

**KAMCO Investment Fund**  
**State of Kuwait**

**Financial Statements and Independent Auditor's Report**  
For the year ended 31 December 2019

**KAMCO Investment Fund  
State of Kuwait**

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For the year ended 31 December 2019

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## **Independent auditor's report**

**To the Unit Holders  
KAMCO Investment Fund  
State of Kuwait**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of KAMCO Investment Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2019, and statements of profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2019, 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 this report. We are independent of the Fund in accordance 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. We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

#### **Other matter**

The Fund's financial statements, for the financial year ended 31 December 2018, were audited by another auditor who expressed an unqualified opinion on 21 January 2019.

### **Responsibilities of Fund Manager for the Financial Statements**

The Fund manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **Independent auditor's report (Continued)**

### **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 notes in the financial statements or, if such notes 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 fail to meet the going concern basis.
- 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**

Also 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, as amended, and its Executive Regulations and the Fund's Articles of Association, and we had obtained the information we required to perform our audit. According to the information available to us, there were no contraventions during the financial year ended 31 December 2019 of either Law No. 7 of 2010 concerning Establishment of Capital Markets Authority and Organization of Security Activity, as amended, and its Executive Regulations, or of the Fund's Articles of Association which might have materially affected the Fund's activity or its financial position.



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

**Kuwait: 3 February 2020**

**KAMCO Investment Fund**  
**State of Kuwait**

**Statement of financial position**  
**As at 31 December 2019**

	Note	2019 KD	2018 KD
<b>Assets</b>			
Cash at banks		79,854	2,529,966
Financial assets at fair value through profit or loss	5	40,581,548	26,972,900
Accounts receivable and other debit balances	6	340,617	2,945,481
<b>Total assets</b>		<u>41,002,019</u>	<u>32,448,347</u>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Accounts payable and other credit balances	7	<u>174,430</u>	<u>148,696</u>
<b>Total liabilities</b>		<u>174,430</u>	<u>148,696</u>
<b>Equity</b>			
Capital	8	26,798,734	26,792,918
Equalization reserve	9	3,580,387	3,573,653
Retained earnings		<u>10,448,468</u>	<u>1,933,080</u>
<b>Total equity</b>		<u>40,827,589</u>	<u>32,299,651</u>
<b>Total liabilities and equity</b>		<u>41,002,019</u>	<u>32,448,347</u>
<b>Net assets value per unit</b>	10	<u>1.523</u>	<u>1.206</u>

The accompanying notes on pages 7 to 18 form an integral part of these financial statements.

  
**KAMCO Investment Company - K.S.C. (Public)**  
*Fund Manager*

  
**Kuwait Clearing Company K.S.C. (Closed)**  
*Fund Custodian and Investment Controller*

**KAMCO Investment Fund**  
**State of Kuwait**

**Statement of profit or loss and other comprehensive income**  
For the year ended 31 December 2019

	Note	2019 KD	2018 KD
<b>Income:</b>			
Net investment income	11	9,298,551	2,932,182
Interest income		3,324	7,845
Other income		51	-
		<u>9,301,926</u>	<u>2,940,027</u>
<b>Expenses:</b>			
Fund Manager fees	12	650,035	558,221
Fund Custodian and Investment Controller fees	13	36,746	31,711
General and administrative expenses		99,757	64,047
		<u>786,538</u>	<u>653,979</u>
<b>Profit for the year</b>		8,515,388	2,286,048
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<u>8,515,388</u>	<u>2,286,048</u>

The accompanying notes on pages 7 to 18 form an integral part of these financial statements.

**KAMCO Investment Fund**  
**State of Kuwait**

**Statement of changes in equity**  
**For the year ended 31 December 2019**

	Capital	Equalization	(Accumulated	Total
	KD	reserve	losses) /	KD
		KD	Retained	
			earnings	
			KD	KD
Balance as at 31 December 2017	26,722,170	3,559,929	(352,968)	29,929,131
Subscriptions during the year	88,700	16,690	-	105,390
Redemptions during the year	(17,952)	(2,966)	-	(20,918)
Total comprehensive income for the year	-	-	2,286,048	2,286,048
Balance as at 31 December 2018	26,792,918	3,573,653	1,933,080	32,299,651
Subscriptions during the year	55,775	23,754	-	79,529
Redemptions during the year	(49,959)	(17,020)	-	(66,979)
Total comprehensive income for the year	-	-	8,515,388	8,515,388
<b>Balance as at 31 December 2019</b>	<b>26,798,734</b>	<b>3,580,387</b>	<b>10,448,468</b>	<b>40,827,589</b>

The accompanying notes on pages 7 to 18 form an integral part of these financial statements.

**KAMCO Investment Fund**  
**State of Kuwait**

**Statement of cash flows**

For the year ended 31 December 2019

	<b>2019</b>	<b>2018</b>
	KD	KD
<b>Cash flows from operating activities:</b>		
Profit for the year	8,515,388	2,286,048
<i>Adjustments:</i>		
Net investment income	(9,298,551)	(2,932,182)
Interest income	(3,324)	(7,845)
	<u>(786,487)</u>	<u>(653,979)</u>
<i>Changes in working capital:</i>		
Financial assets at fair value through profit or loss	(5,624,158)	3,433,383
Accounts receivable and other debit balances	2,604,864	(1,579,956)
Accounts payable and other credit balances	25,734	10,040
Net cash (used in)/ generated from operating activities	<u>(3,780,047)</u>	<u>1,209,488</u>
<b>Cash flows from investing activities:</b>		
Dividends income received	1,314,061	1,206,638
Interest income received	3,324	7,845
Net cash generated by investing activities	<u>1,317,385</u>	<u>1,214,483</u>
<b>Cash flows from financing activities:</b>		
Proceed from subscriptions	79,529	105,390
Payment for redemptions	(66,979)	(20,918)
Net cash generated from financing activities	<u>12,550</u>	<u>84,472</u>
Net (decrease)/ increase in cash at banks	<u>(2,450,112)</u>	<u>2,508,443</u>
Cash at banks at the beginning of the year	2,529,966	21,523
Cash at banks at end of the year	<u>79,854</u>	<u>2,529,966</u>

The accompanying notes on pages 7 to 18 form an integral part of these financial statements.



**1. Incorporation and activities**

KAMCO Investment Fund ("the Fund") was incorporated as a local investment fund with variable capital on 19 October 2003 under the Law Decree No. 31 of 1990, as amended relating to circulation of securities and establishment of investment funds.

The Fund's objectives are as follows:

- Invest funds for the benefit of those who wish from Kuwaiti citizens, citizens of the GCC countries, and foreigners, whether they are natural or legal persons in accordance with the provisions of the law and that shall be in the sale and purchase of securities of companies listed on the Kuwait Stock Exchange and initial offerings, GCC government bonds or by their guarantees, and public offerings expected to be listed, investment funds intended for investment in companies listed in Kuwait Exchange Stock, Gulf and Arab stock exchanges including the use of any new financial instruments approved for trading by stock exchange management.
- The Fund may deposit surplus funds in short term and medium term deposits with local banks, promissory notes, Kuwaiti treasury bonds and money market funds.
- The Fund will ensure development of share capital through the sale and purchase of shares listed on the Kuwait stock exchange, GCC and Arab stock exchanges.
- Providing investment opportunities based on the principles and adequate studies to achieve the highest possible return with limited risks.

The Fund is subject to the supervision of Capital Markets Authority ("CMA") as per Law No. 7 of 2010 Concerning Establishment of Capital Markets Authority and Organization of Security Activity, as amended, and its Executive Regulations.

The term of the Fund is 25 years starting from the date of promulgating the approval thereon.

KAMCO Investment Company K.S.C. (Public) is the Fund Manager.

Kuwait Clearing Company - K.S.C. (Closed) is the Fund Custodian and Investment Controller.

The registered address of the Fund Manager is P.O. Box 28873, Safat 13149 - State of Kuwait.

The accompanying financial statements were approved for issue by the Fund manager and the custodian and investment controller on 3 February 2020.

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

**a) New standards, interpretations and amendments effective from 1 January 2019**

The accounting policies applied by the Fund are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as at 1 January 2019:

**IFRS 16: Leases**

This standard becomes effective for annual periods beginning on or after 1 January 2019. This standard will be replacing IAS 17 "Leases" and will require lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short-term leases. At the commencement date of the lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The new standard does not significantly change the lease accounting approach for the lessors.

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

**a) New standards, interpretations and amendments effective from 1 January 2019 (Continued)**

This Standard did not have any material impact on the Fund.

Amendments to IFRS 9: Benefits of advance payment with negative compensation.  
Amendments to IAS (28): Long-term Investments in Associates and Joint Ventures.  
Annual Improvements to IFRSs 2015-2017 Cycle (issued on December 2017):

- IFRS 3 - Business combinations.
- IFRS 11 - Joint arrangements
- IAS 23 - Borrowing Costs.

The application of these amendments and improvements did not have any material impact on the Fund.

**b) Standards and interpretations issued but not effective**

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

IFRS 17: Insurance Contracts

This standard will become effective for annual periods beginning on or after 1 January 2021, and replaces IFRS 4: Insurance Contracts. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the general model, supplemented by:

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

This standard is not expected to have any material impact on the Fund.

Amendments to IFRS 3: Definition of a Business

The amendments in definition of a business in IFRS 3 (Business combinations) are changes to Appendix A, Defined terms, the application guidance, and the illustrative examples of IFRS 3 only as follows:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired.
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The above-mentioned amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual financial period beginning on or after 1 January 2020

These amendments are not expected to have any material impact on the Fund.

### **3. Significant accounting policies**

#### **3.1 Statement of compliance**

The financial statements of the Fund have been prepared in accordance with the International Financial Reporting Standards ("IFRSs"), IFRIC interpretations, Fund's articles of association and the guidelines of CMA.

#### **3.2 Basis of preparation**

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

These financial statements have been presented in Kuwaiti Dinar (KD) which is the functional and presentation currency of the Fund in preparation of the financial statements.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Fund's management to exercise judgment in applying the Fund's accounting policies. The areas of significant judgments and estimation uncertainty made in preparing the financial statements and their effect are disclosed in Note 4.

The principal accounting policies used in preparing these financial statements are set out below:

#### **3.3 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 mainly include cash at banks, financial assets at fair value through profit or loss, accounts receivable and other debit balances.

The Fund's financial liabilities mainly include accounts payable 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.

#### **3.4 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 at banks, financial assets at fair value through profit or loss, accounts receivable and other debit balances and accounts payable and other credit balances.

### **3. Significant accounting policies (Continued)**

#### **3.4 Financial instruments (continued)**

##### **Financial assets:**

##### **Classification and initial recognition**

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

Financial assets classified in the financial statements within the scope of IFRS 9 are as follows:

- Debt instruments at amortized cost.
- Debt instruments at fair value through other comprehensive income.
- Equity instruments at fair value through other comprehensive income.
- Equity instruments at Fair value through profit or loss.

Investments are recognized or derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the concerned market. The financial assets are initially recognized at fair value plus transaction costs for all financial assets that are not carried at fair value through profit or loss.

##### **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.

##### **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 interest on the principal amount outstanding.

Debt instruments at amortized 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 profit or loss and other comprehensive income when the asset is derecognised, adjusted or impaired.

The financial assets carried at amortised cost consist of cash at bank and accounts receivable and other debit balances.



### **3. Significant accounting policies (Continued)**

#### **3.4 Financial instruments (continued)**

##### *Financial assets carried 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 interest income and dividends are recognized in the statement of profit or loss and other comprehensive income under the contract conditions or when the right to receive the profits amount is established.

##### **Impairment of Financial Assets**

ECLs 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 interest 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 the accounts receivable and other debit balances, the Fund applied the standard's simplified approach and calculated ECL on the basis of ECL period.

##### **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 interest rate method.

##### *Accounts payable and other credit balances*

Account payable and other credit balances item represents a commitment to repay the amount of services that have been purchased in the ordinary course of business. Accounts payable and other credit balances are initially stated at fair value and subsequently measured at amortized cost using the effective interest rate method. Accounts payable and other credit balances 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.

#### **3.5 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. 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.

#### **3.6 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.

**Notes to the financial statements**

For the year ended 31 December 2019

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**3. Significant accounting policies (Continued)**

**3.7 Revenue recognition**

IFRS 15 establishes a single comprehensive framework to determine how much and when revenue is recognised. Revenue recognition requires recording the amount that reflects the consideration that the Fund expects to be entitled in exchange for sale of goods or performance of services to the customers.

IFRS 15 requires considering the opinions, taking into account all relevant facts and circumstances in the process of applying each step of the model to contracts with its customers. The Standard also specifies method of accounting for the additional costs to obtain the contract and the costs that are directly attributable to the contract execution. The standard also requires comprehensive disclosures.

Revenue is recognized either at a specific time or over a period of time, when the Fund meets the performance commitments by selling the goods or performing the agreed upon services to its customers. The Fund shall transfer control of goods or services over a period of time and not at a specific time upon fulfillment of any of the following criteria:

- The customer receives and consumes the benefits provided through the Fund performance at the same time when the Fund provided the performance, or
- The Fund performance establishes or improves the asset that is controlled by the customer when the asset is constructed or improved, or
- Fund performance does not establish an asset that has an alternative usage to the Fund. The Fund has enforceable right in payments against the completed performance to date.

Control shall be transferred at a specific time if any of the criteria required for transferring goods or service is not met over a period of time. The following items should be considered by the Fund whether or not control is transferred:

- The Fund shall have immediate right in payments against the asset.
- The customer shall has a legal right in the asset.
- The Fund shall transfer the material acquisition of the asset.
- The customer shall have the significant risks and benefits of ownership of the asset.
- The customer shall accept the asset.

Since the Fund's income is mainly represented in net investment income that falls outside the scope of IFRS 15, the following represents the Fund's income:

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

Profits or losses on sale of financial assets are recognized at fair value through profit or loss 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 profits or losses 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.

*Interest income*

Interest income is recognized on time proportion basis using the effective interest method.

*Dividends*

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

**3. Significant accounting policies (Continued)**

**3.8 Foreign currency**

Foreign currency transactions are recorded in Kuwaiti Dinar at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinar at the rate of exchange prevailing on the reporting date. Profits or losses resulted from exchange rate differences are taken to the statement of profit or loss and other 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 dates that the value were determined.

**3.9 Dividends**

The Fund recognizes cash and non-cash dividends to the unit holders as liabilities when such dividends are finally approved, and when decisions on such dividends is no longer at the discretion of the management. Such dividends are approved when they are agreed upon by the general assembly of the Unit Holders, and value of such dividends is recognized in equity.

The non-cash dividends are measured at fair value of assets that will be distributed to the unit holders, along with recognizing result of the re-measurement at fair value directly 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 profit or loss and other comprehensive income.

**4. Critical accounting estimates, judgments and assumptions**

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:

**The Fund's Status as a Principal**

The Fund regularly conducts a revision and assessment to determine whether its current status as a principal or an agent in its commercial transactions has changed. Such revision and assessment cover any change in the overall relationship between the Fund and other parties dealing with the Fund, which may mean that its current status as a principal or an agent has changed. Such as if changes occurred to rights of the Fund or other parties, the Fund would reconsider its current status as a principal or an agent. Initial assessment considers market conditions that originally led the Fund to consider itself as principal working as a main principal or an agent in arrangements of revenues contracts. The Fund concluded that it works as a main principal in all contracts and arrangements leading to revenues to the Fund.

**4. Critical accounting estimates, judgments and assumptions (Continued)**

*Accounting judgements(continued)*

Contingent liabilities

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

**5. Financial assets at fair value through profit or loss**

	<u>2019</u>	<u>2018</u>
	KD	KD
Local quoted securities	40,538,181	26,877,562
Local unquoted securities	43,367	95,338
	<u>40,581,548</u>	<u>26,972,900</u>

Financial assets are valued at fair value through profit or loss in accordance with valuation techniques disclosed in Note No. 15.

**6. Accounts receivable and other debit balances**

	<u>2019</u>	<u>2018</u>
	KD	KD
Due from Kuwait Clearing Company K.S.C. (Closed)	340,320	2,945,466
Other	297	15
	<u>340,617</u>	<u>2,945,481</u>

**7. Accounts payable and other credit balances**

	<u>2019</u>	<u>2018</u>
	KD	KD
Accrued Fund Manager fees	170,505	144,445
Accrued Fund Custodian and Investment Controller fees	3,125	2,251
Other	800	2,000
	<u>174,430</u>	<u>148,696</u>

**8. Capital**

In accordance with article No. (10) of the articles of association of the Fund, the Fund's capital ranges from 5,000,000 units to 100,000,000 units with a nominal value of KD 1 per unit. As at 31 December 2019, the Fund's issued capital consists of 26,798,734 units (2018: 26,792,918 units) with a nominal value of KD 1 per unit.

**9. Equalization reserve**

This item represents the difference between net assets value for issued and redeemed units.



**KAMCO Investment Fund**  
**State of Kuwait**

**Notes to the financial statements**

For the year ended 31 December 2019

**10. Net assets value per unit**

	<u>2019</u>	<u>2018</u>
Total assets (KD)	41,002,019	32,448,347
Total liabilities (KD)	(174,430)	(148,696)
Net assets (KD)	40,827,589	32,299,651
Number of the outstanding units (units)	26,798,734	26,792,918
Net asset value per unit (KD)	<u>1.523</u>	<u>1.206</u>

**11. Net investment income**

	<u>2019</u>	<u>2018</u>
	KD	KD
Realized profits on sale of financial assets at fair value through profit or loss	4,806,067	2,373,740
Unrealized profits/ (losses) from change in fair value of the financial assets at fair value through profit or loss	3,178,423	(648,196)
Dividend income	<u>1,314,061</u>	<u>1,206,638</u>
	<u>9,298,551</u>	<u>2,932,182</u>

**12. Fund manager fees**

In accordance with article (35) of the Fund's articles of association, the Fund Manager fees are calculated on a weekly basis and paid on a quarterly basis at 1.75% per annum of the Fund net asset value.

**13. Fund custodian and investment controller fees**

In accordance with article (34) of the Fund's articles of association, the Fund Custodian fees are calculated at 0.05% per annum of the Fund net asset value. Investment Controller fees are calculated at 0.05% per annum on a weekly basis and paid on a monthly basis.

**14. Related party disclosures**

These transactions represent the transactions carried out with units' holders, Fund manager, custodian and the investment controller. Prices and terms of such transactions are subject to the Fund's article of association. As for the matters, which are not subject to the article of association, they shall subject to the approval of the Fund manager. Significant related party balances and transactions are as follows:

<b><u>Balances included in the statement of financial position:</u></b>	<u>2019</u>	<u>2018</u>
	KD	KD
Due from Kuwait Clearing Company K.S.C. (Closed)	340,320	2,945,466
Accrued Fund manager fees	170,505	144,445
Accrued Fund custodian and investment controller fees	3,125	2,251
<b><u>Transactions included in the statement of profit or loss and other comprehensive income:</u></b>	<u>2019</u>	<u>2018</u>
	KD	KD
Fund manager fees	650,035	558,221
Fund custodian and investment controller fees	36,746	31,711

As at 31 December 2019, number of units subscribed by the Fund manager is 6,132,141 units representing 22.88% (2018: 6,132,141 units representing 22.89%) of the Fund's capital.

## **15. Financial risk management**

### **Capital risk management**

The Fund's financial resources represent total equity. The equity value available 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 available to the unit holders that are recoverable.

### **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 at banks and accounts receivable and other debit balances. Cash at banks are placed with high credit rating financial institutions.

The Fund's maximum exposure arising from default of the counterparty is limited to the nominal value of cash at banks and accounts receivable and other debit balances.

### **Equity price risk**

Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Fund's investment in equity instruments that are classified as financial assets at fair value through profit or loss. To manage such risks, the Fund diversifies its investee segments within its investment portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of changes in the fair value of the financial assets at fair value through profit or loss, to which the Fund had significant exposure as at the reporting date:

	2019		2018	
	Change in equity price	Effect on statement of profit or loss	Change in equity price	Effect on statement of profit or loss
Market indices	%	KD	%	KD
Boursa Kuwait	± 5%	± 2,026,909	± 5%	± 1,343,878

### **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will be affected as a result of changes in foreign currency exchange rates. The Fund is exposed to foreign currency risk arising from transactions denominated in currencies other than Kuwaiti Dinars. The Fund can reduce its exposure to fluctuations in foreign exchange rates through its usage of derivative financial instruments. The Fund ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar. Currently, the Fund is not significantly exposed to this risk.

**15. Financial risk management (Continued)**

**Liquidity risk**

Liquidity risk is the risk that the Fund will encounter the difficulty in raising the funds required to meet its commitments associated with the financial instruments. To manage this risk, the Fund invests in other investments that are readily realizable, along with planning and managing the Fund's forecasted cash flows by maintaining adequate cash reserves, and matching the maturity profiles of financial assets and liabilities.

All financial liabilities are maturing within a period not exceeding 3 months from the reporting period.

**Fair value of financial instruments**

The Fund measures financial assets such as financial assets at fair value through profit or loss at fair value at end of the reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an arm's length transaction between market participants as 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.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities, for which fair value is measured or disclosed in the financial statements are categorized 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 and 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.

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

<b><u>31 December 2019</u></b>	<b><u>Level 1</u></b> KD	<b><u>Level 3</u></b> KD	<b><u>Total</u></b> KD
Financial assets at fair value through profit or loss	<u>40,538,181</u>	<u>43,367</u>	<u>40,581,548</u>
<b><u>31 December 2018</u></b>	<b><u>Level 1</u></b> KD	<b><u>Level 3</u></b> KD	<b><u>Total</u></b> KD
Financial assets at fair value through profit or loss	<u>26,877,562</u>	<u>95,338</u>	<u>26,972,900</u>

At 31 December, the fair values of financial instruments approximate their carrying amounts. The Fund manager has assessed that fair value of its financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these financial instruments.

**15. Financial risk management (Continued)**

**Fair value of financial instruments (continued)**

During the year, there were no transfers between level 1, level 2 and level 3.

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

**16. Comparative figures**

Certain comparative figures of the previous year have been reclassified to conform to current year's classification. The reclassification had no impact on the Fund's profit or equity for the previous year.