

Watani KD Money Market Fund II
State of Kuwait

**Independent auditor's review report and condensed interim
financial information (unaudited) for the nine-month period
ended 30 September 2024**

Watani KD Money Market Fund II
State of Kuwait

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

The Fund Manager
Watani KD Money Market Fund II
State of Kuwait

Introduction

We have reviewed the accompanying 30 September 2024 condensed interim financial information of Watani KD Money Market Fund II (the "Fund") for the nine-month period ended 30 September 2024, which comprises the condensed interim statement of financial position as at 30 September 2024, the condensed interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, the condensed interim statements of changes in unit holders' funds and cash flows for the nine-month 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 September 2024 condensed interim financial information for the nine-month period ended 30 September 2024 is not prepared, in all material respects, in accordance with 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 nine-month period ended 30 September 2024 that might have had a material effect on the business of the Fund or on its financial position.

Safi A. Al-Mutawa
License No. 138
of KPMG Al-Qenae & Partners
Member firm of KPMG International

Kuwait: 20 October 2024

Watani KD Money Market Fund II
State of Kuwait

Condensed interim statement of financial position (unaudited)
as at 30 September 2024

	Notes	30 September 2024 KD (unaudited)	31 December 2023 KD (audited)	30 September 2023 KD (unaudited)
Assets				
Cash and cash equivalents	5	158,045,473	331,652,952	398,403,832
Term deposits	6	74,033,319	44,975,622	-
Wakala deposits	6	132,708,979	45,089,610	6,000,000
Financial assets carried at fair value through profit or loss	7	44,262,716	-	-
Other receivables		2,682,043	1,973,428	1,505,461
Total assets		411,732,530	423,691,612	405,909,293
Liabilities				
Other liabilities	8	2,679,179	3,799,487	963,690
Total liabilities		2,679,179	3,799,487	963,690
Net assets attributable to holders of redeemable units		409,053,351	419,892,125	404,945,603
Represented by:				
Unitholders' contributions	9	338,686,961	357,013,374	347,686,764
Unit (deficit) / premium	9	(22,281)	4,187,812	2,482,155
Retained earnings		70,388,671	58,690,939	54,776,684
Total		409,053,351	419,892,125	404,945,603
Outstanding number of redeemable units	9	338,686,961	357,013,374	347,686,764
Net Asset Value ("NAV") per unit	10	1.207762	1.176124	1.164685

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

Watani KD Money Market Fund II
State of Kuwait

Condensed interim statement of profit or loss and other comprehensive income (unaudited)
for the three-month and nine-month periods ended 30 September 2024

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2024 KD (unaudited)	2023 KD (unaudited)	2024 KD (unaudited)	2023 KD (unaudited)
Income					
Interest income		1,490,711	999,396	5,490,912	4,711,288
Wakala income		2,690,561	3,599,741	8,826,570	10,905,674
Unrealised gain on financial assets carried at fair value through profit or loss		55,773	-	55,773	-
		<u>4,237,045</u>	<u>4,599,137</u>	<u>14,373,255</u>	<u>15,616,962</u>
Expenses					
Management fees	11	(855,473)	(862,996)	(2,635,776)	(2,628,425)
Other expenses		(19,108)	(420)	(39,747)	(43,360)
		<u>(874,581)</u>	<u>(863,416)</u>	<u>(2,675,523)</u>	<u>(2,671,785)</u>
Net profit for the period		3,362,464	3,735,721	11,697,732	12,945,177
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		<u>3,362,464</u>	<u>3,735,721</u>	<u>11,697,732</u>	<u>12,945,177</u>

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

Watani KD Money Market Fund II
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Condensed interim statement of changes in unit holders' funds (unaudited)
for the nine-month period ended 30 September 2024

	Outstanding number of redeemable units	Unitholders' contributions KD	Unit (deficit) / premium KD	Retained earnings KD	Total KD
Balance at 1 January 2024 (audited)	357,013,374	357,013,374	4,187,812	58,690,939	419,892,125
Net profit and total comprehensive income for the period	-	-	-	11,697,732	11,697,732
Subscription of redeemable units	163,589,104	163,589,104	31,125,050	-	194,714,154
Redemption of redeemable units	(181,915,517)	(181,915,517)	(35,335,143)	-	(217,250,660)
Balance at 30 September 2024 (unaudited)	<u>338,686,961</u>	<u>338,686,961</u>	<u>(22,281)</u>	<u>70,388,671</u>	<u>409,053,351</u>
Balance at 1 January 2023 (audited)	352,720,086	352,720,086	4,323,138	41,831,507	398,874,731
Net profit and total comprehensive income for the period	-	-	-	12,945,177	12,945,177
Subscription of redeemable units	237,001,621	237,001,621	33,926,755	-	270,928,376
Redemption of redeemable units	(242,034,943)	(242,034,943)	(35,767,738)	-	(277,802,681)
Balance at 30 September 2023 (unaudited)	<u>347,686,764</u>	<u>347,686,764</u>	<u>2,482,155</u>	<u>54,776,684</u>	<u>404,945,603</u>

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

Watani KD Money Market Fund II
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Condensed interim statement of cash flows (unaudited)
for the nine-month period ended 30 September 2024

	Note	Nine-month period ended 30	
		2024	2023
		KD	KD
		(unaudited)	(unaudited)
Cash flows from operating activities			
Net profit for the period		11,697,732	12,945,177
<i>Adjustment for:</i>			
(Reversal of) / provision for expected credit losses		(4,535)	13,381
Unrealised gain on financial assets carried at fair value through profit or loss		(55,773)	-
		<u>11,637,424</u>	<u>12,958,558</u>
<i>Changes in:</i>			
- Term deposits		(29,057,697)	-
- Wakala deposits		(87,619,369)	(6,000,000)
- Financial assets carried at fair value through profit or loss		(44,206,943)	-
- Other receivables		(708,615)	215,182
- Other liabilities		(1,115,773)	(6,308,641)
<i>Net cash flows (used in) / from operating activities</i>		<u>(151,070,973)</u>	<u>865,099</u>
Cash flows from financing activities			
Subscription of redeemable units		194,714,154	270,928,376
Redemption of redeemable units		(217,250,660)	(277,802,681)
<i>Net cash flows used in financing activities</i>		<u>(22,536,506)</u>	<u>(6,874,305)</u>
Net change in cash and cash equivalents		(173,607,479)	(6,009,206)
Cash and cash equivalents at beginning of the period		331,652,952	404,413,038
Cash and cash equivalents at end of the period	5	<u>158,045,473</u>	<u>398,403,832</u>

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

Watani KD Money Market Fund II
State of Kuwait

Notes to the condensed interim financial information (unaudited)
for the nine-month period ended 30 September 2024

1. Reporting entity

Watani KD Money Market Fund II (the “Fund”) is an open-ended fund established on 29 April 2014 in the State of Kuwait. The Fund is governed under 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”) and custodian activities are managed by Kuwait Clearing Company S.A.K. (the “Custodian”). The Fund Manager is a subsidiary of the National Bank of Kuwait S.A.K.P. (“NBK” or the “Parent of the Fund Manager”).

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

The Fund’s objective is to achieve returns higher than the rate of return on fixed deposits by investing in high-quality money market instruments such as government treasury bonds, sukuks, corporate bonds, fixed deposits and certificate of bonds (including repurchase agreements) in Kuwaiti Dinars or foreign currencies and any other money market instruments.

The duration of the Fund is fifteen years from the date of inception and can be renewed thereafter, for a similar period, on approval by a majority of unit holders and the CMA.

This condensed interim financial information was authorised for issuance by the Fund Manager on 20 October 2024.

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 latest annual financial statements for the year ended 31 December 2023 (the “latest annual financial statements”). This does not include all the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting 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 latest 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 nine-month period ended 30 September 2024 are not necessarily indicative of the results that may be expected for the year ending 31 December 2024.

3. Material 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 latest annual financial statements, except for the new standards and interpretations which are effective as of 1 January 2024. The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Watani KD Money Market Fund II
State of Kuwait

Notes to the condensed interim financial information (unaudited)
for the nine-month period ended 30 September 2024

Several amendments apply for the first time in 2024, but do not have a material impact on the condensed interim financial information of the Fund.

4. Judgments and estimates

In preparing this condensed interim financial information, 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 management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those applied to the latest annual financial statements.

5. Cash and cash equivalents

	30 September 2024 KD (unaudited)	31 December 2023 KD (audited)	30 September 2023 KD (unaudited)
Cash at bank	2,352,591	3,464,402	644,224
Short-term deposits with original maturities of less than three months	72,322,310	128,209,122	95,752,025
Short-term wakala deposits with original maturities of less than three months	83,370,572	199,979,428	302,007,583
	<u>158,045,473</u>	<u>331,652,952</u>	<u>398,403,832</u>

Short-term deposits are placed with local financial institutions and carry interest rates ranging from 2.30% to 3.80% (31 December 2023: from 4.00% to 5.70% and 30 September 2023: from 4.25% to 4.35%) per annum. Certain cash at banks are placed with a related party (note 12).

Short-term wakala deposits are placed with local financial institutions and yield an effective profit rate ranging from 2.00% to 3.88% (December 2023: 4.95% to 5.15% and 30 September 2023: 4.10% to 4.50%) per annum.

6. Term deposits and Wakala Deposits

Term deposits with original maturities of more than three months, are placed with local financial institutions and carry effective interest rates of 4.00% to 4.45% (31 December 2023: 5.00% to 5.50% and 30 September 2023: Nil) per annum. Certain term deposits are placed with a related party (note 12).

Wakala deposits with original maturities of more than three months are placed with local financial institutions and carry effective profit rates of 3.13% 4.30% (31 December 2023: 5.07% to 5.15% and 30 September 2023: 4.40%) per annum. Certain Wakala deposits are placed with a related party (note 12).

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Notes to the condensed interim financial information (unaudited)
for the nine-month period ended 30 September 2024

7. Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss represent investment in Shariah compliant money market funds. Certain investment in financial assets carried at fair value through profit or loss are issued by a related party (note 12).

The fair value of the assets as at the reporting date is has been determined using the valuation techniques relevant to Level 1 of the fair value hierarchy.

8. Other liabilities

	30 September 2024 KD (unaudited)	31 December 2023 KD (audited)	30 September 2023 KD (unaudited)
Management fees payable (note 12)	273,186	275,463	270,377
Subscriptions received in advance	2,352,403	3,464,200	644,000
Other payables	53,590	59,824	49,313
	<u>2,679,179</u>	<u>3,799,487</u>	<u>963,690</u>

Subscriptions received in advance represent amounts received from new subscribers of the Fund. Subscriptions in the Fund takes place by submitting an application to this effect to the Fund Manager or the selling agent. Subscriptions shall be made according to the NAV per unit on the relevant valuation day that falls after the submission of the subscription.

9. Unit holders' fund

Unitholders' contributions

As at 30 September 2024, the issued and paid up unit capital of the Fund was KD 338,686,961 divided into 338,686,961 redeemable units with par value of KD 1 each (31 December 2023: KD 357,013,374 divided into 357,013,374 redeemable units with par value of KD 1 each and 30 September 2023: KD 347,686,764 divided into 347,686,764 redeemable units with par value of KD 1 each).

Unit (deficit) / premium

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

10. Net Asset Value per unit

	30 September 2024 (unaudited)	31 December 2023 (audited)	30 September 2023 (unaudited)
Net assets attributable to unit holders (KD)	409,053,351	419,892,125	404,945,603
Number of units outstanding	338,686,961	357,013,374	347,686,764
Net Asset Value per unit (KD)	1.207762	1.176124	1.164685

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Notes to the condensed interim financial information (unaudited)
for the nine-month period ended 30 September 2024

11. Management fees

The Fund Manager is entitled to management fees of a maximum of 1% per annum (31 December 2023 and 30 September 2023: 1% per annum) calculated on the Net Asset Value of the Fund on every valuation day and payable duly accumulated at the end of every month.

12. Related party balances and transactions

Related parties comprise 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:

	30 September 2024 KD (unaudited)	31 December 2023 KD (audited)	30 September 2023 KD (unaudited)
<i>Condensed interim statement of financial position:</i>			
Balances with the Parent of the Fund Manager			
Cash and cash equivalents	2,352,444	3,464,228	644,046
Term deposits	5,317,600	-	-
Other receivables	62,500	-	-
Balance with other related parties			
Cash and cash equivalents	41	13,200,044	133,299,293
Wakala deposits	36,942,102	45,089,610	-
Financial assets carried at fair value through profit or loss	36,056,855	-	-
Other receivables	543,421	133,516	788,197
Balances with the Fund Manager			
Management fee payable (note 8)	273,186	275,463	270,377
Other payables	1,452	1,150	375

Watani KD Money Market Fund II
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Notes to the condensed interim financial information (unaudited)
for the nine-month period ended 30 September 2024

Three-month period ended 30 September		Nine-month period ended 30 September	
2024	2023	2024	2023
KD	KD	KD	KD
(unaudited)	(unaudited)	(unaudited)	(unaudited)

Condensed interim statement of profit or loss and other comprehensive income:

**Transactions with the Parent
of the Fund Manager**

Interest income	55,426	-	62,638	-
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**Transactions with the entities
under common control of the
Fund Manager**

Interest income	563,376	1,302,765	2,675,180	4,415,974
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**Transactions with the Fund
Manager**

Management fees (note 11)	855,473	862,996	2,635,776	2,628,425
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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 KD 100,000 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 number of units attributable to the Fund Manager at the reporting date were 3,064,570 units amounting to KD 3,701,271 (31 December 2023: 3,064,570 units amounting to KD 3,604,314 and 30 September 2023: 3,064,570 units amounting to KD 3,569,259) which represented approximately 0.90% (31 December 2023: 0.86% and 30 September 2023: 0.88%) of the issued and paid-up capital of the Fund.

There were no units attributable to the Parent of the Fund Manager as at the reporting date (31 December 2023 and 30 September 2023: nil).

13. Financial risk management policies

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

Watani KD Money Market Fund II
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Notes to the condensed interim financial information (unaudited)
for the nine-month period ended 30 September 2024

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.

The fair value of investments in financial assets at FVTPL i.e., listed open-ended investment fund is determined based on the quoted prices in an active market available at the measurement date.

There have been no transfers between levels of fair value hierarchy during the period.

15. Commitments and Contingent liabilities

There are no contingent liabilities outstanding as at 30 September 2024 (31 December 2023 and 30 September 2023: nil).

16. Capital management

The Fund's Articles of Association, as amended, specifies the minimum amount of capital that must be held by the Fund, which is in line with the CMA regulations.

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

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

The table below summarises the capital held by the Fund:

	30 September 2024 KD (unaudited)	31 December 2023 KD (audited)	30 September 2023 KD (unaudited)
Unitholders' contribution	338,686,961	357,013,374	347,686,764
Minimum capital requirement	2,000,000	2,000,000	5,000,000