

**Markaz Real Estate Fund
State of Kuwait**

**Interim condensed financial information and
independent auditor's review report (unaudited)**

For the period ended 30 June 2024

**Interim condensed financial information and independent auditor's review report (unaudited)
For the period ended 30 June 2024**

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Independent auditor's review report to the manager of Markaz Real Estate Fund

Report on review of interim condensed financial information

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Markaz Real Estate Fund ("the Fund") as of 30 June 2024 and the related interim condensed statement of comprehensive income for the three month and six month period then ended, interim condensed statement of changes in net assets attributable to unitholders and cash flows for the six month period then ended and explanatory notes. The Fund manager is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

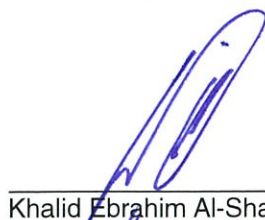
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim condensed Financial Information performed by the Independent Auditor of the entity". A review of interim condensed financial information consists of making enquiries, primarily of persons 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 interim condensed financial information is not prepared, in all material aspects, in accordance with International Accounting Standard 34.

Report on other legal and regulatory requirements

Furthermore, based on our review, the interim condensed 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 Executive Bylaws No. 7 of 2010 pertaining to the Establishment of the Capital Markets Authority and the Regulation of Securities' Activity and subsequent amendments, or of the fund's Articles of Association, thereto during the six month period ended 30 June 2024 that might have had a material effect on the business of the fund or on its financial position.



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21 July 2024
Kuwait

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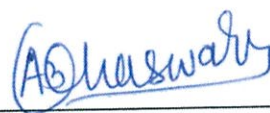
Markaz Real Estate Fund

Interim condensed statement of financial position
(All amounts in Kuwaiti Dinars unless otherwise stated)

	Note	(Unaudited) 30 June 2024	(Audited) 31 December 2023	(Unaudited) 30 June 2023
Assets				
Non-current assets				
Investment properties	4	75,956,000	72,709,000	70,605,000
Current assets				
Cash and cash equivalents	5	658,104	435,302	310,445
Accounts receivable and prepayments		274,763	199,469	1,612,367
		932,867	634,771	1,922,812
Total assets		76,888,867	73,343,771	72,527,812
Liabilities				
Current liabilities				
Accrued expenses and other payables	6	1,751,608	1,589,642	1,674,577
Murabaha payable	7	2,382,676	767,840	-
Total liabilities		4,134,284	2,357,482	1,674,577
Net assets attributable to unitholders		72,754,583	70,986,289	70,853,235
Represented by				
Unitholders contributions	8	53,749,157	54,819,351	56,202,566
Units premium		9,274,698	9,589,616	9,948,337
Retained earnings		9,730,728	6,577,322	4,702,332
Total net assets attributable to unitholders	9	72,754,583	70,986,289	70,853,235
Net assets value per unit (KD)	9	1.353	1.295	1.261



Kuwait Financial Centre K.P.S.C
(Fund manager)



Gulf Custody Company K.S.C.C
(Investment custodian and controller)

The accompanying notes set out on pages 6 to 10 form an integral part of this interim condensed financial information.



Interim condensed statement of comprehensive income

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Note	Three months ended 30 June		Six months ended 30 June	
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
		2024	2023	2024	2023
Income					
Net rental income		1,226,192	1,196,425	2,446,214	2,402,475
Change in fair value of investment properties	4	3,247,000	74,000	3,247,000	74,000
Profit income from banks balances		371	15,949	1,767	36,608
Other income		2,992	3,849	24,530	5,760
Total income		4,476,555	1,290,223	5,719,511	2,518,843
Expenses					
Operating expenses		(335,590)	(369,464)	(614,381)	(698,123)
Management fees	10	(88,008)	(83,781)	(181,723)	(165,599)
Custodian and controller fees	10	(13,676)	(13,712)	(27,350)	(27,274)
Net provision for impairment of receivables		(13,891)	(8,949)	(40,902)	(90,733)
Total expenses		(451,165)	(475,906)	(864,356)	(981,729)
Profit for the period		4,025,390	814,317	4,855,155	1,537,114
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		4,025,390	814,317	4,855,155	1,537,114

Interim condensed statement of changes in net asset attributable to unitholders

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Note	(Unaudited) 2024	(Unaudited) 2023
Net assets attributable to unitholders at 1 January		70,986,289	72,708,206
Proceeds from subscriptions during the period		1,133,355	1,266,148
Payment for units redeemed during the period		(2,518,467)	(2,876,318)
Net units' movement		(1,385,112)	(1,610,170)
Total comprehensive income for the period		4,855,155	1,537,114
Dividends declared during the period	8	(1,701,749)	(1,781,915)
Net assets attributable to unitholders at 30 June		72,754,583	70,853,235

The accompanying notes set out on pages 6 to 10 form an integral part of this interim condensed financial information.

Interim condensed statement of cash flows

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Note	(Unaudited)	
		Six months ended 30 June	
		2024	2023
Cash flows from operating activities			
Profit for the period		4,855,155	1,537,114
Adjustments for:			
Profit income		(1,767)	(36,608)
Change in fair value of investment properties	4	(3,247,000)	(74,000)
Provision for impairment of receivables		40,902	90,733
		<u>1,647,290</u>	<u>1,517,239</u>
Changes in operating assets and liabilities			
Accounts receivable and prepayments		(116,196)	(114,656)
Accrued expenses and other payables		167,121	353,919
Net cash generated from operating activities		<u>1,698,215</u>	<u>1,756,502</u>
Cash flows from investing activities			
Profit income from banks balances received		1,767	34,209
Net cash generated from investing activities		<u>1,767</u>	<u>34,209</u>
Cash flows from financing activities			
Change in Murabaha payable		1,614,836	-
Proceeds from subscriptions during the period		1,133,355	1,266,148
Payment for units redeemed during the period		(2,518,467)	(2,876,318)
Dividends paid		(1,706,904)	(1,785,941)
Net cash used in financing activities		<u>(1,477,180)</u>	<u>(3,396,111)</u>
Net increase/(decreased) in cash and cash equivalents		222,802	(1,605,400)
Cash and cash equivalents at the beginning of the period	5	<u>435,302</u>	<u>3,217,767</u>
Cash and cash equivalents at the end of the period	5	<u>658,104</u>	<u>1,612,367</u>

The accompanying notes set out on pages 6 to 10 form an integral part of this interim condensed financial information.

Notes to the interim condensed financial information (unaudited)

(All amounts in Kuwaiti Dinars unless otherwise stated)

1 GENERAL INFORMATION

Markaz Real Estate Fund ("the Fund") was incorporated in Kuwait by Ministerial decree No. 162 of 2002 dated 9 June 2002 in accordance with Law No. 31 of 1990 concerning securities and creation of investment Funds and its executive regulations as amended, with the approval from Ministry of Commerce and Industry and Central Bank of Kuwait. The Fund is governed under the law No.7 of 2010 as amended, pertaining to the establishment of the Capital Market Authority (CMA) and the regulation of securities activity and subsequent amendments.

The Fund has a duration of ten years commencing from the date of incorporation. The Fund term automatically extends for a similar period or other periods upon the approval of CMA. The license of the fund was renewed by the CMA on 22 June 2021 for three years effective from 2 August 2021 and expiring on 1 August 2024. The fund manager started obtaining the necessary approvals for renewing the fund license. The Fund is managed by Kuwait Financial Centre K.P.S.C. ("the Fund manager"), and Gulf Custody Company K.S.C.C. is the fund's investment custodian ("the investment custodian and controller).

The address of the Fund and the Fund Manager's registered office is Asimah, Mirqab, Block 1, Plot 6, Al Soor street, Ali AlShaya and AbdelAziz Mohammed Al Hammoud AlShaya Building, Floor 8.

The Fund's objectives are to achieve capital appreciation and cash profit and distributing returns and cash profits on monthly instalments through investing the fund's capital for purchasing and developing income generating and non-generating real estate properties. The fund also aims to invest in properties that it can be added value according the investment policy and risks in accordance with Islamic Shariaa. The fund also is permitted to invest in Islamic banks and deposits.

The Fund manager is not authorized to pay Zakat. Unitholders are responsible to pay Zakat on net assets value of the units held by them on the Zakat date.

The unitholders' annual general assembly for the fiscal year ended 31 December 2023 were not held as at the reporting date of the interim condensed financial information. The interim condensed financial information for the six months period ended 30 June 2024 does not include any adjustments which might have been required had the unitholders approved the financial statements for the year then ended.

The interim condensed financial information of the Fund for the period ended 30 June 2024 was authorised for issuance by the Fund's manager and custodian 21 July 2024.

2 BASIS OF PREPARATION

This condensed interim financial report for the six months ended 30 June 2024 has been prepared in accordance with Accounting Standard IAS 34 Interim financial reporting. The interim report does not include all the notes of the type normally included in an annual financial statements. Accordingly, this report is to be read in conjunction with the annual statements for the year ended 31 December 2023 and any relevant announcements made by fund during the interim reporting period. In addition, results for the period from 1 January 2024 to 30 June 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

The accounting policies adopted and financial risk management are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

Notes to the interim condensed financial information (unaudited)*(All amounts in Kuwaiti Dinars unless otherwise stated)***2 BASIS OF PREPARATION (Continued)***(a) New and amended standard adopted by the fund:- Applicable 1 January 2024*

A number of amended standards became applicable for the current reporting period. The fund did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) Impact of standards issued but not yet applied by the fund:

There are no standards issued but not yet applied by the fund

3 JUDGEMENTS AND ESTIMATES

In preparing this interim condensed financial information, the significant judgements made by the Fund's manager in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited financial statements as at and for the year ended 31 December 2023.

4 INVESTMENT PROPERTIES

The movement in investment properties during the period/year is as below:

	(Unaudited) 30 June 2024	(Audited) 31 December 2023	(Unaudited) 30 June 2023
Balance at beginning of the period / year	72,709,000	70,531,000	70,531,000
Change in fair value	3,247,000	2,178,000	74,000
Balance at end of the period / year	75,956,000	72,709,000	70,605,000

The fair value of investment properties has been determined by two external independent valuers in accordance with the Capital Markets Authority requirements.

United Facilities Management K.S.C.C is the fund consultant. The Fund consultant manage the investment properties in exchange for fees based on a percentage of total rental collections.

Investment property with carrying value of KD 8,996,000 is secured against murabha payable obtained from local Islamic bank (note 7).

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed statement of financial position and cash flows comprise of the following:

	(Unaudited) 30 June 2024	(Audited) 31 December 2023	(Unaudited) 30 June 2023
Bank balances	658,104	435,302	512,367
Time deposits	-	-	1,100,000
	658,104	435,302	1,612,367

Notes to the interim condensed financial information (unaudited)*(All amounts in Kuwaiti Dinars unless otherwise stated)***6 ACCRUED EXPENSES AND OTHER PAYABLES**

	(Unaudited) 30 June 2024	(Audited) 31 December 2023	(Unaudited) 30 June 2023
Accrued management fees (note 10)	29,635	31,127	20,915
Accrued custodian and controller fees (note 10)	13,650	13,864	13,712
Subscriptions collected in advance	135,240	151	27,924
Rents collected in advance	138,158	176,230	106,820
Dividends payable	306,237	311,392	319,147
Others	1,128,688	1,056,878	1,186,059
	<u>1,751,608</u>	<u>1,589,642</u>	<u>1,674,577</u>

The carrying value of accrued expenses and other payables approximate their fair value.

7 MURABAHA PAYABLE

This represents secured Murabaha facility amounting to KD 3,000,000 obtained from local Islamic bank with a profit rate of 1.25 % above Central bank of Kuwait discount rate. The outstanding balance of this facility as of 30 June 2024 is KD 2,382,676 (31 December 2023: KD 767,840 and 30 June 2023: Nil). This facility is secured by certain investment properties (note 4).

8 UNITHOLDERS CONTRIBUTION

The Fund is an open ended Fund with fund capital ranging from 2,000,000 units to 100,000,000 units with par value of KD 1 per unit (31 December 2023: 2,000,000 units to 100,000,000 and 31 March 2023 from 2,000,000 units to 100,000,000 units with par value of KD 1 per unit). These units are issued and redeemed at the unitholders option at prices based on the value of the Fund's net assets at the time of issue/redemption.

The movement on units issued during the period / year was as follows:

	(Unaudited) 30 June 2024	(Audited) 31 December 2023	(Unaudited) 30 June 2023
At the beginning of the period / year	54,819,351	57,477,576	57,477,576
Units subscribed during the period / year	875,666	2,196,871	1,002,658
Units redeemed during the period / year	(1,945,860)	(4,855,096)	(2,277,668)
At the end of the period / year	<u>53,749,157</u>	<u>54,819,351</u>	<u>56,202,566</u>

Dividends

During the period, the Fund declared dividends of KD 1,701,749 (31 December 2023: KD 3,518,330 and 30 June 2023: KD 1,781,915).

Notes to the interim condensed financial information (unaudited)*(All amounts in Kuwaiti Dinars unless otherwise stated)***9 NET ASSETS VALUE PER UNIT**

	(Unaudited) 30 June 2024	(Audited) 31 December 2023	(Unaudited) 30 June 2023
Net assets attributable to unitholders	72,754,583	70,986,289	70,853,235
Number of units outstanding (units)	53,749,157	54,819,351	56,202,566
Net assets value per unit (KD)	1.353	1.295	1.261

10 RELATED PARTY BALANCES AND TRANSACTIONS

These represent transactions with the Fund's unitholders, Fund manager and investment custodian and controller under the terms of the articles of association of the Fund.

Balances and transactions with related parties included in the interim condensed financial information are as follows:

Balances included in the interim condensed statement of financial position

	(Unaudited) 30 June 2024	(Audited) 31 December 2023	(Unaudited) 30 June 2023
Accrued management fee (note 6)	29,635	31,127	20,915
Accrued custodian and controller fees (note 6)	13,650	13,864	13,712
Due to Fund manager (included in accrued expenses and other payables)	3,722	2,053	1,351
Professional fees	986	2,000	986

Transaction included in the interim condensed statement of comprehensive income

	Three months ended 30 June		Six months ended 30 June	
	(Unaudited) 2024	(Unaudited) 2023	(Unaudited) 2024	(Unaudited) 2023
Management fees	88,008	83,781	181,723	165,599
Custodian and controller fees	13,676	13,712	27,350	27,274
Investment properties valuators fees	5,255	4,510	8,255	7,770
Professional fees	870	873	1,740	1,736

At the financial position date, the Fund's manager holds 1,609,858 units representing 2.99% of the Fund's subscribed units (31 December 2023: 1,609,858 representing 2.94% and 30 June 2023: 1,609,858 representing 2.86% of the Fund's subscribed units respectively).

This is in accordance with the Fund's private placement memorandum which requires that the Fund manager to hold a minimum of KD 100,000 of the Funds subscribed units and not to exceed 95% of the Fund's capital.

Notes to the interim condensed financial information (unaudited)

(All amounts in Kuwaiti Dinars unless otherwise stated)

11 FAIR VALUE ESTIMATION

Investment properties as disclosed in note 4 are classified under level 2 category on a recurring basis, as observable inputs are used in determination of the fair value by the external valuers. Level 2 fair values of investment properties have been generally derived using the income and market approach at 30 June 2024.

There were no transfers between levels that took place during the period ended 30 June 2024, year ended 31 December 2023 and period ended 30 June 2023.

12 CAPITAL COMMITMENTS

As at 30 June 2024, the Fund has no commitments in respect to investment properties. (31 December 2023 and 30 June 2023: Nil)