

**Noor GCC Islamic Fund
State of Kuwait**

**Financial Statements and Independent Auditor's Report
For the year ended 31 December 2023**

**Noor GCC Islamic Fund
State of Kuwait**

Financial Statements and Independent Auditor's Report
For the year ended 31 December 2023

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Independent Auditor's Report
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 2023, 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 material 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 2023, 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 evidence we have obtained are sufficient and appropriate to provide a basis for our opinion.

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 assess 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 the unit holders 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.

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.

Independent Auditor's Report (Continued)
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)

- 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 the 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

In our opinion, the financial statements include the disclosures required by Law No. 7 of 2010 concerning Establishment of Capital Markets Authority and Organization of Security 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 2023 of either the Law No. 7 of 2010 concerning Establishment of Capital Markets Authority and Organization of Security 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: 29 January 2024

**Noor GCC Islamic Fund
State of Kuwait**

**Statement of Financial Position
As at 31 December 2023**

	Notes	2023 KD	2022 KD
Assets			
Cash and cash equivalents	6	1,543,416	1,392,610
Financial assets at fair value through profit or loss	7	5,589,221	5,463,473
Accrued revenues and other debit balances		6,512	39,016
Total assets		<u>7,139,149</u>	<u>6,895,099</u>
Liabilities			
Accrued expenses and other credit balances	8	34,699	36,017
Total Liabilities		<u>34,699</u>	<u>36,017</u>
Equity			
Capital	9	6,781,098	6,801,098
Units premium	10	290,801	291,210
Retained earnings / accumulated losses		32,551	(233,226)
Total equity		<u>7,104,450</u>	<u>6,859,082</u>
Total liabilities and equity		<u>7,139,149</u>	<u>6,895,099</u>
Net assets value per unit	10	<u>1.048</u>	<u>1.009</u>

The accompanying notes on pages 7 to 20 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 2023

	Notes	2023 KD	2022 KD
Revenue			
Unrealized gain / (losses) on financial assets at fair value through profit or loss	7	146,180	(312,455)
Realized gain on sale of financial assets at fair value through profit or loss		645	16,000
Dividends income		207,097	173,655
Yield income		33,321	4,872
Total revenues		<u>387,243</u>	<u>(117,928)</u>
Expenses			
Management Fees	11,14	(104,249)	(115,562)
Fund Custodian and Investment Controller fees	12,13,14	(8,687)	(9,630)
Other expenses		(8,359)	(6,996)
(Loss) / gain from foreign currency differences		(171)	13,168
Total expenses		<u>(121,466)</u>	<u>(119,020)</u>
Total comprehensive income / (loss) for the year		<u>265,777</u>	<u>(236,948)</u>

The accompanying notes on pages 7 to 20 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 2023

	Capital KD	Units premium KD	(Accumulated losses) / retained earnings KD	Total equity KD
At 1 January 2022	6,847,098	295,543	140,524	7,283,165
Total comprehensive loss for the year	-	-	(236,948)	(236,948)
Dividends	-	-	(136,802)	(136,802)
Redemption on units	(46,000)	(4,333)	-	(50,333)
At 31 December 2022	6,801,098	291,210	(233,226)	6,859,082
At 1 January 2023	6,801,098	291,210	(233,226)	6,859,082
Total comprehensive income for the year	-	-	265,777	265,777
Redemption on units	(20,000)	(409)	-	(20,409)
At 31 December 2023	6,781,098	290,801	32,551	7,104,450

The accompanying notes on pages 7 to 20 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 2023

	Note	2023 KD	2022 KD
Operating activities			
Net profit /(loss) for the year		265,777	(236,948)
<i>Adjustments for:</i>			
Unrealized (profit) / loss from financial assets at fair value through profit or loss		(146,180)	312,455
Realized gain on sale of financial assets at fair value through profit or loss		(645)	(16,000)
Dividends income		(207,097)	(173,655)
Yield income		(33,321)	(4,872)
		<u>(121,466)</u>	<u>(119,020)</u>
<i>Changes in operating assets and liabilities:</i>			
Financial assets at fair value through profit or loss		21,077	73,338
Accrued revenues and other debit balances		4,069	12,754
Accrued expenses and other credit balances		(1,318)	(97,405)
Dividend revenues received		242,044	138,707
Yield income received		26,809	4,872
Net cash flows from operating activities		<u>171,215</u>	<u>13,246</u>
Financing activities			
Cash dividends paid		-	(136,802)
Payment for redeemed units		(20,409)	(50,333)
Net cash flows used in financing activities		<u>(20,409)</u>	<u>(187,135)</u>
Net increase / (decrease) in cash and cash equivalents		150,806	(173,889)
Cash and cash equivalents at beginning of the year		1,392,610	1,566,499
Cash and cash equivalents at end of the year	6	<u>1,543,416</u>	<u>1,392,610</u>

The accompanying notes on pages 7 to 20 form an integral part of these financial statements.

Noor GCC Islamic Fund
State of Kuwait

Notes to the Financial Statements
For the year ended 31 December 2023

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.

The Capital Markets Authority (CMA) has approved the renewal of the Fund's license for three years effective from 5 February 2024.

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 the surplus in investment instruments market (short and medium-term deposits that are in compliance with Islamic Sharea' 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's 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 Custodian, Investment Controller and Unitholders registrar.

The Fund Manager has amended some articles of the Fund's Articles of Association in accordance with Resolution No. (1) of 2022 issued by the Capital Markets Authority regarding the amendment of some provisions of collective investment schemes. All amendments were approved by the Capital Markets Authority on 13 February 2023.

The Annual General Assembly for Unitholders held on 8 June 2023 has approved the financial statements for the financial year ended 31 December 2022.

The financial statements for the year ended 31 December 2023 were authorized for issue by the Fund Manager on 29 January 2024.

2. Basis of preparation

The financial statements are prepared on the historical cost basis, except for financial assets at fair value through profit or loss which are stated at fair value.

The financial statements are presented in Kuwaiti Dinars ("KD") which is the Fund's functional and presentation currency.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires 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.

Notes to the Financial Statements
For the year ended 31 December 2023

3. Application of New and Revised International Financial Reporting Standards ("IFRSs")

a) New standards, interpretations and amendments effective from 1 January 2023

The accounting policies adopted in the preparation of the financial statements are consistent with those adopted in the preparation of the annual financial statements of the Fund for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments have been applied for the first time in 2023, but they do not have a material impact on the financial statements of the Fund.

Amendments to IAS (1) and IFRS Practice Statement (2) - Disclosure of Accounting Policies

The 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.

This standard did not have a material impact on the Fund's financial statements.

IFRS 17: Insurance Contracts

IFRS 17: Insurance Contracts, a new comprehensive accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurance companies. In contrast to the requirements in IFRS 4, which are largely based on approval of previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. 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.

This standard did not have any impact on the Fund's financial statements.

Amendments to IAS 8 - Definition of Accounting Estimates

The amendments to IAS 8 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.

This standard did not have a material impact on the Fund's financial statements.

There are other amendments related to IAS (12) "Income Taxes" which do not have any impact on the Fund's financial statements.

Notes to the Financial Statements
For the year ended 31 December 2023

3. Application of New and Revised International Financial Reporting Standards ("IFRSs") (Continued)

b) New standards, interpretations and amendments issued but not yet effective.

There are a number of standards, amendments to standards and interpretations issued by ISAB that are effective in future accounting periods and which the Fund's management has decided not to adopt early.

The following amendments are effective for the period beginning on 1 January 2024:

- Sale and leaseback obligations (amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-current (Amendments to IAS (1) presentation of financial statements);
- Non-current liabilities with commitments (Amendments to IAS (1) presentation of financial statements); and
- Supplier financing arrangements (Amendments to IAS (7) Statement of Cash Flows and IAS (7) Financial Instruments: Disclosures).

The following amendments are effective for the period beginning on 1 January 2025:

- Non-exchangeability (Amendments to IAS (21) Effect of Change in Foreign Currency Exchange Rate Translation).

The Fund's management is currently evaluating the impact of these new accounting standards and amendments. The Fund's management does not believe that the amendments to IAS (1) will have a significant impact on the classification of its liabilities, as the conversion feature in convertible debt instruments is classified as equity instruments and therefore does not affect the classification of its convertible debts as non-current liabilities. The Fund's management does not expect that any other standards issued by ISAB, but not yet effective, will have any material impact on the Fund.

4. Material 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.

Notes to the Financial Statements
For the year ended 31 December 2023

4. Material accounting policies (Continued)

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.

Financial assets

Classification and initial recognition

To determine 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.
- Equity assets at fair value through profit or loss.

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 balances with local and foreign banks, a short-term deposit with a local bank with a contractual maturity of less than three months from the date of deposit, and cash in investment portfolios. Bank balances, short-term deposit, and cash in investment portfolios are exposed to insignificant risk of changes in value.

Accrued revenues and other debit balances

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

Notes to the Financial Statements
For the year ended 31 December 2023

4. Material accounting policies (Continued)

4.2 Financial instruments (continued)

Financial assets (continued)

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.

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.

Financial assets at fair value through profit or loss

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 an 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.

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.

Financial liabilities

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.

Accounts payable

Accounts payable item represents a commitment to repay the amount 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. Material accounting policies (Continued)

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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

4.4 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 income is mainly represented in net investment income that falls outside the scope of IFRS 15.

The Fund's income comprises the following:

Profits from sale of financial assets at fair value through profit or loss

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 benefits attributable to the ownership of the sold investment. Profits 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.

Dividends income

Dividend revenues are recognized when the Fund's right to receive payment is established.

Yield income

Yield income are 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. Resulting gains or losses on exchange 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 Kuwaiti Dinar at the foreign exchange rates ruling at the date when the value was determined.

Notes to the Financial Statements
For the year ended 31 December 2023

4. Material accounting policies (Continued)

4.8 Dividends

Fund recognizes cash and non-cash dividends to the Unit Holders as liabilities when those distributions are finally approved, upon approval by the Fund Manager, as the 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 judgments

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 Company'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 which is explained in Note No. 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 acting as 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 has concluded that it is a principal in all of its revenue arrangements since it is the primary obligor, has pricing latitude, and is also exposed to credit risks and loss of assets.

Contingent liabilities

Contingent liabilities are possible obligations 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.

Noor GCC Islamic Fund
State of Kuwait

Notes to the Financial Statements
For the year ended 31 December 2023

6. Cash and cash equivalents

	<u>2023</u>	<u>2022</u>
	KD	KD
Bank balances	284,577	622,131
*Short-term deposit	1,090,000	750,000
Cash at investment portfolios	168,839	20,479
	<u>1,543,416</u>	<u>1,392,610</u>

*Short-term deposit represents a deposit with a local bank and carries a yield rate of 4.45% per annum (2022: 4.125%).

7. Financial assets at fair value through profit or loss

	<u>2023</u>	<u>2022</u>
	KD	KD
Investments in quoted securities - Kuwait	1,389,405	1,541,937
Investments in quoted securities - Gulf Cooperation Council Countries	4,199,816	3,921,536
	<u>5,589,221</u>	<u>5,463,473</u>

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

	<u>2023</u>	<u>2022</u>
	KD	KD
At 1 January	5,463,473	5,833,266
Purchases	15,695	75,830
Disposals	(36,127)	(133,168)
Unrealized profit / (loss)	146,180	(312,455)
At 31 December	<u>5,589,221</u>	<u>5,463,473</u>

8. Accrued expenses and other credit balances

	<u>2023</u>	<u>2022</u>
	KD	KD
Accrued management fees to the Fund Manager (Note 14)	26,039	27,097
Accrued fees to Fund Custodian and Investment Controller (Note 14)	2,170	2,258
Other credit balances	6,490	6,662
	<u>34,699</u>	<u>36,017</u>

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 2,000,000 units to 50,000,000 units (2022: 2,000,000 units to 50,000,000 units) with a nominal value KD 1 per unit. As at 31 December 2023, the Fund's share capital was 6,781,098 units (2022: 6,801,098 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.

Noor GCC Islamic Fund
State of Kuwait

Notes to the Financial Statements
For the year ended 31 December 2023

10. Net assets value per unit

	2023	2022
Net assets attributable to unit holders ("KD")	7,104,450	6,859,082
Number of outstanding units (unit)	6,781,098	6,801,098
Net asset value per unit (KD)	1.048	1.009

The movement in units during the year is as follows:

	No. of units	Unit Holders shareholding	Units issuance premium
At 1 January 2022	6,847,098	6,847,098	295,543
Paid for units redeemed during the year	(46,000)	(46,000)	(4,333)
At 31 December 2022	6,801,098	6,801,098	291,210
At 1 January 2023	6,801,098	6,801,098	291,210
Paid for units redeemed during the year	(20,000)	(20,000)	(409)
At 31 December 2023	6,781,098	6,781,098	290,801

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

Represent balances and 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:

	2023	2022
	KD	KD
Statement of financial position:		
Accrued management fees to the Fund Manager (Note 8)	26,039	27,097
Accrued fees to Fund Custodian and Investment Controller (Note 8)	2,170	2,258

Notes to the Financial Statements
For the year ended 31 December 2023

14. Related party balances and transactions (Continued)

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

	2023	2022
	KD	KD
Statement of comprehensive income:		
Management fees	104,249	115,562
Fund Custodian and Investment Controller fees	8,687	9,630

In accordance with 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 71.52% of the Fund's subscribed units (2022: 4,850,000 units representing 71.31% 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 (such as equity price risk, foreign currency risk and yield rate risk), credit risk and liquidity risk. The Fund Manager policies for reducing each of the risks are discussed below. The Fund does not use derivative financial instruments based on future speculations.

The details of the material 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, yield rate risk.

a) Equity price risk

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

The Fund's exposure to price risk as at 31 December 2023 amounted to KD 5,589,221 (2022: KD 5,463,473). The Fund's policy is to focus the investment portfolio in the shares of banks and companies listed in the GCC region, where the management believes that the Fund can achieve the maximum amount of collected returns compared to the risks' level to which the Fund is exposed. The following table shows a summary of significant sector concentrations in the stock portfolio:

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15. Financial risk management (Continued)

15.1 Market risk (Continued)

a) Equity price risk (continued)

	Market Share Portfolio	
	2023	2022
	KD	KD
Banks	2,474,820	2,407,220
Manufacturing	1,370,175	1,462,784
Services	229,530	727,883
Real estates	960,991	793,123
Others	553,705	72,463
	<u>5,589,221</u>	<u>5,463,473</u>

The following table shows the sensitivity of the Fund's net assets attributable to the unit holders from the movements in share prices as of 31 December. The analysis is based on the assumptions that the prices of Boursa Kuwait and the GCC market prices increased by 5% (2022: 5%) and decreased by 5% (2022: 5%), while keeping all other variables constant and that the fair value of the Fund's portfolio of equity shares moves according to historical correlation with the market. This represents management's best estimate of possible variability in Boursa Kuwait market prices and related market prices in the GCC countries given the market historical change.

The effect below arises from a reasonably possible change in the fair value of the shares.

	2023	2022
	KD	KD
The impact on the net assets attributable to unit holders from the increase in market prices	<u>279,461</u>	<u>273,174</u>
The impact on the net assets attributable to unit holders from the decrease in market prices	<u>(279,461)</u>	<u>(273,174)</u>

b) Foreign currency risk

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

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's activities.

The Fund has certain investments in foreign operations and its net assets are exposed to foreign currency exchange 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:

	2023	2022
	KD	KD
Saudi Riyal	1,941,798	1,764,589
Emirati Dirham	1,109,240	1,026,533
QR	1,148,778	1,130,414

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Notes to the Financial Statements
For the year ended 31 December 2023

15. Financial risk management (Continued)

15.1 Market risk (Continued)

b) Foreign currency risk (Continued)

	2023	2022
	KD	KD
Saudi Riyal	1,941,798	1,764,589
Emirati Dirham	1,109,240	1,026,533
QR	1,148,778	1,130,414

The following is the impact on the statement of comprehensive income and changes in equity (due to the change in foreign currency) as a result of an assumed 5% change in market prices with all other variables held constant:

The following is the effect on the statement of comprehensive income and changes in equity:

	2023	2022
	KD	KD
Saudi Riyal	97,090	88,229
Emirati Dirham	55,462	51,327
QR	57,439	56,521

15.2 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 reporting date.

15.3 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. The bank balances, short-term deposit and cash in investment portfolios are placed with high credit rating institutions. The Fund has no significant debit balances as at the date of the financial statements. The Fund Manager considers that the default on bank balances, short-term deposit, cash in investment portfolios, accrued revenues and other debit balances is close to zero as those parties have a great ability to abide by their contractual obligations in the near term and accordingly, no provisions related to expected credit losses have been recorded based on the expected credit losses for a period of 12 months, as any impairment will be insignificant 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:

	2023	2022
	KD	KD
Financial assets		
Cash and cash equivalents	1,543,416	1,392,610
Accrued revenues and other debit balances	6,512	39,016
	<u>1,549,928</u>	<u>1,431,626</u>

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15. Financial risk management (Continued)

15.3 Credit risk (Continued)

Credit risk exposure (Continued)

The following is an analysis of the Fund's assets with credit risk in terms of geographical region and sector:

	<u>2023</u>	<u>2022</u>
	KD	KD
<i>Geographical region:</i>		
State of Kuwait	1,198,577	1,283,327
Gulf Cooperation Council Countries	<u>351,351</u>	<u>148,299</u>
	<u>1,549,928</u>	<u>1,431,626</u>
	<u>2023</u>	<u>2022</u>
	KD	KD
<i>Industry segment</i>		
Banks	1,374,577	1,372,131
Other	<u>175,351</u>	<u>59,495</u>
	<u>1,549,928</u>	<u>1,431,626</u>

15.4 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 the liquidity of assets and liquidity on a daily basis.

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

16. Capital risk management

The Fund's financial resources represent total equity. The net asset value of the Fund is 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 market prices at highest bid price on the trading date at end of the year.

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 basis of the degree to which the fair value for each level is supported by identifiable sources.

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17. Fair value of financial instruments (Continued)

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 (as prices) or indirectly (inputs relating to prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market information (unobservable inputs).

2023	<u>Level 1</u>
	KD
<i>Financial assets at fair value through profit or loss</i>	
Investments in quoted securities - Kuwait	1,389,405
Investments in quoted securities - Gulf Cooperation Council Countries	4,199,816
	<u>5,589,221</u>
2022	<u>Level 1</u>
	KD
<i>Financial assets at fair value through profit or loss</i>	
Investments in quoted securities - Kuwait	1,541,937
Investments in quoted securities - Gulf Cooperation Council Countries	3,921,536
	<u>5,463,473</u>

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.

The quoted market price used for the financial assets owned by the Fund is the best bid price. These instruments are included in Level 1.

The Fund has no financial instruments classified in Level 2 and Level 3 from fair value measurement category at the reporting date.

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.

18. Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentations. Such reclassification did not affect previously reported statement of comprehensive income, or statement of changes in equity, accordingly a third statement of financial position is not presented.