Al Ahli Kuwaiti Fund
(Fund Manager – Ahli Capital Investment Company K.S.C.C.)
Kuwait

Annual Financial Statements and
Independent Auditor's Report

31 December 2020

Index

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Al Ahli Kuwaiti Fund
(Fund Manager - Ahli Capital Investment Company K.S.C.C.)
Kuwait

INDEPENDENT AUDITOR'S REPORT TO THE FUND MANAGER

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Al Ahli Kuwaiti Fund ("the Fund") (Fund Manager - Ahli Capital Investment Company K.S.C.C.), which comprise the statement of financial position as at 31 December 2020 and the statements of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the 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 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 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)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Fund Manager for the Financial Statements

Fund Manager is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as the Fund Manager determines is necessary to enable the preparation of the 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 Unit Holders either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Fund Manager is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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Al Ahli Kuwaiti Fund
(Fund Manager - Ahli Capital Investment Company K.S.C.C.)
Kuwait

INDEPENDENT AUDITOR'S REPORT TO THE FUND MANAGER (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 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 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 the Fund Manager 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

Furthermore, in our opinion proper books of accounts have been kept by the Fund and the financial statements are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit, and that the financial statements incorporate all information that is required by the Fund's Articles of Association, as amended, and that, to the best of our knowledge and belief, no violations of the Articles of Association, as amended, have occurred 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.

We further report that, during the course of our audit, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations 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.

Talal Y. Al-Muzaini
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Deloitte & Touche
Al-Wazzan & Co.

Kuwait
11 February 2021

Al Ahli Kuwaiti Fund
(Fund Manager - Ahli Capital Investment Company K.S.C.C.)
Kuwait

Statement of Financial Position - As at 31 December 2020

	Note	Kuwaiti Dinars 2020	2019
ASSETS			
Cash and cash equivalents	3	215,228	7,036,199
Investments at fair value through profit or loss	4	27,065,107	28,091,178
Trade and other receivables	5	900,028	8,871
Total assets		28,180,363	35,136,248
LIABILITIES			
Payables and accruals	6	211,033	1,851,232
Total liabilities		211,033	1,851,232
EQUITY			
Share capital	7	38,156,987	36,998,422
Equalization reserve	7	3,573,297	3,400,456
Accumulated losses		(13,760,954)	(7,113,862)
Total equity		27,969,330	33,285,016
Total liabilities and equity		28,180,363	35,136,248
Net asset value per redeemable unit	8	0.733	0.900

The accompanying notes form an integral part of these financial statements.

Fund Manager
Ahli Capital Investment Company K.S.C.C.

Fund Custodian and Investment Controller
Kuwait Clearing Company K.S.C.C

Al Ahli Kuwaiti Fund
(Fund Manager - Ahli Capital Investment Company K.S.C.C.)
Kuwait

Statement of Profit or Loss and Other Comprehensive Income – year ended 31 December 2020

	Kuwaiti Dinars	
	2020	**2019**
Revenue		
Investments at fair value through profit or loss		
- realized (loss)/ gain	(864,714)	3,430,786
- unrealized (loss)/ gain	(3,527,748)	62,677
Dividend Income	1,012,852	1,269,284
Interest Income	6,903	117,241
	(3,372,707)	4,879,988
Expenses		
Management fees	(408,488)	(477,906)
Custodian and investment controller fees	(34,041)	(39,729)
Other operating expenses	(5,856)	(6,662)
	(448,385)	(524,297)
(Loss)/profit for the year	(3,821,092)	4,355,691
Other comprehensive income	-	-
Total comprehensive (loss)/income for the year	(3,821,092)	4,355,691

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity – year ended 31 December 2020

	Kuwaiti Dinars			
	Share capital	**Equalization reserve**	**Accumulated loss**	**Total**
Balance at 31 December 2019	36,998,422	3,400,456	(7,113,862)	33,285,016
Subscriptions during the year	103,579	(28,953)	-	74,626
Redemptions during the year	(1,771,014)	201,794	-	(1,569,220)
Bonus to unit holders (note 7)	2,826,000	-	(2,826,000)	-
Total comprehensive loss for the year	-	-	(3,821,092)	(3,821,092)
Balance at 31 December 2020	38,156,987	3,573,297	(13,760,954)	27,969,330

	Kuwaiti Dinars			
	Share Capital	**Equalization reserve**	**(Accumulated loss)/ Retained earnings**	**Total**
Balance at 31 December 2018	35,710,661	3,556,234	(9,540,226)	29,726,669
Subscriptions during the year	2,778,252	(336,384)	-	2,441,868
Redemptions during the year	(1,490,491)	180,606	-	(1,309,885)
Distribution to unit holders (note 7)	-	-	(1,929,327)	(1,929,327)
Total comprehensive income for the year	-	-	4,355,691	4,355,691
Balance at 31 December 2019	36,998,422	3,400,456	(7,113,862)	33,285,016

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows – year ended 31 December 2020

	Kuwaiti Dinars	
	2020	**2019**
Cash flows from operating activities		
(Loss)/Profit for the year	(3,821,092)	4,355,691
Adjustment for:		
Unrealised loss/(gain) from changes in fair value of investments at fair value through profit or loss	3,527,748	(62,677)
Dividend income	(1,012,852)	(1,269,284)
Interest income	(6,903)	(117,241)
Investments at fair value through profit and loss	(2,501,677)	1,205,728
Trade and other receivables	121,695	1,365,532
Payables and accruals	(1,640,199)	1,653,646
Net cash (used in)/generated from operating activities	(5,333,280)	7,131,395
Cash flow from investing activities		
Interest income received	6,903	117,241
Net cash generated from investing activities	6,903	117,241
Cash flow from financing activities		
Distribution to unit holders	-	(1,929,327)
Subscription of units	74,626	2,441,868
Redemption of units	(1,569,220)	(1,309,885)
Net cash used in financing activities	(1,494,594)	(797,344)
Net (decrease)/increase in cash and cash equivalents	(6,820,971)	6,451,292
Cash and cash equivalents		
at beginning of the year	7,036,199	584,907
at end of the year	215,228	7,036,199

The accompanying notes form an integral part of these financial statements.

1. Incorporation and activities

Al Ahli Kuwaiti Fund ("the Fund") was incorporated as a local open-ended investment fund and commenced operations as on 2 February 2003, in accordance with Decree Law No. 31 of 1990, governing Stock Exchange Regulations and Establishment of Investment Funds.

The objective of the Fund is to achieve capital growth through investing in securities of companies listed in Boursa Kuwait and subscribe to the shares of non- listed Kuwaiti companies. The Fund will invest in the market in order to achieve revenues and profits higher than market returns, but within an acceptable degree of investment risk. The Fund will invest the excess surplus in deposits, short and medium term certificates. The Fund also invests the surplus in any financial instrument traded in Boursa Kuwait after obtaining the approval from the Capital Markets Authority.

As per Law No. 7 of 2010 concerning Capital Markets Authority and organization of Security Activity, the Fund is subject to the supervision of Capital Markets Authority.

The term of the Fund is 15 years starting from the date of publication in the official gazette and is renewable for similar terms after obtaining regulatory approval. The Fund's term was renewed for a period of 3 years ending on 28 September 2023.

The Fund Manager is Ahli Capital Investment Company K.S.C.C.

The Fund Custodian and Investment Controller is Kuwait Clearing Company K.S.C.C.

The registered address of the Fund Manager is P.O. Box 1387, Safat 13014, State of Kuwait.

These financial statements have been approved for issue by the Fund Manager and the Fund Custodian on 9 February 2021.

2. Summary of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards - IFRS (International Accounting Standards and Interpretations issued by the International Financial Reporting Interpretations Committee) under the historical cost convention modified by the revaluation of financial instruments classified as "at fair value through profit or loss".

These financial statements are presented in Kuwaiti Dinars ("KD").

2.2 New and revised standards effective from 1 January 2020

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous year except for the adoption of the following new revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020.

Amendments to IAS 1 and IAS8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no effect on the Fund's financial statements.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform (Phase 1)

Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no effect on the Fund's financial statements as it does not have any interest rate hedge relationships.

Other amendments which are applicable for annual period ended 31 December 2020 do not have any impact on the Fund's financial statements.

2.3 Standards and revisions issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the fund's financial statements are disclosed below. The fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

2.4 Financial Instruments

Classification and Measurement of Financial assets

The Fund determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

The Fund determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Fund's business model is not assessed on an instrument by instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the

Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

The Fund assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The Fund classifies its financial assets upon initial recognition into the following categories:

- Financial assets carried at amortised cost
- Financial assets carried at fair value through profit or loss (FVTPL)

Financial assets carried at Amortised cost:

A financial asset is carried at amortised cost if it meets both of the following conditions:

- 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 interest on the principal amount outstanding.

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is recognised in the statement of profit or loss and other comprehensive income.

Financial assets carried at fair value through profit or loss:

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the statement of profit or loss and other comprehensive income. Dividend income from equity investments measured at FVTPL is recognised in the statement of profit or loss and other comprehensive income when the right to the payment has been established.

Reclassification of financial assets

The Fund does not reclassify its financial assets subsequent to their initial recognition.

Recognition and de-recognition

The Fund recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A financial asset (in whole or in part) is de-recognised when the right to the cash flows from the financial asset expires or, when the Fund transfers substantially all the risks and rewards of ownership. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A regular way purchase and sale of financial assets are recognized using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the marketplace.

Impairment of financial assets

The Fund applies 'Expected Credit Loss' (ECL) model under IFRS 9 for cash and cash equivalents measured at amortised cost using the general approach. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money and reasonable and supportive information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

General approach

The Fund applies three stage approach to measure ECL as follows:

Stage 1: 12-month ECL

The Fund measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Fund considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired

The Fund measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired

The Fund measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment

At each reporting date, the Fund assesses whether a financial asset or group of financial assets is credit impaired. The Fund considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due.

At each reporting date, the Fund also assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

Measurement of ECLs

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Fund in accordance with the contract and the cash flows that the Fund expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Fund estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for financial assets carried at amortised cost.

Fair values

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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Closing prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.5 Cash and cash equivalents

Cash in hand and demand and time deposits with banks whose original maturities do not exceed three months are classified as cash and cash equivalents in the statement of cash flows.

2.6 Redeemable units

The Fund issues redeemable units, which are redeemable at the holder's option and are classified as equity in accordance with the amendment to IAS 32. The redeemable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value.

If the redeemable units' terms or conditions change such that they do not comply with the strict criteria contained in the amendment, the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognised in equity.

The units are issued and redeemed at the holders' option at prices based on the Fund's net assets value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the total equity with the total number of outstanding redeemable units.

2.7 Revenue recognition

Gains and losses on sale of investments represent the difference between the selling price and the investment's carrying value. Realized gains or losses are recognised in the statement of profit or loss and other comprehensive income.

Gains or losses arising from changes in the fair value of investments at fair value through profit or loss are recognised in the statement of profit or loss and other comprehensive income.

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

Interest income is recognised using the effective yield method.

2.8 Distributions payable to unit holders

Dividend distribution to the Fund's unit holders is recognised as a liability in the Fund's financial statements in the period in which dividends are approved by the regulatory authority.

2.9 Critical accounting estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that may affect amounts reported in these financial statements, as actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies.

Fair value of investments not quoted in an active market

The valuation techniques for investments not quoted in active market make use of estimates such as future cash flows and discount factors, current market prices adjusted for market, credit and model risks and related costs and other valuation techniques commonly used by market participants where appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counter party), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not propriety and provided by independent sources that are actively involved in the relevant market.

3. Cash and cash equivalents

	Kuwaiti Dinars	
	2020	**2019**
Balance with a bank	215,228	2,036,199
Short-term deposit with a bank	-	5,000,000
Total cash and cash equivalents	215,228	7,036,199

4. Investments at fair value through profit or loss

	Kuwaiti Dinars	
	2020	**2019**
Quoted securities	26,811,737	27,817,678
Unquoted securities	253,370	273,500
	27,065,107	28,091,178

5. Trade and other receivables

Trade and other receivables include KD 894,629 (31 December 2019: KD Nil) receivable from the Fund Custodian and Investment Controller on account of investment trading activities.

6. Payables and accruals

	Kuwaiti Dinars	
	2020	**2019**
Trade payables	-	1,617,624
Accrued management fees	103,757	120,596
Accrued custodian and investment controller fees	8,622	9,599
Dividend payable	95,267	99,765
Other accruals	3,387	3,648
	211,033	1,851,232

Trade payables consists of amount payable to the Fund Custodian and Investment Controller on account of investment trading activities.

The Fund Custodian is paid an annual fee of 0.0625% of the Fund's net asset value, calculated monthly and paid on quarterly basis.

The Investment controller is paid an annual fee of 0.0625% of the Fund's net asset value, calculated monthly and paid on quarterly basis.

7. Equity

Share capital

The Fund has capital ranging from KD 5,000,000 to KD 100,000,000 (31 December 2019: KD 5,000,000 to KD 100,000,000). These units are issued and redeemed at the unit holders' option at prices based on the value of the Fund's net assets at the time of subscription or redemption. The issued and paid up units were 38,156,987 as of 31 December 2020 (31 December 2019: 36,998,422 units).

Bonus

The General assembly of the Unit holders held on 24 September 2020 approved the distribution of bonus units at the rate of 8% for the year ended 31 December 2019.

Dividend

There were no cash dividends declared during year ended 2019. (for the year ended 2018: KD 1,929,327)

Equalization reserve

Shortfalls/surpluses of par value on redemptions/subscriptions are taken to the equalization reserve.

8. Net asset value per redeemable unit

	Kuwaiti Dinars	
	2020	**2019**
Net assets attributable to redeemable unit holders	27,969,330	33,285,016
Number of redeemable units	38,156,987	36,998,422
Net asset value per redeemable investment unit	0.733	0.900

The net asset value per unit is calculated in accordance with the Articles of Association.

9. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Fund Manager is paid an annual fee of 1.5% of the Fund's net asset value calculated monthly and paid quarterly.

The Fund Manager is required to hold units with a minimum value of KD 250,000 in the Fund subject to a maximum of 10% of the issued units. The Fund manager holds 3,636,021 units representing 9.53% of outstanding units (31 December 2019: 3,366,687 units representing 9.10% of outstanding units).

Transactions with Fund Manager are disclosed in the statement of profit or loss and other comprehensive income and the related accrual is disclosed in note 6.

10. Geographical distribution of assets and liabilities

The Fund maintains all its assets and liabilities inside Kuwait.

11. Financial risk management

The Fund's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Fund maintains positions in a variety of financial instruments based on the Fund Manager's investment management strategy, which is primarily driven by the Fund's investment objective as described in note 1. Asset allocation is determined by the Fund Manager who manages the distribution of the assets to achieve those objectives. Risk management is carried out by the Fund Manager in accordance with the policies and procedures in place.

The significant risks that the Fund is exposed to are discussed below:

(a) Market risk

Market risk, comprising of currency risk, interest rate risk and equity price risk arises due to movements in foreign currency rates, interest rates and market prices of assets respectively.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund does not hold assets denominated in currencies other than the Kuwaiti Dinar, the functional currency. Therefore, the Fund is not exposed to currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund does not hold interest bearing instruments and therefore is not exposed to any interest rate risk.

(iii) Equity price risk

Equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market. The Fund is exposed to equity price risk because majority of the Fund's financial assets are quoted equity investments held and classified in the statement of financial position as at fair value through profit or loss and therefore all changes in market conditions will directly affect statement of profit or loss and comprehensive income.

The Fund Manager moderates this risk through a careful selection of securities with specified sectorial limits within a market.

If as at 31 December 2020, the fair value of equity investments was higher by 50 basis points with all other variables remaining constant, the loss for the year would have been lower by KD 134,059 (31 December 2019: profit for the year would have been higher by KD 139,088). A 50 basis points decrease in the fair value of equity investments with all other variables remaining constant would have an equal but the opposite effect on the profit.

(b) Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The carrying amounts of financial assets best represent the maximum credit risk exposure at the statement of financial position date.

The Fund's maximum exposure to credit risk is as follows:

	Kuwaiti Dinars	
	2020	**2019**
Balance with a bank	215,228	7,036,199
Trade and other receivables	894,629	-
	1,109,857	7,036,199

The Fund minimizes credit risk by placing funds with financial institutions of high credit rating having investment grade and therefore, impact of Expected Credit Loss is not significant to the financial statements taken as a whole.

As at the statement of financial position date, there were no past due or impaired assets.

(c) Liquidity risk

Liquidity risk is the risk that the Fund is unable to meet its payment obligations associated with its financial liabilities when they fall due. Liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Finance department maintains flexibility in funding by maintaining availability under committed credit lines. All financial liabilities of the Fund are due within a period of 12 months.

12. Capital risk management

The capital of the Fund is represented by the total equity. The amount of equity attributable to unitholders can change significantly, as the Fund is subject to subscriptions and redemptions at the discretion of the unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide return on investment to the unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- Monitor the level of weekly subscriptions and redemptions relative to assets it expects to be able to liquidate within three months and adjust the amount of distributions the Fund pays to redeemable unit holders.

- Redeem and issue new units in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Fund Manager monitors capital based on the value of net assets attributable to redeemable unit holders.

13. Fair value of financial instruments

The Fund's assets and liabilities include the following financial instruments acquired in the normal course of business.

Cash and cash equivalents
Investments at fair value through profit or loss
Trade and other receivables
Payables and accruals

Fair Value

The fair value of a financial instrument 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

A significant portion of the Fund's financial assets are carried at fair value on the statement of financial position date and those fair values were determined by reference to published price quotations. The fair values of financial instruments that are carried at amortized cost are not significantly different from book value as they are short term in nature.
The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making measurements. The fair value hierarchy has the following levels:

- Quoted priced (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)

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on observable inputs, that measurement is a level 3 measurement.

The Fund's financial assets, classified in level 2, uses valuation techniques based on significant inputs that are not based on observable market data.

The following table shows an analysis of investments at fair value by level of the fair value hierarchy:

	Kuwaiti Dinars			
	Level 1	**Level 2**	**Level 3**	**Total fair value**
2020	26,811,737	253,370	-	27,065,107
2019	27,817,678	273,500	-	28,091,178

During the year, there were no transfers between levels.

14. Segment information

The Fund is organized into one business segment, which is investing primarily in the shares of Kuwaiti companies. 99% (2019: 99%) of the Fund's investments are in Kuwaiti listed shares and the remaining 1% (2019: 1%) are in Kuwaiti unlisted shares. The Fund maintains all assets and liabilities inside Kuwait.

15. Taxation

The Fund is not subject to taxation inside Kuwait.

16. Covid -19

The existence of Novel Coronavirus (Covid-19) was confirmed in January 2020 in mainland China and has subsequently spread to many other countries around the world.

The Fund Manager has been closely monitoring the impact of the developments on the operations of the Fund. Investments of the fund are fair valued using latest market price as at the period end. Till the date of authorization of these financial statements, there have been no significant redemptions in the units of the Fund.

17. Comparative figures

Certain prior year amounts have been reclassified to conform to current year presentation with no effect on net profit or equity.