revenues are mainly represented in net investment revenues that falls outside the scope of IFRS 15, and the following represents the Fund’s revenues:

<u>Profit on sale of financial assets at fair value through profit or loss</u>
Profit or loss on sale of financial assets at fair value through profit or loss are recognized when the Fund transfers the significant risks and rewards associated with ownership of the sold investment. Profit on sale of the financial assets at fair value through profit or loss are measured by the difference between the sale proceeds and the carrying amount of the assets at the date of sale and are recognized at the date of sale.

<u>Dividends income</u>
Dividends income is recognized when the Fund’s right to receive payment is established.

<u>Profit from savings account</u>
Profit from savings account is recognised on a time proportion basis using the effective yield method.

4.7 Foreign currency

Foreign currency transactions are recorded in Kuwaiti Dinar at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinar at the rate of exchange prevailing on the reporting date. Profits or losses resulted from exchange rate differences are taken to the statement of comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to KD at the foreign exchange rates ruling at the date when the value was determined.

4. Significant accounting policies (Continued)

4.8 Dividends

The Fund recognizes cash and non-cash dividends to the Unit Holders as liabilities when such dividends are finally approved and when they are approved by the Fund Manager. Value of such dividends is recognized in equity.

When distributing the non-cash assets, the difference between carrying value of the assets and the fair value of the assets distributed to the Unit Holders is recognised in the statement of comprehensive income.

5. Critical accounting estimates, assumptions and judgements

The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities at the reporting date. Actual results could differ from estimates.

Accounting judgements

In the process of applying the Fund's accounting policies, management has used judgements and made estimates in determining the amounts recognized in the financial statements. The most significant use of judgments and estimates are as follows:

Classification of financial instruments

On acquisition of a financial asset, the Fund decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortised cost". IFRS 9 requires assessment of all financial assets - except equity instruments and derivatives - based on the Fund's business model for managing the assets and the instruments' contractual cash flow characteristics. The Fund follows the guidance of IFRS 9 on classifying its financial assets and is explained in Note 4.

The Fund's status as a principal

The Fund regularly conducts assessment to determine whether its current status is a principal, or an agent has changed. The assessment includes considering any change in the overall relationship between the Fund and other parties can mean that its current status as principal or agent has been changed even though it has previously acted a principal or an agent. For example, if changes to the rights of the Fund, or of other parties, occur, the Fund reconsiders its status as a principal or agent. The initial assessment considers market conditions that originally led the Fund to act as a principal or agent. The Fund determines that it is a principal if it is the main obligated party towards any contractual arrangements with other parties, and it is responsible for pricing and determining its scope, and whether it is exposed to inventory and credit risks. The Fund concluded that it acts as a principal in all revenues arrangements since it is the primary obligor and has pricing options and also is exposed to credit risk and loss of assets.

5. Critical accounting estimates, assumptions and judgements (Continued)

Accounting judgements (Continued)

Contingent liabilities
Contingent liabilities are possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of future events, not wholly within the control of the Fund's management. The Fund recognizes provisions for contingent liabilities when the loss therefrom is considered possible and can be reliably measured. In determining whether or not such provisions shall be recognized as well as the related amounts requires the exercise of significant management judgment. The Fund uses the principles and criteria established within International Financial Reporting Standards and best practices prevailing within the industry in which it operates in making such judgments.

6. Cash and cash equivalents

	2021	2020
	KD	KD
Bank balances	454,717	566,886
Cash at investment portfolios	1,111,782	480,473
	1,566,499	1,047,359

7. Financial assets at fair value through profit or loss

	2021	2020
	KD	KD
Investments in quoted securities - Kuwait	1,609,380	1,272,516
Investments in quoted securities - Gulf Cooperation Council Countries	4,223,886	3,679,885
	5,833,266	4,952,401

Below is the movement in financial assets at fair value through profit or loss:

	2021	2020
	KD	KD
At 1 January	4,952,401	5,146,101
Purchases	88,476	211,540
Disposals	(444,007)	(555,777)
Unrealised profit	1,236,396	150,537
At 31 December	5,833,266	4,952,401

8. Accrued expenses and other credit balances

	2021	2020
	KD	KD
Accrued management fees to the Fund Manager (Note 14)	27,551	21,750
Accrued incentive fees to the Fund Manager (Note 14)	100,378	-
Accrued fees to Fund Custodian and Investment Controller (Note 14)	2,296	1,812
Amounts due to brokers	-	110,871
Other credit balances	3,197	2,816
	133,422	137,249

9. Share capital

The Fund's share capital consists of redeemable units of a par value of KD 1 each. The authorized share capital of the Fund is variable and ranging from 5,000,000 to 50,000,000 units (2020: 5,000,000 to 50,000,000 units) with a par value of KD 1 per unit. As at 31 December 2021, the Fund's share capital consists of 6,847,098 units (2020: 6,883,998 units). In the event that the share capital of the Fund came below the minimum threshold, the Fund Manager shall notify Capital Market Authority ("CMA") within five working days of the date of capital decrease. CMA shall take the actions it deems appropriate to ensure the interests of Unitholders.

10. Net assets value per unit

	2021	2020
Net assets attributable to Unit Holders ("KD")	7,283,165	5,870,038
Number of outstanding units (Unit)	6,847,098	6,883,998
Net asset value per unit (KD)	1.064	0.853

The movement in units during the year is as follows:

	No. of units	Unit Holders contribution	Units premium
At 1 January 2021	6,883,998	6,883,998	294,160
Payments for units redeemed during the year	(36,900)	(36,900)	1,383
At 31 December 2021	6,847,098	6,847,098	295,543

11. Management fees

The Fund Manager is entitled to management fees of 1.5% of the Fund's net assets value per annum which are payable every three months within fifteen days of the operation. Where the Fund aims to realize an annual return of 15% (i.e., targeted performance standard), the Fund Manager is entitled, plus the management fees, to incentive fee of 15% of the realized value that exceeds the targeted performance standard and are payable at the end of financial year. Should an investor redeem the units during the financial year, the incentive fees will be calculated on returns that exceeds 15% relating to value of the redeemed units only. In all cases, the maximum fees paid to the Fund Manager may not exceed 5% per annum.

12. Fund Custodian fees

Gulf Custody Company K.S.C.C. undertakes the duties of the Fund Custodian against total annual fees of 0.0625% of the Fund's net asset value, which are calculated monthly and payable quarterly.

13. Investment Controller fees

Gulf Custody Company K.S.C.C. undertakes the duties of the Investment Controller against total annual fees of 0.0625% of the Fund's net asset value for its duties as Investment Controller, which are calculated monthly and payable quarterly.

14. Related party balances and transactions

They represent transactions with major Unitholders, the Fund Manager, Fund Custodian and Investment Controller and are subject to the provisions of the Fund’s prospectus.

Related party balances and transactions during the year are as follows:

	2021	2020
	KD	KD
Statement of financial position:		
Accrued management fees to the Fund Manager (Note 8)	27,551	21,750
Accrued incentive fees to the Fund Manager (Note 8)	100,378	-
Accrued fees to Fund Custodian and Investment Controller (Note 8)	2,296	1,812

	2021	2020
	KD	KD
Statement of comprehensive income:		
Management Fees	102,119	81,409
Incentive fees to the Fund Manager	100,378	-
Fund Custodian and Investment Controller fees	8,510	6,784

In accordance with article no. (11) of the Fund’s Articles of Association, participation of the Fund Manager in the Fund's units must not be less than 5% of and not exceed 95% of the total units placed for public subscription. He may not dispose of or redeem such units throughout his management period of the Fund. As at the statement of financial position date, the Fund Manager holds 4,850,000 units representing 70.83% of the Fund's subscribed units (2020: 4,850,000 units representing 70.45% of the Fund's subscribed units).

15. Financial risk management

Financial risk factors

The Fund’s activities expose it to variety of financial risks: Market risk (i.e., equity price risk, foreign currency risk and yield rate risk), credit risk and liquidity risk. The Fund Manager’s policies for reducing each of these risks are discussed below. The Fund does not use derivative financial instruments based on future speculations.

The details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 4 to the financial statements.

15.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices. Market risk comprises of equity price risk, foreign currency risk and yield rate risk.

15. Financial risk management (Continued)

15.1 Market risk (Continued)

(a) Equity price risk

The Fund's equity investments are publicly traded and are listed on Boursa Kuwait (Boursa), Saudi Stock Exchange (Tadawul), Dubai Financial Market, Qatar Securities Exchange and Abu Dhabi Securities Exchange. The Fund's policy requires that the overall market position be monitored on a daily basis by the Fund Manager and is reviewed on a quarterly basis.

The Fund's overall exposure to price risk as at 31 December 2021 was KD 5,833,266 (2020: KD 4,952,401). The Fund's policy is to concentrate the investment portfolio in stocks of banks and companies listed in GCC region where management believes that the Fund can maximise the proceeds collected as compared to the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the stocks portfolio:

	Market stocks portfolio	
	2021	**2020**
	KD	KD
Banks	2,501,259	2,024,774
Industry	1,682,398	1,449,684
Services	879,819	847,900
Real estates	721,599	581,774
Others	48,191	48,269
	5,833,266	4,952,401

The table below summarises the sensitivity of the Fund's net assets attributable to Units Holders to stocks price movements as at 31 December. The analysis is based on the assumptions that the Boursa Kuwait prices and GCC relevant market prices increased by 5% (2020: 5%) and decreased by 5% (2020: 5%), with all other variables held constant, and that the fair value of the Fund's portfolio of equity securities moved according to their historical correlation with the market. This represents management's best estimate of a reasonable possible shift in Boursa Kuwait prices and GCC relevant market prices, having regard to the historical volatility of the markets. The effect below arises from the reasonable possible change in the fair value of stocks.

	2021	**2020**
	KD	KD
Effect on net assets attributable to Unit Holders from an increase in the market prices	364,158	293,502
Effect on net assets attributable to Unit Holders from a decrease in the market prices	(364,158)	(293,502)

(b) Foreign currency risk

The Fund is exposed to currency risks arising from various currency exposures. Foreign currency risk arises when future commercial transactions or recognised assets and liabilities and net investments in foreign operations.

15. Financial risk management (Continued)

15.1 Market risk (Continued)

(b) Foreign currency risk (continued)

The Fund Manager has set policies for the management of foreign exchange risk which require the Fund Manager to manage the foreign risk against the Fund's currency of operation. The Fund tracks and manages these risks by:

- Monitoring the changes in foreign currency exchange rates on regular basis.
- Set up tide limits for dealing in foreign currencies for the basic objectives of the Fund activity.

The Fund has certain investments in foreign operations and its net assets are exposed to foreign currency translation risk. Positions are monitored on a regular basis to ensure positions are maintained within established limits.

The Fund had the following significant net assets denominated in foreign currencies:

	2021	**2020**
	KD	KD
SAR	1,900,466	1,672,421
AED	1,074,097	891,554
QR	1,249,323	1,123,437

The effect on the statements of comprehensive income and changes in net assets attributable to Unit Holders (as a result of a change in the foreign currency) due to an assumed change of 5% in market rates, with all other variables held constant is as follows:

Effect on the statement of comprehensive income and changes in equity is as follows:

	2021	**2020**
	KD	KD
SAR	95,023	83,621
AED	53,705	44,578
QR	62,466	56,172

(c) Yield rate risk

Yield rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market yield rate. The Fund is not currently exposed to yield risks as it has savings account at fixed yield rate. The Fund has no variable yield bearing financial assets or financial liabilities at the financial statements date.

15. Financial risk management (Continued)

15.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Fund to credit risk consist principally of cash and cash equivalents, accrued revenues and other debit balances. Cash at banks and at investment portfolios are placed with high credit rating institutions. The Fund does not have significant balances as at the financial statements date. The Fund Manager believes that default of bank balances, cash at investment portfolios, and accrued revenues and other debit balances are close to zero, as these parties have significant ability to comply with their short term contractual commitments. Accordingly, no allowances related to the expected credit losses based on 12 month expected credit losses have been recorded, since any impairment will be immaterial for the Fund.

Credit risk exposure
The book values for financial assets represent the maximum exposure to credit risks. The maximum exposure to credit risk by class of assets at the financial position date is as follows:

	2021	**2020**
	KD	KD
Financial assets		
Cash and cash equivalents	1,566,499	1,047,359
Accrued revenues and other debit balances	16,822	7,527
	1,583,321	1,054,886

The Fund's credit risk bearing assets can be analysed by the geographical region and industry wise as follows:

	2021	**2020**
	KD	KD
Geographical region:		
State of Kuwait	464,802	676,090
Gulf Cooperation Council Countries	1,118,519	378,796
	1,583,321	1,054,886

	2021	**2020**
	KD	KD
Industry segment		
Banks	454,717	566,886
Other	1,128,604	488,000
	1,583,321	1,054,886

15.3 Liquidity risk

Liquidity risk is the risk that the Fund will be unable to meet its liabilities when they fall due. To limit this risk, the Fund Manager monitors liquid assets and liquidity on a daily basis.

15. Financial risk management (Continued)

15.3 Liquidity risk (continued)

Ultimate responsibility for liquidity risk management rests with the Fund Manager, who has built an appropriate liquidity risk management framework and liquidity management requirements. The Fund Manager manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The financial liabilities (accrued expenses and other credit balances) are expected to fall due within three months from the date of statement of financial position.

16. Capital risk management

The Fund's financial resources represent total equity. The Fund's net assets value attributable to the Unit Holders may be significantly changed due to the subscriptions and redemptions that are implemented by the Unit Holders. The Fund's objective, when managing the financial resources, is to safeguard the Fund's ability to continue in order to provide returns for the unit holders and benefits for other stakeholders and to maintain financial resources that support the investment activities of the Fund.

The Fund Manager monitors its financial resources based on the Fund's net asset value attributable to the Unit Holders that are recoverable.

17. Fair value of financial instruments

The fair value represents 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. The fair value of financial assets traded in active markets is based on quoted market prices at the current bid price on the year-end date. The Fund utilises the last traded market price for financial assets.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

The hierarchy levels of fair value are set out below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (for example: prices) or indirectly (for example: inputs relating to prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market information (unobservable inputs).

2021	**Level 1**
	KD
Financial assets at fair value through profit or loss	
Quoted securities	5,833,266

17. Fair value of financial instruments (Continued)

2020	**Level 1**
	KD
Financial assets at fair value through profit or loss	
Quoted securities	4,952,401

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Quoted market prices used for the Fund's financial assets are the best purchasing price.

The Fund does not have financial instruments that are classified under Level 2 and Level 3, under the measurement category at fair value as at the date of the financial statements.

There have been no transfers between fair value hierarchy during the year.

All other financial assets and financial liabilities carried at amortised cost approximate their fair values at the reporting date.