

**Markaz Real Estate Fund
State of Kuwait**

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

For the period ended 31 March 2024

Markaz Real Estate Fund

**Interim condensed financial information and independent auditor's review report (unaudited)
For the period ended 31 March 2024**

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Independent auditor's review report to the manager of Markaz Real Rstate 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 at 31 March 2024 and the related interim condensed statements of comprehensive income, changes in net assets attributable to unitholders and cash flows for the three 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 accounts of the fund. We further report that during the course of our review, we have not become aware of any material violations of Law No. 7 of 2010 pertaining to the Establishment of the Capital Markets Authority and the Regulation of Securities' Activity and subsequent amendments thereto during the three month period ended 31 March 2024 that might have had a material effect on the business of the fund or on its financial position.



Khalid Ebrahim Al-Shatti
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PricewaterhouseCoopers (Al-Shatti & Co.)

24 April 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) 31 March 2024	(Audited) 31 December 2023	(Unaudited) 31 March 2023
Assets				
Non-current assets				
Investment properties	4	72,709,000	72,709,000	70,531,000
Current assets				
Cash and cash equivalents	5	687,831	435,302	2,837,127
Accounts receivable and prepayments		248,727	199,469	201,064
		936,558	634,771	3,038,191
Total assets		73,645,558	73,343,771	73,569,191
Liabilities				
Current liabilities				
Accrued expenses and other payables	6	1,629,778	1,589,642	1,892,842
Murabaha payable	7	1,446,885	767,840	-
Total liabilities		3,076,663	2,357,482	1,892,842
Net assets attributable to unitholders		70,568,895	70,986,289	71,676,349
Represented by				
Unitholders contributions	8	54,516,982	54,819,351	56,797,086
Units premium		9,500,462	9,589,616	10,103,725
Retained earnings		6,551,451	6,577,322	4,775,538
Total net assets attributable to unitholders	9	70,568,895	70,986,289	71,676,349
Net assets value per unit (KD)	9	1.294	1.295	1.262



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



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

Markaz Real Estate Fund

Interim condensed statement of comprehensive income

(All amounts in Kuwaiti Dinars unless otherwise stated)

		(Unaudited)	
		Three months ended 31 March	
	Note	2024	2023
Income			
Net rental income		1,220,022	1,206,050
Profit income from banks balances		1,396	20,659
Other income		21,538	1,911
Total income		1,242,956	1,228,620
Expenses			
Operating expenses		(278,791)	(328,659)
Management fees	10	(93,715)	(81,818)
Custodian and controller fees	10	(13,674)	(13,562)
Net provision for impairment of receivables		(27,011)	(81,784)
Total expenses		(413,191)	(505,823)
Profit for the year		829,765	722,797
Other comprehensive income		-	-
Total comprehensive income for the year		829,765	722,797

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

Markaz Real Estate Fund

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		546,875	462,751
Payment for units redeemed during the period		(938,400)	(1,323,013)
Net units' movement		(391,525)	(860,262)
Total comprehensive income for the year		829,765	722,797
Dividends declared during the period	8	(855,634)	(894,392)
Net assets attributable to unitholders at 31 March		70,568,895	71,676,349

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

Markaz Real Estate Fund

Interim condensed statement of cash flows

(All amounts in Kuwaiti Dinars unless otherwise stated)

		(Unaudited)	
	Note	Three months ended 31 March	
		2024	2023
Cash flows from operating activities			
Profit for the period		829,765	722,797
Adjustments for:			
Profit income		(1,396)	(20,659)
Provision for impairment of receivables		27,011	81,784
		<u>855,380</u>	<u>783,922</u>
Changes in operating assets and liabilities			
Accounts receivable and prepayments		(76,269)	1,275
Accrued expenses and other payables		43,246	569,580
Net cash generated from operating activities		<u>822,357</u>	<u>1,354,777</u>
Cash flows from investing activities			
Profit income from banks balances received		1,396	20,659
Net cash generated from investing activities		<u>1,396</u>	<u>20,659</u>
Cash flows from financing activities			
Change in Murabaha payable		679,045	-
Proceeds from subscriptions during the period		546,875	462,751
Payment for units redeemed during the period		(938,400)	(1,323,013)
Dividends paid		(858,744)	(895,814)
Net cash used in financing activities		<u>(571,224)</u>	<u>(1,756,076)</u>
Net increase/(decreased) in cash and cash equivalents		252,529	(380,640)
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>687,831</u>	<u>2,837,127</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 to 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 three months period ended 31 March 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 31 March 2024 was authorised for issuance by the Fund’s manager and custodian 24 April 2024.

2 BASIS OF PREPARATION

This condensed interim financial report for the three months ended 31 March 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 31 March 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) 31 March 2024	(Audited) 31 December 2023	(Unaudited) 31 March 2023
Balance at beginning of the period / year	72,709,000	70,531,000	70,531,000
Change in fair value	-	2,178,000	-
Balance at end of the period / year	<u>72,709,000</u>	<u>72,709,000</u>	<u>70,531,000</u>

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 8,500,000 is secured against murabha payable which 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) 31 March 2024	(Audited) 31 December 2023	(Unaudited) 31 March 2023
Bank balances	687,831	435,302	837,127
Time deposits	-	-	2,000,000
	<u>687,831</u>	<u>435,302</u>	<u>2,837,127</u>

Notes to the interim condensed financial information (unaudited)

(All amounts in Kuwaiti Dinars unless otherwise stated)

6 ACCRUED EXPENSES AND OTHER PAYABLES

	(Unaudited) 31 March 2024	(Audited) 31 December 2023	(Unaudited) 31 March 2023
Accrued management fees (note 10)	29,807	31,127	26,408
Accrued custodian and controller fees (note 10)	13,675	13,864	13,562
Subscriptions collected in advance	38,761	151	505,001
Rents collected in advance	151,007	176,230	109,402
Dividends payable	308,280	311,392	321,752
Others	1,088,248	1,056,878	916,717
	<u>1,629,778</u>	<u>1,589,642</u>	<u>1,892,842</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 out-standing balance of this facility as of 31 March 2024 is KD 1,446,885 (31 December 2023: KD 767,840 and 31 March 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) 31 March 2024	(Audited) 31 December 2023	(Unaudited) 31 March 2023
At the beginning of the period / year	54,819,351	57,477,576	57,477,576
Units subscribed during the period / year	422,377	2,196,871	365,920
Units redeemed during the period / year	(724,746)	(4,855,096)	(1,046,410)
At the end of the period / year	<u>54,516,982</u>	<u>54,819,351</u>	<u>56,797,086</u>

Dividends

During the period, the Fund declared dividends of KD 855,634 (31 December 2023: KD 3,518,330 and 31 March 2023: KD 894,392).

Notes to the interim condensed financial information (unaudited)

(All amounts in Kuwaiti Dinars unless otherwise stated)

9 NET ASSETS VALUE PER UNIT

	(Unaudited) 31 March 2024	(Audited) 31 December 2023	(Unaudited) 31 March 2023
Assets	73,645,558	73,343,771	73,569,191
Liabilities	(3,076,663)	(2,357,482)	(1,892,842)
Net assets attributable to unitholders	70,568,895	70,986,289	71,676,349
Number of units outstanding (units)	54,516,982	54,819,351	56,797,086
Net assets value per unit (KD)	1.294	1.295	1.262

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) 31 March 2024	(Audited) 31 December 2023	(Unaudited) 31 March 2023
Accrued management fee (note 6)	29,807	31,127	26,408
Accrued custodian and controller fees (note 6)	13,675	13,864	13,562
Due to Fund manager (included in accrued expenses and other payables)	975	2,053	3
Professional fees	870	2,000	863

Transaction included in the interim condensed statement of comprehensive income

	(Unaudited) Three months ended 31 March	
	2024	2023
Management fees	93,715	81,818
Custodian and controller fees	13,674	13,562
Professional fees	870	863

At the financial position date, the Fund's manager holds 1,609,858 units representing 2.95% of the Fund's subscribed units (31 December 2023: 1,609,858 representing 2.94% and 31 March 2023: 1,609,858 representing 2.83% 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)

12 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 31 March 2024.

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

13 CAPITAL COMMITMENTS

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