

Noor GCC Islamic Fund

Financial statements and independent auditor's report
For the year ended 31 December 2020

Noor GCC Islamic Fund

**Financial statements and independent auditor's report
For the year ended 31 December 2020**

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Independent auditor's report to the unitholders of Noor GCC Islamic Fund

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Noor GCC Islamic Fund (the "Fund") as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Fund's financial statements comprise:

- The statement of financial position as at 31 December 2020;
- The statement of comprehensive income for the year then ended;
- The statement of changes in net assets attributable to unitholders for the year then ended;
- The statement of cash flows for the year then ended; and
- notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for 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 these financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of these financial statements in the State of Kuwait. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Responsibilities of management and those charged with governance for these financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Executive Bylaws of Law No. 7 of 2010 pertaining to the Establishment of the Capital Markets Authority and the Regulation of Securities' Activity and subsequent amendments thereto, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Independent auditor's report to the unitholders of Noor GCC Islamic Fund (continued)

Auditor's responsibilities for the audit of these financial statements

Our objectives are to obtain reasonable assurance about whether these 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 reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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



Independent auditor's report to the unitholders of Noor GCC Islamic Fund (continued)

Report on other legal and regulatory requirements

We further report that during the course of our audit, we have not become aware of any material violations concerning the Executive Bylaws of Law No. 7 of 2010 pertaining to the Establishment of the Capital Markets Authority and the Regulation of Securities' Activity and subsequent amendments thereto during the year ended 31 December 2020 that might have had a material effect on the business of the Fund or on its financial position.



Ahmed Mohammed Abdulrahman Al-Rasheed
Licence No. 39 A
PricewaterhouseCoopers (Al-Shatti & Co.)

8 February 2021
Kuwait


Noor GCC Islamic Fund

Statement of financial position

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Note	As at 31 December	
		2020	2019
ASSETS			
Current assets			
Financial assets at fair value through profit or loss	5	4,952,401	5,146,101
Accounts receivable		7,527	27,182
Cash and cash equivalents	6	1,047,359	610,167
Total assets		6,007,287	5,783,450
LIABILITIES			
Current liabilities			
Accrued expenses and other payables	7	137,249	85,464
Total liabilities		137,249	85,464
Net assets attributable to unitholders	9	5,870,038	5,697,986
Represented by			
Unitholders contribution	8	6,883,998	6,896,998
Net assets value per unit (KD)	9	0.853	0.826


Noor Financial Investment Company K.P.S.C.
(Fund's manager)


Gulf Custody Company K.S.C.C.
(Fund's investment custodian and trustee)

The accompanying notes set out on pages 8 to 21 form an integral part of these financial statements.

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Noor GCC Islamic Fund

Statement of comprehensive income

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Note	Year ended 31 December	
		2020	2019
Income			
Net changes in fair value on financial assets at fair value through profit or loss		124,186	236,894
Dividend income		156,092	198,259
Profit from saving account		318	503
Total income		280,596	435,656
Expenses			
Management fees	11	(81,409)	(85,317)
Fund's investment custodian and trustee fees	11	(6,784)	(7,110)
Other operating expenses		(7,908)	(11,890)
Foreign exchange loss		(1,939)	(5,082)
Total operating expenses		(98,040)	(109,399)
Increase in net assets attributable to unitholders		182,556	326,257

The accompanying notes set out on pages 8 to 21 form an integral part of these financial statements.

Noor GCC Islamic Fund

Statement of changes in net assets attributable to unitholders
(All amounts in Kuwaiti Dinars unless otherwise stated)

	Note	Year ended 31 December	
		2020	2019
Net assets attributable to unitholders at 1 January		5,697,986	5,388,158
Payments for units redeemed during the year		(10,504)	(16,429)
Decrease from unit transactions		(10,504)	(16,429)
Increase in net assets attributable to unitholders		182,556	326,257
Net assets attributable to unitholders at 31 December	9	5,870,038	5,697,986

The accompanying notes set out on pages 8 to 21 form an integral part of these financial statements.

Noor GCC Islamic Fund

Statement of cash flows

(All amounts in Kuwaiti Dinars unless otherwise stated)

		Year ended 31 December	
	Note	2020	2019
Cash flows from operating activities			
Increase in net assets attributable to unitholders for the year		182,556	326,257
Adjustments for:			
Profit from saving account		(318)	(503)
Dividend income		(156,092)	(198,259)
Financial assets at fair value through profit or loss		(124,186)	(236,894)
		(98,040)	(109,399)
Changes in operating assets and liabilities			
Purchasing financial assets at fair value through profit or loss	5	(211,540)	(1,101,386)
Proceeds from sale of financial assets at fair value through profit or loss		529,426	855,349
Accrued expenses and other payables		139,346	152,065
Cash generated from / (used in) operating activities		359,192	(203,371)
Dividend income received		175,747	183,858
Profit from saving account received		318	503
Management, investment custodian and trustee fees paid		(87,561)	(91,683)
Net cash generated from / (used in) operating activities		447,696	(110,693)
Cash flows from financing activities			
Payments for units redeemed	9	(10,504)	(16,429)
Net increase / (decrease) in cash and cash equivalents		437,192	(127,122)
Cash and cash equivalents at the beginning of the year		610,167	737,289
Cash and cash equivalents at the end of the year	6	1,047,359	610,167

The accompanying notes set out on pages 8 to 21 form an integral part of these financial statements.

Noor GCC Islamic Fund

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

1 GENERAL INFORMATION

Noor GCC Islamic Fund ("the Fund") is an open-ended fund domiciled and incorporated in Kuwait on 13 February 2007 in accordance with Decree No. 31 of 1990, as amended. The Fund commenced its activities on 1 September 2007.

The Fund has a duration of five years commencing from the date of establishment. This duration is renewable for further similar periods subject to approval of more than fifty percent of the unitholders. The Fund's duration was last renewed on 19 November 2020, as the Capital Markets Authority (CMA) has approved the renewal of the Fund's license for another 3 years effective from 5 February 2021 and ending on 4 February 2024.

The Fund aims to achieve competitive returns on the quoted equity securities available in the local and GCC markets according to the investment policy and risks set by the Fund's manager, in accordance with Islamic Sharea' principles as determined by the Fund's Fatwa and Sharea' Supervisory Board.

The Fund's investment activities are managed by Noor Financial Investment Company K.P.S.C. ("the Fund's manager") which is entitled to a management fee of 1.5% of the Fund's net assets value per annum calculated on a daily basis and payable on a quarterly basis. Gulf Custody Company K.S.C.C. is the Fund investment custodian and trustee and is entitled to 0.125% of the Fund's net asset value per annum calculated on a daily basis and payable on a quarterly basis.

The address of the Fund manager registered office is P.O. Box 3311, Safat 13034, State of Kuwait.

In March 2020, the coronavirus ("COVID-19") outbreak became a global pandemic causing disruptions to businesses and economic activity. While the pandemic did not have significant impact on the Fund, it is uncertain if it will continue disrupting the Kuwaiti and GCC markets. The Fund managers are continually monitoring the impact of the outbreak on the Fund.

The financial statements of the Fund for the year ended 31 December 2020 were authorised for issuance by the Fund's manager and Fund's investment custodian and trustee on 8 February 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Executive Bylaws of Law No. 7 of 2010 pertaining to the Establishment of the Capital Markets Authority and the Regulation of Securities' Activity and subsequent amendments thereto. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Noor GCC Islamic Fund

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1. Basis of preparation (Continued)

2.1.1. Change in accounting policies and disclosures

(a) Standards and amendments to existing standards effective 1 January 2020:

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2020 that have a material effect on the financial statements of the Fund.

(b) New standards, amendments and interpretations effective after 1 January 2020 and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

2.2 Foreign currencies translation

(a) Functional and presentation currency

The Fund's investors are mainly from Kuwait, with the subscriptions and redemptions of the units denominated in Kuwaiti Dinars. The primary activity of the Fund is to invest in quoted equity securities of Islamic banks and companies in the local and GCC markets. The performance of the Fund is measured and reported to the investors in Kuwaiti Dinars. The management of the Fund considers Kuwaiti Dinars as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Kuwaiti Dinars, which is the Fund's functional and presentation currency.

(b) Transactions and balances

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

2.3 Financial assets and financial liabilities at fair value through profit or loss

(a) Classification

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial assets and financial liabilities at fair value through profit or loss (Continued)

(b) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Fund's right to receive payments is established.

(c) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets traded in active market (such as trading securities) are based on quoted market bid prices on the reporting date.

If a significant movement in fair value occurs subsequent to the close of trading up to midnight in Kuwait on the year end date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a share, close of market or close of the foreign exchange, but before the Fund's valuation time that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations.

2.4 Accounts receivable

Accounts receivable represent dividends received from investees in the ordinary course of business. If collection is expected to be within one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At the reporting date, the impact of the loss allowance was immaterial.

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Impairment of financial assets at amortised cost

The Fund assesses on a forward-looking basis the expected credit losses associated with its financial assets measured at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivable, the Fund applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. At the reporting date, the impact of the loss allowance was immaterial.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2.6 Cash and cash equivalents

Cash and cash equivalents included in the statements of financial position and cash flows comprise of call accounts held with financial institutions and cash in portfolio.

2.7 Accrued expenses and other payables

Accrued expenses and other payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

2.8 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

2.9 Net Assets attributable to unitholders

Units are subscribed and redeemed at the holder's option at prices based on the Fund's net asset value per unit at the time of subscription or redemption. The Fund's net asset value per share is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units. In accordance with the provisions of the Fund's private placement memorandum, investment positions are valued based on the last bid price for determining the net asset value per unit for subscriptions and redemptions.

2.10 Profit income and dividend income

Profit income

Profit income from cash and cash equivalents is recognised on a time proportionate basis using the effective profit rate method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Management and custodian fees

Management fees

Management fees are payable to the Fund manager and calculated on the basis of 1.5% per annum of the net assets attributable to unitholders of the Fund, which is payable on a quarterly basis.

Fund's investment custodian and trustee

Fund's investment custodian and trustee fees are payable to the Fund's investment custodian and trustee and calculated on the basis of 0.125% per annum of the net assets attributable to unitholders of the Fund, which is payable on a quarterly basis.

2.12 Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk (including price risk and foreign currency risk), liquidity risk and credit risk.

The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Fund to transfer securities might be temporarily impaired.

All securities investments present a risk of loss of capital. The maximum loss of capital on equity and is limited to the fair value of those securities.

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's management monitors these risks, and the Fund's management manages risks in accordance with the policies adopted by the Fund manager.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.1 Market Risk

(a) Price risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. The Fund's policy is to manage price risk through diversification and selection of securities and other financial instruments.

The Fund's equity investments are publicly traded and are listed on Boursa Kuwait Securities Company (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 is monitored on a daily basis by the Fund's manager and is reviewed on a quarterly basis.

The Fund's overall exposure to price risk as at 31 December 2020 was KD 4,952,401 (2019: KD 5,146,101). The Fund's policy is to concentrate the investment portfolio in quoted securities of Islamic banks and companies listed in GCC region where management believes that the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equity portfolio:

	As at 31 December	
	2020	2019
	Fund's equity portfolio	Fund's equity portfolio
Banks	2,024,774	2,138,834
Industrial	1,449,684	1,611,535
Services	847,900	761,089
Real estate	581,774	578,433
Others	48,269	56,210
	4,952,401	5,146,101

The table below summarises the sensitivity of the Fund's net assets attributable to unitholders to equity price movements as at 31 December. The analysis is based on the assumptions that the Kuwait stock exchange market prices and GCC relevant market prices increased by 5% (2019: 5%) and decreased by 5% (2019: 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 markets. This represents management's best estimate of a reasonable possible shift in the Boursa market prices and GCC relevant market prices, having regard to the historical volatility of the markets. The impact below arises from the reasonable possible change in the fair value of equities.

	2020	2019
Effect on net assets attributable to unitholders of an increase in the market prices	293,502	284,899
Effect on net assets attributable to unitholders of a decrease in the market prices	(293,502)	(284,899)

Noor GCC Islamic Fund

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.1 Market Risk (Continued)

(a) Price risk (Continued)

The sensitivity analysis presented is based upon the portfolio composition as at 31 December and the historical correlation of the securities comprising the portfolio to the respective indices.

The composition of the Fund's investment portfolio, including the use of leverage, and the correlation thereof to the Bursa market prices and GCC relevant market prices, is expected to change over time. The sensitivity analysis prepared as of 31 December is not necessarily indicative of the effect on the Fund's net assets attributed to unitholders of future movements in the level of the Bursa market prices and GCC relevant market prices.

(b) Foreign currency risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Fund's functional currency. The Fund is exposed to foreign currency risk arising from various currency exposures, primarily with respect to Saudi Riyal (SAR), UAE Dirham (AED) and Qatari Riyal (QAR).

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

	As at 31 December	
	2020	2019
SAR	1,672,421	1,921,213
AED	891,554	832,036
QAR	1,123,437	1,028,855

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

Impact on the statement of comprehensive income and changes in net assets attributable to unitholders is as follows:

	As at 31 December	
	2020	2019
SAR	83,621	96,061
AED	44,578	41,602
QAR	56,172	51,443

A 5% decrease in these currencies against KD would have the opposite effect.

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to monthly cash redemptions of units. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of.

The Fund's listed securities are considered readily realisable, as they are listed on the Kuwait Stock Exchange (Boursa Kuwait) and other stock markets in the GCC region.

In addition, the units of the Fund have no contractual maturity as these units are redeemable on demand at the option of the unitholders.

At 31 December 2020 and 2019, the contractual maturity of the Fund's financial liabilities subject to liquidity risk is up to one year from the end of the reporting period and represents the undiscounted contractual cash flow.

3.1.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation and arises principally from accounts receivable and bank balances. The Fund seeks to limit its credit risk with respect to bank balances by dealing with reputable banks. The Fund carries out its principal work with the Fund manager, other relevant parties and counterparties and regularly monitors credit exposures and assesses the counterparty's solvency.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum net exposure to credit risk by class of assets at the reporting date is as follows:

	As at 31 December	
	2020	2019
Accounts receivable	7,527	27,182
Cash and cash equivalents	1,047,359	610,167
	1,054,886	637,349

The fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. As at 31 December 2020 and 2019, all financial assets are held with counterparties with reputable financial institution with no history of default. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the fund.

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

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.

An active market is a market in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each year end date. For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity securities for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The Fund uses the following hierarchy for disclosing the fair values of financial instruments:

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

As at 31 December, all the Fund's financial assets at fair value through profit or loss are determined to be at level 1.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at 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. The quoted market price used for financial assets held by the Fund is the last bid price. There were no transfers between levels that took place during the years ended 31 December 2020 and 2019.

4 CRITICAL ACCOUNTING JUDGEMENTS

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Classification of investments

On acquisition of an investment, the Fund decides whether it should be classified as "financial assets at fair value through profit or loss" or "financial assets at fair value through other comprehensive income". The Fund follows the guidance of IFRS 9 on classifying its investments.

As at 31 December 2020 and 2019, the Fund classifies all its investments as financial assets at fair value through profit or loss.

Noor GCC Islamic Fund

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2020	2019
Quoted securities:		
Local securities	1,272,516	1,363,998
GCC securities	3,679,885	3,782,103
	4,952,401	5,146,101

Movements on financial assets at fair value through profit or loss are as follows:

	Year ended 31 December	
	2020	2019
Opening balance	5,146,101	4,663,170
Purchases	211,540	1,101,386
Disposals	(555,777)	(819,361)
Unrealised gain from financial assets at fair value through profit or loss	150,537	200,906
	4,952,401	5,146,101

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of financial position and cash flows include the followings:

	As at 31 December	
	2020	2019
Bank balances	566,886	272,616
Cash in portfolio	480,473	337,551
	1,047,359	610,167

7 ACCRUED EXPENSES AND OTHER PAYABLES

	As at 31 December	
	2020	2019
Accrued management fees (note 11)	21,750	21,166
Accrued Fund's investment custodian and trustee fees (note 11)	1,812	1,764
Amounts due to brokers	110,871	57,391
Other payables	2,816	5,143
Total	137,249	85,464

The carrying value of accrued expenses and other payables approximates their fair value.

Noor GCC Islamic Fund

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

8 UNITHOLDERS' CONTRIBUTION

	As at 31 December	
	2020	2019
Issued and fully paid	6,883,998	6,896,998

The Fund is an open-ended fund with fund capital varying from 5,000,000 to 50,000,000 units (31 December 2019: 5,000,000 to 50,000,000 units) with a par value of KD 1 per unit (31 December 2019: KD 1 per unit).

Units premium of subscribed or redeemed units represents the difference between the par value and the amount actually received or paid to the unitholders.

9 NET ASSETS VALUE PER UNIT

	As at 31 December	
	2020	2019
Net assets attributable to unitholders	5,870,038	5,697,986
Number of units outstanding	6,883,998	6,896,998
Net assets value per unit	0.853	0.826

The net assets value comprises of the following:

	As at 31 December	
	2020	2019
Unitholders' contribution	6,883,998	6,896,998
Units premium	294,160	291,664
Accumulated losses	(1,308,120)	(1,490,676)
Total	5,870,038	5,697,986

The movement in units during the year is as follows:

	Number of units	Unitholders contribution	Units premium
At 1 January 2020	6,896,998	6,896,998	7,188,662
Payments for units redeemed during the year	(13,000)	(13,000)	(10,504)
At 31 December 2020	6,883,998	6,883,998	7,178,158

Noor GCC Islamic Fund

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

9 NET ASSETS VALUE PER UNIT (CONTINUED)

	Number of units	Unitholders contribution	Units Premium
At 1 January 2019	6,916,898	6,916,898	7,205,091
Payments for units redeemed during the year	(19,900)	(19,900)	(16,429)
At 31 December 2019	<u>6,896,998</u>	<u>6,896,998</u>	<u>7,188,662</u>

The movement in accumulated losses during the year is as follows:

	As at 31 December	
	2020	2019
Balance as of 1 January	<u>(1,490,676)</u>	(1,816,933)
Increase in net assets attributable to unitholders	182,556	326,257
Balance as of 31 December	<u>(1,308,120)</u>	<u>(1,490,676)</u>

10 CHANGES IN NET ASSETS PER UNIT

Changes in net assets per unit are calculated by dividing changes in net assets attributable to unitholders for the year by the weighted average number of units outstanding during the year, as follows:

	Year ended 31 December	
	2020	2019
Changes in net assets attributable to unitholders for the year	<u>182,556</u>	326,257
Weighted average number of units outstanding during the year	<u>6,879,667</u>	6,887,422
Changes in net assets per unit (KD)	<u>0.027</u>	0.047

11 RELATED PARTY TRANSACTIONS AND BALANCES

These represent transactions with major unitholders, Fund's manager and Fund's investment custodian and trustee under the terms of the private placement memorandum of the Fund.

	Year ended 31 December	
	2020	2019
Transactions included in the statement of comprehensive income		
Management fees (Fund's manager)	<u>(81,409)</u>	(85,317)
Fund's investment custodian and trustee fees	<u>(6,784)</u>	(7,110)

Noor GCC Islamic Fund

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

11 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

<i>Balances included in the statement of financial position</i>	As at 31 December	
	2020	2019
Accrued management fees (fund manager) (note 7)	21,750	21,166
Accrued Fund's investment custodian and trustee (note 7)	1,812	1,764

At the reporting date, the Fund manager held 4,850,000 units representing 70.45 % of the units issued (2019: 4,850,000 units representing 70.32% of the units issued). This is in accordance with the Fund private placement memorandum of the Fund which requires that the Fund manager should not own less than 5% and not more than 95% of the Fund at any time.