

NBK QATAR EQUITY FUND
(A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c))

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

NBK Qatar Equity Fund
(A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c))

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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NBK Qatar Equity Fund

(A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c))

Information about the Fund

Directors of the Fund Company	Ms. Shaikha Al Bahar Mr. Faisal Al Hamad Mr. Valerio Salvati (appointed w.e.f. 18 May 2023)
Registered office	Flat 241 Building 113 Road 383 Manama Centre 316 Kingdom of Bahrain
Sponsor and distributor	National Bank of Kuwait S.A.K.P. P.O. Box 95 Safat 13001 State of Kuwait
Investment manager	Watani Investment Company K.S.C.C. NBK Tower, Sharq Area Jaber Al-Mubarak & Al-Shuhada Street Floor 35, Block 7, Plot 6 P.O. Box 4950, Safat, 13050 Kuwait
Administrator & Registrar	Keypoint Consulting W.L.L. Bahrain 24 th Floor, NBB Tower Government Avenue P.O. Box 11718 Manama Kingdom of Bahrain
Custodian	HSBC Bank Middle East Limited Bahrain Branch 1 st Floor, Head Office Building P.O. Box 57 Seef District Kingdom of Bahrain
Auditor	PricewaterhouseCoopers ME Limited Partner: John Molloy P.O. Box 60771, 47 th Floor, Bahrain Financial Harbour, West Tower, Manama Kingdom of Bahrain

NBK Qatar Equity Fund
(A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c))

Directors' report for the year ended 31 December 2023

The directors of NBK Gulf Equity Funds Company B.S.C. (c) (the "Company") have pleasure in submitting their report together with the audited financial statements of NBK Qatar Equity Fund (the "Fund"), a sub-fund of the Company for the year ended 31 December 2023.

Principal activity

The purpose of the Company is to create investment funds and enter into instruments for the creation and issue of participating investment units and their management.

The principal investment objective of the Fund is to seek long-term capital appreciation by investing primarily in Qatari-domiciled, listed equities.

Financial position

The financial position of the Fund as at 31 December 2023 is set out in the accompanying financial statements.

Directors

The following were directors of the Company as at 31 December 2023 and to the date of this report:

Ms. Shaikha Al Bahar
Mr. Faisal Al Hamad
Mr. Valerio Salvati (appointed w.e.f. 18 May 2023)


Auditors

The auditors, PricewaterhouseCoopers M.E Limited, have expressed their willingness to continue in office for the year ending 31 December 2024.

By order of the Board of Directors



Mr. Faisal Al Hamad
Director



Mr. Valerio Salvati
Director

10 March 2024



Independent auditor's report to the unitholders of NBK Qatar Equity Fund (A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c))

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NBK Qatar Equity Fund (the "Fund"), a sub fund of NBK Gulf Equity Funds Company B.S.C. (c) (the "Company"), as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to the unitholders of the Fund for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

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

Our audit approach

Overview

Key Audit Matter	Existence and valuation of quoted equity investments
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Company's directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



Independent auditor’s report to the unitholders of NBK Qatar Equity Fund (A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c)) (continued)

Report on the audit of the financial statements (continued)

Our audit approach (continued)

Overview (continued)

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Fund, the accounting processes and controls, and the industry in which the Fund operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p style="color: #C8513E;"><i>Existence and valuation of quoted equity investments</i></p> <p>The Fund’s objective is to seek long-term capital appreciation by investing in equity securities listed in Qatar. We focussed on the existence and valuation of these securities due to their materiality in the context of the financial statements as a whole.</p> <p>The Fund’s listed equity investments are valued at USD 17,314,644 and make up 99.34% (2022: USD 18,338,041 and make up 99.02%) of the Fund’s total assets as at 31 December 2023 and are considered the primary driver of the Fund’s operations and performance.</p> <p>Refer to note 2 for the accounting policy and note 4 for disclosures related to the carrying value of equity investments and further details of those investments.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> - agreeing the Fund’s investments holdings to independently requested and received third party confirmations; - agreeing the valuation of investments in the portfolio to externally quoted prices as at 31 December 2023; - testing, on a sample basis, the purchases and sales transactions of investments by agreeing the transactions to relevant supporting documents; - checking, on a sample basis, the calculation of the realised and/or unrealised gains and losses for the year; and - assessing the adequacy of the disclosures in the financial statements.

Other information

The Company’s directors are responsible for the other information. The other information comprises the Directors’ report (but does not include the financial statements and our auditor’s report thereon).

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.



Independent auditor's report to the unitholders of NBK Qatar Equity Fund (A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c)) (continued)

Report on the audit of the financial statements (continued)

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Company's directors and those charged with governance for the financial statements

The Company's directors, are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, Volume 7 of the Central Bank of Bahrain ("CBB") Rulebook relating to Collective Investment Undertakings (the "Rulebook") and for such internal control as the Company's directors determine 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 Company's directors are 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 Company's directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our 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.

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.



Independent auditor's report to the unitholders of NBK Qatar Equity Fund (A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c)) (continued)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's directors.
- Conclude on the appropriateness of the Company directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Independent auditor's report to the unitholders of NBK Qatar Equity Fund (A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c)) (continued)

Report on other legal and regulatory requirements

As required by Volume 7 of the Central Bank of Bahrain ("CBB") Rulebook relating to Collective Investment Undertakings (the "Rulebook"), we report that:

- (i) The Fund has maintained proper accounting records and the financial statements are in agreement therewith;
- (ii) The financial information contained in the Director's report of the Fund is consistent with the financial statements;
- (iii) We are not aware of any violations of the CBB and Financial Institution Law, the CBB Rulebook (Volume 7) and its applicable provisions and CBB directives, or the terms of the Fund's Prospectus having occurred during the year ended 31 December 2023 that might have had a material adverse effect on the business of the Fund or on its financial position; and
- (iv) Satisfactory explanations and information have been provided to us by the Company's directors, in response to all our requests.

The partner in charge of the audit resulting in this independent auditor's report is John Molloy.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers M.E Limited
Partner's Registration number: 255
Manama, Kingdom of Bahrain
11 March 2024

NBK Qatar Equity Fund
(A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c))

Statement of financial position
(Expressed in United States Dollars unless otherwise stated)

		<u>As at 31 December</u>	
	Note	2023	2022
Assets			
Current assets			
Cash and cash equivalents	5	99,716	173,049
Other receivables		15,458	8,792
Financial assets at fair value through profit or loss	4	<u>17,314,644</u>	<u>18,338,041</u>
Total assets		<u>17,429,818</u>	<u>18,519,882</u>
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	6	<u>106,974</u>	<u>103,750</u>
Net assets attributable to the unitholders of the Fund	7	<u>17,322,844</u>	<u>18,416,132</u>
Number of units outstanding	7	<u>8,920,817</u>	<u>9,747,735</u>
Net Asset Value per unit	7	<u>1.94184</u>	<u>1.88927</u>

These financial statements were approved for issue by the Board of Directors of the Company on 10 March 2024 and signed on its behalf by:

Mr. Faisal Al Hamad
Director

Mr. Valerio Salvati
Director

The notes on pages 12 to 23 are an integral part of these financial statements.

NBK Qatar Equity Fund

(A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c))

Statement of comprehensive income

(Expressed in United States Dollars unless otherwise stated)

	Note	Year ended 31 December	
		2023	2022
Income			
Dividend income		752,300	746,360
Net gain /(loss) on financial assets at FVTPL	4	29,124	(2,338,614)
Interest income	12	1	11
Net foreign currency losses		(7,836)	(5,035)
Total income/(loss)		773,589	(1,597,278)
Expenses			
Administration fee	8	(30,000)	(30,000)
Management fee	8 & 12	(268,055)	(337,696)
Custodian fee	10	(33,832)	(34,543)
Transaction costs		(32,756)	(30,871)
Registrar fee		(6,600)	(6,600)
Audit fees	9	(12,520)	(12,520)
Other fee and expenses	11	(11,430)	(11,187)
Total expenses		(395,193)	(463,417)
Increase/(Decrease) in net assets attributable to the unitholders		378,396	(2,060,695)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		378,396	(2,060,695)

These financial statements were approved for issue by the Board of Directors of the Company on 10 March 2024 and signed on its behalf by:



Mr. Faisal Al Hamad
Director



Mr. Valerio Salvati
Director

The notes on pages 12 to 23 are an integral part of these financial statements.

NBK Qatar Equity Fund

(A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c))

Statement of changes in net assets attributable to the unitholders of the Fund

(Expressed in United States Dollars unless otherwise stated)

	Note	Number of units	Nominal value of units	Changes in net assets attributable to the unitholders of the Fund	Total net assets attributable to the unitholders of the Fund
At 1 January 2023		9,747,735	9,747,735	8,668,397	18,416,132
Redemption of units		(826,918)	(826,918)	(644,766)	(1,471,684)
Total comprehensive income		-	-	378,396	378,396
At 31 December 2023	7	8,920,817	8,920,817	8,402,027	17,322,844
At 1 January 2022		9,880,930	9,880,930	10,880,145	20,761,075
Redemption of units		(133,195)	(133,195)	(151,053)	(284,248)
Total comprehensive loss		-	-	(2,060,695)	(2,060,695)
At 31 December 2022	7	9,747,735	9,747,735	8,668,397	18,416,132

The notes on pages 12 to 23 are an integral part of these financial statements.

NBK Qatar Equity Fund

(A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c))

Statement of cash flows

(Expressed in United States Dollars unless otherwise stated)

		<u>Year ended 31 December</u>	
	Note	2023	2022
Cash flows from operating activities			
Increase / (Decrease) in net assets attributable to the unitholders		378,396	(2,060,695)
Adjustments for:			
- Interest income	12	(1)	(11)
- Dividend income		(752,300)	(746,360)
- Net foreign currency losses		7,836	5,035
		<u>(366,069)</u>	<u>(2,802,031)</u>
<u>Net changes in operating assets and liabilities:</u>			
Decrease in due from brokers		-	37,361
Increase in other receivables		(6,666)	(7,836)
Decrease in financial assets at fair value through profit or loss		1,023,397	2,410,918
Increase / (Decrease) in accounts payable and accrued expenses		3,224	(21,535)
		<u>653,886</u>	<u>(383,123)</u>
Cash generated from / (used in) operations			
Interest income received	12	1	11
Dividend income received		752,300	746,360
		<u>1,406,187</u>	<u>363,248</u>
Net cash generated from operating activities			
Cash flows from financing activities			
Payment on redemption of units		<u>(1,471,684)</u>	<u>(284,248)</u>
		<u>(1,471,684)</u>	<u>(284,248)</u>
Net cash used in financing activities			
Net movement in cash and cash equivalents		(65,497)	79,000
Cash and cash equivalents at the beginning of the year		173,049	99,084
Net foreign currency losses		<u>(7,836)</u>	<u>(5,035)</u>
Cash and cash equivalents at the end of the year	5	<u>99,716</u>	<u>173,049</u>

The notes on pages 12 to 23 are an integral part of these financial statements.

NBK Qatar Equity Fund

(A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c))

Statement of cash flows

(Expressed in United States Dollars unless otherwise stated)

1 Incorporation and background information

NBK Qatar Equity Fund (the “Fund”) is an open-ended sub-fund of NBK Gulf Equity Funds Company B.S.C. (c) (the “Company”), a closed joint stock company incorporated in the Kingdom of Bahrain on 15 March 2005. The Company has been set up as a special purpose vehicle by National Bank of Kuwait S.A.K.P. which acts as the sponsor and placement agent of the Fund and Watani Investment Company K.S.C.C. acts as the investment manager of the Fund. The Fund commenced trading on 25 May 2006. The Fund has been classified as an exempt fund under the Central Bank of Bahrain (CBB) RuleBook Volume 7. The units of the Fund were listed on the Bahrain Bourse on 29 May 2008 for registration purposes but there is no trading of these units on the Bahrain Bourse. The life of the Fund is upto 50 calendar years.

The investment objective of the Fund is to seek long-term capital appreciation by investing primarily in equity securities listed in Qatar.

The Fund’s investment and administration activities are managed by Watani Investment Company K.S.C.C. and Keypoint Consulting W.L.L. Bahrain respectively.

2 Summary of material accounting policies

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

2.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with IFRS Accounting Standards, in conformity with the applicable requirements of the Central Bank of Bahrain and rules and procedures of the Bahrain Bourse. The financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the Company’s directors to exercise its judgment in the process of applying the Fund’s accounting policies. There are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

Going concern

The Company’s directors have made an assessment of the Fund’s ability to continue as a going concern and are satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the Company’s directors are not aware of any material uncertainties that may cast significant doubt upon the Fund’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(b) Standards and amendments to existing standards effective 1 January 2023

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2023 that have a material effect on the financial statements of the Fund.

(c) New standards, amendments and interpretations effective after 1 January 2024 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2024, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

NBK Qatar Equity Fund

(A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c))

Notes to the financial statements for the year ended 31 December 2023

(Expressed in United States Dollars unless otherwise stated)

2 Summary of material accounting policies (continued)

2.2 Foreign currency translation

(a) Functional and presentation currency

The Fund's units are denominated in United States Dollar (USD). The primary activity of the Fund is to invest in listed equity securities of Qatari domiciled listed Companies. The performance of the Fund is measured and reported to the investors in USD. The Company's directors consider the USD as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in USD, which is the Fund's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation of monetary items are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to the financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income within 'investment gain/(loss)'.

2.3 Financial assets

2.3.1 Classification

The Fund classifies its financial assets in the following measurement categories:

- a. those to be measured subsequently at fair value through profit or loss; and
- b. those measured at amortised cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value through profit or loss, gains and losses are recorded in the statement of comprehensive income. For investments in quoted equity instruments, the Fund has made an irrevocable election to account for the quoted equity investments at fair value through profit or loss (FVTPL). The Fund's financial assets at amortised costs comprise of 'cash and cash equivalents', 'due from brokers' and 'other receivables' on the statement of the financial position.

2.3.2 Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the financial assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

2.3.3 Measurement

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset.

NBK Qatar Equity Fund

(A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c))

Notes to the financial statements for the year ended 31 December 2023

(Expressed in United States Dollars unless otherwise stated)

2 Summary of material accounting policies (continued)

2.3 Financial assets (continued)

2.3.4 Subsequent measurement

The Fund subsequently measures all quoted equity investments at fair value. Where the Fund's management has elected to present fair value gains and losses on quoted equity investments in the statement of comprehensive income, there is no subsequent reclassification of fair value gains and losses to the statement of comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in the statement of comprehensive income as dividend income when the Fund's right to receive payments is established.

Subsequent to the initial recognition, financial assets other than those carried at fair value through profit or loss are carried at amortised costs using the effective interest rate method.

2.3.5 Impairment

The Fund assesses on a forward-looking basis the expected credit loss associated with its debt instruments-carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For due from brokers and other receivables, the Fund applies the simplified approach permitted by IFRS Accounting Standard 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less.

2.5 Due from brokers

Amounts due from brokers represent receivables for securities sold but not yet settled on the date of statement of financial position. These are recognised at fair value on initial recognition and subsequently measured at amortised cost.

2.6 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Fund. All financial liabilities are initially recognised at fair value less directly attributable transaction costs. After initial recognition the financial liabilities are subsequently measured at amortised cost using the effective interest rate method. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The Fund's financial liabilities comprise of 'accounts payable and accrued expenses'. Also refer to Note 2.7.

2.7 Account payables and accrued expenses

Account payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Account payables and accrued expenses are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

NBK Qatar Equity Fund

(A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c))

Notes to the financial statements for the year ended 31 December 2023

(Expressed in United States Dollars unless otherwise stated)

2 Summary of material accounting policies (continued)

2.8 Redeemable units

Units are redeemable at the unitholders' option as per prospectus and are classified as financial liabilities.

The units can be put back to the Fund at any time for cash equal to a proportionate unit of the Fund's net asset value. The units are carried at the redemption amount that is payable at the statement of financial position date if the unitholder exercises the right to put the unit back to the Fund.

The units are issued and redeemed at the unitholders' option at the 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 net assets attributable to the holder of redeemable units by the total number of outstanding redeemable units.

2.9 Dividend income

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

2.10 Transaction costs

Transaction costs are incurred to acquire/sell financial assets or liabilities at fair value through profit or loss. They include the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers.

3 Financial risk management

The Fund activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk, and interest rate risk), credit risk and liquidity risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's aim is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

3.1 Market risk

The Fund is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where equity securities are denominated in currencies other than USD, the price is initially expressed in foreign currency and then converted into USD and therefore will also fluctuate because of changes in foreign exchange rates.

To manage its price risk from investment securities, the Fund attempts to diversify its investment portfolio. There are well defined investment policies and procedures approved by the Company's directors which govern the trading securities.

Formal valuation policies that specify appropriate and sound portfolio valuation methodologies have been established for investments in listed companies. Marking the equity portfolio to market on each valuation day ensures that the unrealised gains and losses are accounted for on a weekly basis.

As at 31 December 2023, the fair value of equities exposed to price risk was USD 17,314,644 (2022: USD 18,338,041).

NBK Qatar Equity Fund

(A sub-fund of NBK Gulf Equity Funds Company B.S.C. (c))

Notes to the financial statements for the year ended 31 December 2023

(Expressed in United States Dollars unless otherwise stated)

3 Financial risk management (continued)

3.1 Market risk (continued)

3.1.1 Price risk

All the Fund's equity securities are publicly listed and the table below summarises the sensitivity of the Fund's net assets attributable to holders of redeemable units to equity price movements, including the effect of movements in foreign currency exchange rates on equity prices, as at 31 December. The analysis is based on the assumption that all other variables will remain constant and the market price of all the securities held in the portfolio moves up by 15%. This represents the Company's directors best estimate of a reasonable possible shift in the market price of the securities held in the portfolio.

	Reasonable shift	Impact on the Fund's results for the year ended 31 December		Impact on net assets attributable to the unitholders of the Fund as at 31 December	
		2023	2022	2023	2022
Financial assets at fair value through profit or loss	15% change in equity prices	2,597,197	2,750,706	2,597,197	2,750,706

The same and opposite effect would occur for a decrease in market price of all securities by 15%.

Concentration of investment holdings is set out in Note 4.

3.1.2 Foreign exchange risk

Foreign exchange risk arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates.

The Fund is not exposed to significant currency risk with respect to its financial assets and financial liabilities as all foreign currency trading securities are denominated in Qatari Riyal which is pegged to the US Dollar.

3.1.3 Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows.

The Funds' financial assets have a maturity of maximum one month and its other assets and liabilities are not sensitive to interest rate risk. Therefore, the Fund is not significantly exposed to interest rate risk.

3.2 Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main concentration to which the Fund is exposed arises from bank balances, due from brokers and other receivables. For bank balances, only independently rated parties with a minimum rating of 'A' are accepted (Note 5). Additionally, reputed approved entities are appointed as the custodian of the Fund.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is made by the custodian only on receipt of payment from the broker. Payment is made by the custodian for the purchase of securities only on receipt of security from the broker. The trade will fail if either party fails to meet its obligations.

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3 Financial risk management (continued)

3.2 Credit risk (continued)

The maximum exposure to credit risk before any credit enhancements at 31 December (by class of assets) is the carrying amount of the financial assets as set out below:

At amortised cost

	At 31 December	
	2023	2022
Cash and cash equivalents	99,716	173,049
Other receivables	15,458	8,792
	<u>115,174</u>	<u>181,841</u>

None of these assets are impaired or past due but not impaired.

3.3 Liquidity risk

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

The Fund is exposed to the weekly cash redemptions of redeemable units. Its policy is therefore to invest its assets in investments that are traded in an active market and can be readily disposed. As per the prospectus of the Fund the investment manager has the right to scale down redemptions to 10% of the net asset value of the Fund if the redemption request on any valuation day exceeds more than 10% of the net asset value of the Fund.

The Fund's securities are considered readily realisable as they are listed on the Qatar stock exchange.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

The amounts in the table are the contractual cash flows that are not discounted except for balances with a maturity of less than 12 months as the effect of discounting is not considered significant.

At 31 December 2023	Less than 1	1-12 months	Total
	month		
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	-	106,974	106,974
At 31 December 2022	Less than 1	1-12 months	Total
	month		
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	-	103,750	103,750

The Fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within one month. Accordingly, all the Fund's financial assets, except for prepayments, are realisable within a maximum period of one month.

3.4 Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The amount of net assets attributable to holders of redeemable units can change significantly on a weekly basis as the Fund is subject to weekly subscriptions and redemptions at the discretion of unitholders.

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3 Financial risk management (continued)

3.4 Capital risk management (continued)

The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund. Refer also to Note 3.3.

3.5 Fair value estimation

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the input used in making the measurement. The fair value hierarchy has the following levels:

- 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 (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs).

At 31 December 2023 and 2022, all the financial assets at fair value through profit or loss of the Fund were listed equity investments whose values are based on quoted market prices in active markets, and therefore, classified within Level 1. There were no transfers between levels during the year.

Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Fund is the closing price.

These instruments are included in Level 1. All other current assets and current liabilities are carried at values that reflect a reasonable approximation of their fair value.

4 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss at 31 December are listed equity securities on the Qatar stock exchange, and are as follows:

	At 31 December 2023	
	Value of investment	
	Fair Value USD as a percentage of fair value	
Qatar National Bank Q.P.S.C	6,029,990	34.83
Qatar Islamic Bank Q.P.S.C.	2,885,741	16.67
Industries Qatar Q.S.C	1,624,528	9.38
The Commercial Bank of Qatar Q.S.C.	1,305,796	7.54
Ooredoo Q.S.C.	1,193,312	6.89
Qatar Gas Transport Company Limited ("Nakilat")	1,000,615	5.78
Masraf Al - Rayan Q.P.S.C	697,991	4.03
Qatar International Islamic Bank (Q.P.S.C.)	507,794	2.93
Barwa Real Estate Company Q.P.S.C.	467,600	2.70
Qatar Fuel Company Q.P.S.C.	399,013	2.30
Dukhan Bank Q.P.S.C.	376,247	2.17
Qatar Electricity and Water Co. Q.S.C.	269,298	1.56
Vodafone Qatar	261,055	1.51
Qatar National Navigation Q.P.S.C.	163,973	0.95
Mesaieed Petrochemical Q.S.C	131,691	0.76
Total financial assets at fair value through profit or loss	17,314,644	100%

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4 Financial assets at fair value through profit or loss (continued)

	At 31 December 2022	
	Fair Value USD	Value of investment as a percentage of fair value
Qatar National Bank Q.P.S.C	7,151,794	39.00
Qatar Islamic Bank Q.P.S.C.	2,990,260	16.31
The Commercial Bank of Qatar Q.S.C.	1,628,262	8.88
Industries Qatar Q.S.C	1,452,811	7.92
Qatar Gas Transport Company Limited (“Nakilat”)	1,208,585	6.59
Ooredoo Q.S.C.	1,144,913	6.24
Masraf Al - Rayan Q.P.S.C	1,081,202	5.90
Qatar International Islamic Bank (Q.P.S.C.)	368,923	2.01
Qatar Fuel Company Q.P.S.C.	315,098	1.72
Qatar National Navigation Q.P.S.C.	308,306	1.67
Mesaieed Petrochemical Q.S.C	281,617	1.54
Qatar Electricity and Water Co. Q.S.C.	210,286	1.15
Barwa Real Estate Company Q.P.S.C.	195,984	1.07
Total financial assets at fair value through profit or loss	18,338,041	100%

Financial assets at fair value through profit or loss represent 99.34% (2022: 99.02%) of the Fund’s total assets.

Investment gain/(loss) from financial assets at fair value through profit or loss for the year ended is as follows:

	Year ended 31 December	
	2023	2022
Realised gain	107,450	811,275
Unrealised loss	(78,326)	(3,149,889)
	29,124	(2,338,614)

The movement in the financial assets at fair value through profit or loss is summarised as follows:

	Year ended 31 December	
	2023	2022
Balance at 1 January	18,338,041	20,748,959
Purchases during the year	5,739,967	6,066,102
Disposals during the year	(6,792,488)	(6,138,406)
Net fair value movement	29,124	(2,338,614)
Balance at 31 December	17,314,644	18,338,041

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5 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with original maturity of less than 90 days:

	Credit rating	At 31 December	
		2023	2022
Current accounts with:			
National Bank of Kuwait S.A.K.P. (Note 12)	A+	246	261
HSBC Bank Middle East Limited – Bahrain Branch	A+	12,551	14,179
HSBC Bank Middle East Limited – Qatar Branch	A+	86,919	158,609
		<u>99,716</u>	<u>173,049</u>

Balances are placed with banks located in the Kingdom of Bahrain, State of Kuwait and State of Qatar. The independent external credit ratings are based on Fitch ratings or its equivalent for the years ended 31 December 2023 and 2022.

6 Accounts payable and accrued expenses

	At 31 December	
	2023	2022
Management fee payable (Note 12)	62,380	78,375
Audit fees	14,216	6,630
Administration fee	7,562	7,562
Custodian fee	16,618	4,985
Other expenses	4,534	4,534
Registrar fee	1,664	1,664
	<u>106,974</u>	<u>103,750</u>

7 Fund units and unit valueNominal value

The initial offer price of the Fund unit was USD 1 each.

Net asset value

The subscription price following the initial offer and the redemption price, is the price at which the units are offered to subscribers which is based upon the net assets value (NAV) per unit of the Fund at the close of business on the relevant valuation day.

	At 31 December	
	2023	2022
Net asset value attributable to holders of redeemable units	<u>17,322,844</u>	<u>18,416,132</u>
Number of units outstanding	<u>8,920,817</u>	<u>9,747,735</u>
Net asset value per unit	<u>1.94184</u>	<u>1.88927</u>

There are no differences between the NAV calculated for IFRS Accounting Standards purposes and the NAV calculated in accordance with the Fund's prospectus.

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8 Administration and management fees

As per the terms of the administration agreement, an administration fee is payable to the Fund's administrator, Keypoint Consulting W.L.L., Bahrain. The annual administration fee is payable at the rates of 0.05% per annum based on the weekly net asset value subject to a minimum of USD 30,000. For the year ended 31 December 2023, the administration fee expense relating to services provided by the administrator amounted to USD 30,000 (2022: USD 30,000).

National Bank of Kuwait S.A.K.P., the sponsor of the Fund was initially appointed as the Investment Manager of the Fund. However, with effect from June 2008, Watani Investment Company K.S.C.C. has been appointed as the Investment Manager. The Fund will pay to the Investment Manager an investment management fee of up to 1.5% per annum based on the average weekly net asset value of the Fund. Sub-investment management fees are determined as per individual agreements with the respective sub-investment managers.

During the year ended 31 December 2023, the management fee expense amounted to USD 268,055 (2022: USD 337,696).

Further, if the Fund's performance exceeds the benchmark return by 1% or more then the Investment Manager is paid a performance fee of 10% of that excess. During the year ended 31 December 2023, the performance fee expense amounted to USD Nil (2022: USD Nil).

9 Audit fees

The audit fee expense for the year ended 31 December 2023 amounted to USD 12,520 (2022: USD 12,520). The non-audit fee during the year ended 31 December 2023 was Nil (2022: Nil).

10 Custodian fees

HSBC Middle East Limited, Bahrain Branch ('HSBC') is the custodian of the Fund. A custodian fee is payable to the Fund's custodian under the terms of the custodian agreement. The custodian fee expense relating to services provided by HSBC for the year ended 31 December 2023 amounted to USD 33,832 (2022: USD 34,543).

11 Other fee and expenses

	Year ended 31 December	
	2023	2022
Annual fee to CBB	5,348	5,348
Bank charges and other expenses	6,082	5,839
Total	<u>11,430</u>	<u>11,187</u>

12 Related party transactions and balances

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

Related parties of the Fund comprise of Watani Investment Company K.S.C.C. which is the investment manager, National Bank of Kuwait S.A.K.P. (NBK) which is the sponsor and distributor of the Fund and NBK Suisse S.A which is the Fund sponsor's subsidiary. The Fund does not have any employees.

Following are the transactions with related parties:

	Year ended 31 December	
	2023	2022
Interest income from National Bank of Kuwait S.A.K.P.	1	11
Management fee to Watani Investment Company K.S.C.C. (Note 8)	<u>268,055</u>	<u>337,696</u>

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Notes to the financial statements for the year ended 31 December 2023

(Expressed in United States Dollars unless otherwise stated)

12 Related party transactions and balances (continued)

Following are the balances with related parties as at 31 December:

	<u>At 31 December</u>	
	2023	2022
Current account balance with NBK (Note 5)	246	261
Management fee payable to Watani Investment Company K.S.C.C. (Note 6)	62,380	78,375

As at 31 December, related parties held the following units in the Fund:

	<u>At 31 December</u>	
	2023	2022
	Number of	Number of
	units	units
National Bank of Kuwait S.A.K.P. (Fund's sponsor)	790,000	790,000

13 Financial instruments by category

31 December 2023	<u>At amortised</u>	<u>Assets at fair</u>	<u>Other financial</u>	<u>Total</u>
Assets as per the statement of	cost	value through	liabilities at	
financial position		profit or loss	amortised cost	
Cash and cash equivalents	99,716	-	-	99,716
Other receivables	15,458	-	-	15,458
Financial assets at fair value through profit or loss	-	17,314,644	-	17,314,644
	<u>115,174</u>	<u>17,314,644</u>	<u>-</u>	<u>17,429,818</u>

Liabilities as per the statement of financial position

Accounts payable and accrued expenses	-	-	106,974	106,974
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31 December 2022	<u>At amortised</u>	<u>Assets at fair</u>	<u>Other financial</u>	<u>Total</u>
Assets as per the statement of	cost	value through	liabilities at	
financial position		profit or loss	amortised cost	
Cash and cash equivalents	173,049	-	-	173,049
Other receivables	8,792	-	-	8,792
Financial assets at fair value through profit or loss	-	18,338,041	-	18,338,041
	<u>181,841</u>	<u>18,338,041</u>	<u>-</u>	<u>18,519,882</u>

Liabilities as per the statement of financial position

Accounts payable and accrued expenses	-	-	103,750	103,750
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Notes to the financial statements for the year ended 31 December 2023
(Expressed in United States Dollars unless otherwise stated)

14 Fund's financial performance

(a) The following are the total net asset value of the Fund and net asset value per unit of the Fund for the past three financial years:

As at 31 December	Total net asset value	Net asset value per unit
2023	17,322,844	1.94184
2022	18,416,132	1.88927
2021	20,761,075	2.10113

(b) The following is the performance record of the Fund over the past ten financial years:

For the year ended	Highest NAV per holding	Lowest NAV per holding
2023	1.99289	1.68321
2022	2.60038	1.88947
2021	2.16705	1.77806
2020	1.89293	1.54841
2019	1.9106	1.6757
2018	1.8748	1.3883
2017	1.76746	1.24253
2016	1.78520	1.30300
2015	1.93863	1.51389
2014	2.16311	1.66659

(c) The following is the highest and lowest redemption price per unit over the past ten financial years:

For the year ended	Highest redemption NAV	Lowest redemption NAV
2023	1.82177	1.76631
2022	2.34503	1.91900
2021	1.83339	1.79172
2020	No redemption	No redemption
2019	1.8899	1.7208
2018	1.6168	1.4739
2017	1.7493	1.3081
2016	1.5451	1.3030
2015	1.9212	1.5227
2014	2.1631	1.7485