

**NBK Kuwait Equity Fund
State of Kuwait**

**Independent auditor's review report and condensed interim
financial information (unaudited) for the six-month period
ended 30 June 2023**

NBK Kuwait Equity Fund
State of Kuwait

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Independent auditor's report on review of condensed interim financial information

The Fund Manager
NBK Kuwait Equity Fund
State of Kuwait

Introduction

We have reviewed the accompanying 30 June 2023 condensed interim financial information of NBK Kuwait Equity Fund (the "Fund") for six months period ended 30 June 2023, which comprises the condensed interim statement of financial position as at 30 June 2023, the condensed interim statement of profit or loss and other comprehensive for the three month and six month periods then ended, the condensed interim statements of changes in unit holders' fund and cash flows for six months period then ended, and notes to the condensed interim financial information. Management of the Fund Manager is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2023 condensed interim financial information for six months period ended 30 June 2023 is not prepared, in all material respects, in accordance IAS 34, *Interim Financial Reporting*.



Report on Review of Other Legal and Regulatory Requirements

Furthermore, based on our review, the condensed interim financial information is in agreement with the books of account of the Fund. We further report that, nothing has come to our attention that causes us to believe that there were any violations of the provisions of Law No. 7 of 2010, as amended, pertaining to the establishment of the Capital Markets Authority and the regulation of securities activity, or of the Fund's Articles of Association, as amended, during the six months period ended 30 June 2023 that might have had a material effect on the business of the Fund or on its financial position.

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of KPMG Al-Qenae & Partners
Member firm of KPMG International

Kuwait: 24 July 2023

NBK Kuwait Equity Fund
State of Kuwait

Condensed interim statement of financial position (unaudited)
as at 30 June 2023

	Note	30 June 2023 KD (unaudited)	31 December 2022 KD (audited)	30 June 2022 KD (unaudited)
Assets				
Cash and cash equivalents	5	124	828	22,552
Investments at fair value through profit or loss	6	3,403,366	5,636,027	5,943,218
Other receivables		13,754	135,141	20,115
Total assets		3,417,244	5,771,996	5,985,885
Liabilities				
Other liabilities	7	19,304	33,762	36,017
Total liabilities		19,304	33,762	36,017
Net assets attributable to holders of redeemable units		3,397,940	5,738,234	5,949,868
Represented by:				
Unitholders' contributions	8	3,294,630	5,136,355	5,186,355
Unit deficit	8	(181,494)	(23,824)	(19,736)
Retaining earnings		284,804	625,703	783,249
Total		3,397,940	5,738,234	5,949,868
Outstanding number of redeemable units	8	3,294,630	5,136,355	5,186,355
Net Asset Value ("NAV") per unit	9	1.031357	1.117180	1.147216

The accompanying notes form an integral part of this condensed interim financial information.

Watani Investment Company K.S.C.C.
 In its capacity as Fund Manager

Kuwait Clearing Company S.A.K.
 In its capacity as Investment Controller

NBK Kuwait Equity Fund
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Condensed interim statement of profit or loss and other comprehensive income (unaudited)
for the six months period ended 30 June 2023

	Note	Three months period ended		Six months period ended	
		30 June		30 June	
		2023	2022	2023	2022
		KD	KD	KD	KD
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Income					
Realised (loss) / gain on investments at fair value through profit or loss, net		(73,335)	87,874	(151,701)	174,303
Unrealised (loss) / gain on investments at fair value through profit or loss, net		20,770	(565,492)	(139,525)	261,249
Dividend income		103,322	100,408	103,322	154,416
Net investment income / (loss)		50,757	(377,210)	(187,904)	589,968
Expenses					
Management fees	10	(12,825)	(24,810)	(31,248)	(48,726)
Custodian and safekeeping fees	11	(1,068)	(2,068)	(2,604)	(4,061)
Performance fees	11	-	(8,158)	-	(8,158)
Other operating expenses		(1,525)	(1,867)	(3,143)	(4,506)
Total expenses		(15,418)	(36,903)	(36,995)	(65,451)
Net profit / (loss) for the period		35,339	(414,113)	(224,899)	524,517
Other comprehensive income		-	-	-	-
Total comprehensive income / (loss) for the period		35,339	(414,113)	(224,899)	524,517

The accompanying notes form an integral part of this condensed interim financial information.

NBK Kuwait Equity Fund
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Condensed interim statement of changes in unit holders' fund (unaudited)
for the six month period ended 30 June 2023

	Outstanding number of redeemable units	Capital KD	Unit deficit KD	Retained earnings KD	Total KD
Balance at 1 January 2023 (audited)	5,136,355	5,136,355	(23,824)	625,703	5,738,234
Net loss and total comprehensive loss for the period	-	-	-	(224,899)	(224,899)
Dividend paid (Note 8)	-	-	-	(116,000)	(116,000)
Redemptions during the period	(1,841,725)	(1,841,725)	(157,670)	-	(1,999,395)
Balance at 30 June 2023 (unaudited)	3,294,630	3,294,630	(181,494)	284,804	3,397,940
Balance at 1 January 2022 (audited)	5,733,965	5,733,965	79,228	258,732	6,071,925
Net profit and total comprehensive income for the period	-	-	-	524,517	524,517
Redemptions during the period	(547,610)	(547,610)	(98,964)	-	(646,574)
Balance at 30 June 2022 (unaudited)	5,186,355	5,186,355	(19,736)	783,249	5,949,868

The accompanying notes form an integral part of this condensed interim financial information.

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Condensed interim statement of cash flows (unaudited)
for the six month period ended 30 June 2023

	Note	Six months period ended	
		30 June	
		2023	2022
		KD	KD
		(unaudited)	(unaudited)
Cash flows from operating activities			
Net (loss) / profit for the period		(224,899)	524,517
<i>Adjustments:</i>			
Realised loss / (gain) on investments at fair value through profit or loss, net		151,701	(174,303)
Unrealised loss / (gain) on investments at fair value through profit or loss, net		139,525	(261,249)
		66,327	88,965
<i>Changes in:</i>			
- investments at fair value through profit or loss		1,941,435	570,090
- other receivables		121,387	2,343
- other liabilities		(14,458)	6,709
<i>Net cash flows from operating activities</i>		2,114,691	668,107
Cash flows from financing activities			
Redemption of redeemable units		(1,999,395)	(646,574)
Dividend paid		(116,000)	-
<i>Net cash flows used in financing activities</i>		(2,115,395)	(646,574)
Net change in cash and cash equivalents		(704)	21,533
Cash and cash equivalents at beginning of the period	5	828	1,019
Cash and cash equivalents at end of the period		124	22,552

The accompanying notes form an integral part of this condensed interim financial information.

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Notes to the condensed interim financial information (unaudited)
for the six months period ended 30 June 2023

1. Reporting entity

NBK Kuwait Equity Fund (the “Fund”) was established on 23 January 2007 in accordance with Law No. 31 of 1990, as amended. The Fund is governed under the Law No. 7 of 2010, as amended, pertaining to the establishment of the Capital Markets Authority (the “CMA”) and the regulation of securities activity.

The Fund is managed by Watani Investment Company K.S.C. (Closed) (“NBK Capital” or the “Fund Manager”), distribution activities are managed by National Bank of Kuwait S.A.K.P. (“Parent of the Fund Manager”) and custodian activities are managed by Kuwait Clearing Company S.A.K. (the “Custodian”).

The Fund’s objective is to achieve long-term capital appreciation by investing mainly in any of the shares listed on the Boursa Kuwait. The Fund Manager shall have the right to invest the Fund’s money in non-Kuwaiti shares listed outside the Kuwaiti market where the activities of the issuers thereof are linked to the Kuwaiti economy, provided that such investment shall not exceed 20% of the Net Asset Value and provided further that it does not conflict with the investment methods and policies specified in Article 24 of these Articles of Association.

The Fund had initial duration of ten years commencing from the date of establishment. This duration may be renewed for similar period(s) subject to approval of 50% of the unit holders and the CMA. The Fund’s duration is renewed up to 19 March 2026 and the necessary approvals have been obtained.

The address of the Fund's registered office is Watani Investment Company K.S.C. (Closed), P.O. Box No.4950, Safat 13050, State of Kuwait.

The condensed interim financial information was authorised for issuance by the Fund Manager on 24 July 2023.

2. Basis of preparation

This condensed interim financial information has been prepared in accordance with IAS 34, *Interim Financial Reporting* and should be read in conjunction with the Fund’s last annual financial statements as at and for the year ended 31 December 2022 (“last annual financial statements”). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (“IFRS Standards”).

However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund’s financial position and performance since the last annual financial statements.

This condensed interim financial information is presented in Kuwaiti Dinars (“KD”), which is also the functional currency of the Fund.

Operating results for the six months period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the year ending 31 December 2023.

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Notes to the condensed interim financial information (unaudited)
for the six months period ended 30 June 2023

3. Significant accounting policies

The accounting policies used in the preparation of this condensed interim financial information are consistent with those used in the preparation of the last annual financial statements, except for the new standards and interpretations which are 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 apply for the first time in 2023, but do not have a material impact on the condensed interim financial information of the Fund.

4. Judgment and estimates

In preparing this condensed interim financial information, the management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those applied to the last annual financial statements.

5. Cash and cash equivalents

Cash and cash equivalents represent call account denominated in Kuwaiti Dinars with a local financial institution, a related party (note 12).

6. Investments at fair value through profit or loss

Investment classified as at fair value through profit or loss comprises of quoted equity instruments listed on the Boursa Kuwait, measured at traded market prices and accordingly are classified under Level 1 of the fair value hierarchy (note 14).

7. Other liabilities

	30 June 2023 (unaudited)	31 December 2022 (audited)	30 June 2022 (unaudited)
Management fee payable (note 12)	12,825	22,196	24,809
Other payables	6,479	11,566	11,208
	<u>19,304</u>	<u>33,762</u>	<u>36,017</u>

8. Unitholders' contribution and unit deficit

Unitholders' contributions

As at 30 June 2023, the issued and paid up unit capital of the Fund was KD 3,294,630 divided into 3,294,630 redeemable units with par value of KD 1 each (31 December 2022: KD 5,136,355 divided into 5,136,355 redeemable units with par value of KD 1 each and 30 June 2022: KD 5,186,355 divided into 5,186,355 redeemable units with par value of KD 1 each).

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Unit (deficit) / premium

This represents surpluses of par value on subscriptions / redemptions of the Fund's units.

Dividend

On 5 April 2023, the Fund's Executive Committee approved dividend of KD 0.0343 per unit amounting to KD 116,000 for the year ended 31 December 2022 (2022: Nil).

9. Net Asset Value per unit

	30 June 2023 (unaudited)	31 December 2022 (audited)	31 June 2022 (unaudited)
Net assets attributable to unit holders (KD)	3,397,940	5,738,234	5,949,868
Number of units outstanding	3,294,630	5,136,355	5,186,355
Net Asset Value per unit (KD)	1.031357	1.117180	1.147216

10. Management fees

The Fund Manager is entitled to a management fee of 1.5% per annum (31 December 2022 and 30 June 2022: 1.5%) of the average weekly Net Asset Value of the Fund, payable quarterly in arrears.

11. Custodian, safekeeping fees and performance fee

The Fund has entered into an agreement with Kuwait Clearing Company S.A.K. to perform the duties of the custodian, safekeeping and investment controller. As per the agreement, the Custodian is paid a fee of 0.125% per annum (31 December 2022 and 30 June 2022: 0.125% per annum) of the average weekly Net Asset Value of the Fund, payable quarterly in arrears.

The Fund Manager is entitled to a performance fee, calculated at 10% of any positive variance between the return of the Fund and the Index during the financial year, and only if the Fund performance is positive during the same period.

12. Related party balances and transactions

Related parties comprise of Fund Manager, Parent of the Fund Manager, major unit holders and companies of which they are principal owners or over which they are able to exercise significant influence. All related party transactions are carried out on terms approved by the Fund Manager.

Balances and transactions with related parties were as follows:

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Notes to the condensed interim financial information (unaudited)
for the six months period ended 30 June 2023

	30 June 2023 KD (unaudited)	31 December 2022 KD (audited)	30 June 2022 KD (unaudited)
<i>Condensed interim statement of financial position</i>			
Balances with the Parent of the Fund Manager			
Cash and cash equivalents	124	828	22,552
Balances with the Fund Manager			
Other payables	2,000	8,521	-
Management fee payable (note 7)	12,825	22,196	24,809

	Three months period ended 30 June		Six months period ended 30 June	
	2023 KD (unaudited)	2022 KD (unaudited)	2023 KD (unaudited)	2022 KD (unaudited)
<i>Condensed interim statement of profit or loss and other comprehensive income</i>				
Transactions with the Fund Manager				
Management fees	12,825	24,810	31,248	48,726
Performance fee	-	8,158	-	8,158

The Law No. 7 of 2010, as amended stipulates that participation of the Fund Manager in the units of the Fund must not be less than Kuwaiti Dinars (KD) 250,000 or equivalent. The Fund's Articles of Association, as amended, further stipulates that the Fund Manager may hold a maximum of 75% of the total unitholders' contributions of the Fund at any time.

The numbers of units attributable to the Fund Manager at the reporting date were 612,715 units amounting to KD 631,928 (31 December 2022: 1,012,715 units amounting to KD 1,131,385 and 30 June 2022: 1,062,715 units amounting to KD 1,219,163) which represented approximately 18.60% (31 December 2022: 19.72% and 30 June 2022: 20.49%) of the issued and paid up capital of the Fund.

There were no units attributable to the Parent of the Fund Manager at the reporting date (31 December 2022 and 30 June 2022: nil).

The numbers of units attributable to other related party at the reporting date were 1,597,675 units amounting to KD 1,647,773 (31 December 2022: 2,697,675 units amounting to KD 3,013,789 and 30 June 2022: 2,697,675 units amounting to KD 3,094,815) which represented approximately 48.49% (31 December 2022: 52.52% and 30 June 2022: 52.01%) of the issued and paid up capital of the Fund.

13. Financial risk management policies

All aspects of the Fund's financial risk management objectives and policies are consistent with that disclosed in the last annual financial statements.

14. Fair value of financial instruments

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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date.

The fair value of the financial assets and liabilities at the reporting date were not significantly different from their carrying value due to the of short-term maturities or are repriced immediately based on market movement in interest rates.

Fair value hierarchy

The Fund classifies financial assets into the following three levels based on the significance of inputs used in measuring the fair value of the financial assets:

- 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 (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement.

Investments classified as at fair value through profit or loss in the statement of financial position are based on quoted market prices, therefore, the investments are classified as Level 1 (note 6). There have not been any transfers between levels of the fair value hierarchy during the period.

15. Commitments and contingent liabilities

There are no contingent liabilities outstanding as at 30 June 2023 (31 December 2022 and 30 June 2022: nil).

16. Capital management

The Fund's Articles of Association, as amended, specify the minimum amount of capital that must be held by the Fund.

The Fund manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

There has been no change in capital management strategy of the Fund during the period.

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Notes to the condensed interim financial information (unaudited)
for the six months period ended 30 June 2023

The table below summarises the capital held by the Fund:

	30 June 2023 KD (unaudited)	31 December 2022 KD (audited)	30 June 2022 KD (unaudited)
Unitholders' contribution	3,294,630	5,136,355	5,186,355
Minimum capital requirement	2,000,000	2,000,000	5,000,000