

Financial statements and independent auditor's report

**Markaz Real Estate Fund**

**Kuwait**

31 December 2025

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# Independent Auditor's Report

To the Unitholders of  
Markaz Real Estate Fund  
Kuwait

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Markaz Real Estate Fund (“the Fund”), which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year ended, and notes to the financial statements, including material accounting policies information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2025, and its financial performance and its cash flows for the period then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

### 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 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 State of Kuwait. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

### Other Matter

The financial statements of the Fund for the year ended 31 December 2024 were audited by other auditor who issued an unmodified audit opinion on those statements on 11 February 2025.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

### 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.



## Independent Auditor's Report to the Unitholders of Markaz Real Estate Fund (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 management 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.

### Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Fund and the financial statements are in accordance therewith. We further report that we obtained the information and explanations that we required for the purpose of our audit and that the financial statements incorporate the information required by the Fund's Articles of Association, as amended and that, to the best of our knowledge and belief, no violations of the Fund's Articles of Association, as amended, have occurred during the year ended 31 December 2025 that might have had a material effect on the business or financial position of the Fund.

We further report, to the best of our knowledge and belief, no violations of the provisions of Law No. 7 of 2010 regarding the Capital Markets Authority ("CMA") and its relevant regulations have occurred during the year ended 31 December 2025, that might have had a material effect on the business or financial position of the Fund.

Abdullatif M. Al-Aiban (CPA)  
(Licence No. 94-A)  
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

## Statement of profit or loss and other comprehensive income

	Note	Year ended 31 Dec. 2025 KD	Year ended 31 Dec. 2024 KD
<b>Income</b>			
Net rental income		4,936,977	4,952,834
Change in fair value of investment properties	8	3,384,000	5,385,000
Gain on sale of investment properties	8	465,000	-
Profit income from bank balances		41,570	4,122
Other income		19,758	43,179
		<b>8,847,305</b>	<b>10,385,135</b>
<b>Expenses and other charges</b>			
Operating expenses	14	(1,032,370)	(1,159,485)
Management fees	13	(461,277)	(361,759)
Custodian and investment controller fees	13	(55,000)	(55,000)
Finance costs		(87,284)	(146,817)
Provision for impairment of receivables		(20,080)	(76,244)
		<b>(1,656,011)</b>	<b>(1,799,305)</b>
<b>Profit for the year</b>		<b>7,191,294</b>	<b>8,585,830</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>7,191,294</b>	<b>8,585,830</b>

*The notes set out on pages 7 to 23 form an integral part of these financial statements.*

**Markaz Real Estate Fund**  
**Financial Statements**  
**31 December 2025**

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## Statement of financial position

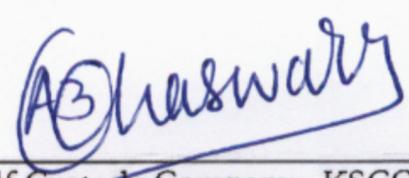
	Note	31 Dec. 2025 KD	31 Dec. 2024 KD
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	8	81,124,000	78,094,000
<b>Current assets</b>			
Accounts receivable and other assets		241,008	163,168
Cash and cash equivalents	7	2,033,070	1,126,622
		<b>2,274,078</b>	<b>1,289,790</b>
<b>Total assets</b>		<b>83,398,078</b>	<b>79,383,790</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accrued expenses and other payables	9	1,549,849	2,155,645
Murabaha payable	10	1,743,786	4,075,265
<b>Total liabilities</b>		<b>3,293,635</b>	<b>6,230,910</b>
<b>Net assets attributable to unitholders</b>		<b>80,104,443</b>	<b>73,152,880</b>
<b>Represented by:</b>			
Unitholders' contribution	11	54,760,293	52,508,598
Unit premium	11	9,735,703	8,835,900
Retained earnings		15,608,447	11,808,382
<b>Net assets attributable to unitholders</b>		<b>80,104,443</b>	<b>73,152,880</b>
<b>Net asset value per unit</b>	12	<b>1.463</b>	<b>1.393</b>

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Kuwait Financial Centre KPSC  
Fund Manager

  
Gulf Custody Company - KSCC  
Fund Custodian and Investment  
Controller

*The notes set out on pages 7 to 23 form an integral part of these financial statements.*

## Statement of changes in net assets attributable to unitholders

	Unitholders contribution KD	Unit Premium KD	Retained earnings KD	Total KD
<b>Balance at 31 December 2024</b>	52,508,598	8,835,900	11,808,382	73,152,880
Subscriptions of redeemable units during the year	7,382,861	3,000,303	-	10,383,164
Redemption of redeemable units during the year	(5,131,166)	(2,100,500)	-	(7,231,666)
Declared cash dividend during the year (note 11)	-	-	(3,391,229)	(3,391,229)
Transactions with units' owners	2,251,695	899,803	(3,391,229)	(239,731)
Total comprehensive income for the year	-	-	7,191,294	7,191,294
<b>Balance at 31 December 2025</b>	<b>54,760,293</b>	<b>9,735,703</b>	<b>15,608,447</b>	<b>80,104,443</b>
<b>Balance at 31 December 2023</b>	54,819,351	9,589,616	6,577,322	70,986,289
Subscriptions of redeemable units during the year	2,366,104	784,319	-	3,150,423
Redemption of redeemable units during the year	(4,676,857)	(1,538,035)	-	(6,214,892)
Declared cash dividend during the year (note 11)	-	-	(3,354,770)	(3,354,770)
Transactions with units' owners	(2,310,753)	(753,716)	(3,354,770)	(6,419,239)
Total comprehensive income for the year	-	-	8,585,830	8,585,830
<b>Balance at 31 December 2024</b>	<b>52,508,598</b>	<b>8,835,900</b>	<b>11,808,382</b>	<b>73,152,880</b>

The notes set out on pages 7 to 23 form an integral part of these financial statements.

## Statement of cash flows

	Note	Year ended 31 Dec. 2025 KD	Year ended 31 Dec. 2024 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the year		7,191,294	8,585,830
<b>Adjustments:</b>			
Profit income from bank balances		(41,570)	(4,122)
Gain on sale of investment properties	8	(465,000)	-
Change in fair value of investment properties	8	(3,384,000)	(5,385,000)
Provision for impairment of receivables (Net)		20,080	76,244
		3,320,804	3,272,952
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable and other assets		(94,848)	(39,943)
Accrued expenses and other payables		(617,476)	580,215
<b>Net cash from operating activities</b>		<b>2,608,480</b>	<b>3,813,224</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of investment properties	8	(5,481,000)	-
Proceeds from sale of investment properties	8	6,300,000	-
Profit income from bank balances received		38,498	4,122
<b>Net cash from investing activities</b>		<b>857,498</b>	<b>4,122</b>
<b>FINANCING ACTIVITIES</b>			
Movement of murabaha payable		(2,331,479)	3,307,425
Proceed from subscriptions during the year		10,383,164	3,150,423
Payment for units redeemed during the year		(7,231,666)	(6,214,892)
Dividends paid		(3,379,549)	(3,368,982)
<b>Net cash used in financing activities</b>		<b>(2,559,530)</b>	<b>(3,126,026)</b>
<b>Increase in cash and cash equivalents</b>		<b>906,448</b>	<b>691,320</b>
Cash and cash equivalents at beginning of the year	7	1,126,622	435,302
<b>Cash and cash equivalents at end of the year</b>	<b>7</b>	<b>2,033,070</b>	<b>1,126,622</b>

*The notes set out on pages 7 to 23 form an integral part of these financial statements.*

# Notes to the financial statements

## 1 Incorporation and activities

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 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 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 7 May 2024 for three years effective from 2 August 2024 and expiring on 1 August 2027

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 held on 23 June 2025 approved the financial statements of the Fund for the year ended 31 December 2024.

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.

These financial statements was authorized for issuance by the Fund Manager and the Fund Custodian and Investment Controller on 5 February 2026.

## 2 Basis of preparation

The financial statements of the Fund have been prepared under historical cost convention except for investment properties that have been measured at fair value

The financial statements have been presented in Kuwaiti Dinars (“KWD”), which is the functional and presentation currency of the Fund.

## 3 Statement of compliance

These financial statements have been prepared in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). These financial statements have been prepared under the assumption the Fund operates on a going concern basis, which assumes the Fund will be able to discharge its liabilities as they fall due. In confirming the validity of the going concern basis of preparation, the Fund has considered various factors and has a reasonable expectation that the Fund has and will have adequate resources to continue its operations for the foreseeable future.

## 4 Changes in accounting policies

### 4.1 New and amended IFRS Accounting Standards adopted by the Fund

The following amendments to existing IFRS Accounting Standards were effective for the current period.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 21 Amendments – Lack of exchangeability	1 January 2025

## Notes to the financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.1 New and amended IFRS Accounting Standards adopted by the Fund (continued)

##### IAS 21 Amendments – Lack of exchangeability

The amendments to IAS 21 addresses determination of exchange rate when there is long term lack of exchangeability. The amendments:

- Specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.
- Specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.
- Require the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable, an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

The adoption of the amendments did not have a significant impact on the Fund's financial statements.

#### 4.2 IASB Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Fund.

Management anticipates that all of the relevant pronouncements will be adopted in the Fund's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Fund's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Fund's financial statements.

*Standard or Interpretation*

*Effective for annual periods beginning*

IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments - Amendments	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
Annual Improvements to IFRS Accounting Standards – volume 11	1 January 2026

#### IFRS 7 and IFRS 9 Classification and Measurement of Financial Instruments - Amendments

The amendments to IFRS 7 and IFRS 9 addresses three changes:

- derecognition of a financial liability settled through electronic transfer whereby entities are permitted to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. An entity that elects to apply this derecognition option would be required to apply it to all settlements made through the same electronic payment system.

## Notes to the financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

##### IFRS 7 and IFRS 9 Classification and Measurement of Financial Instruments - Amendments (continued)

- Classification of financial assets based on a) contractual terms that are consistent with basic lending arrangements, b) assets with non-recourse description has been enhanced to include a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets, and c) contractually linked instruments have been clarified, and
- Disclosures relating to a) financial assets at FVTOCI where entities are required to disclose fair value gain or loss separately for financial assets derecognized in the period and the fair value gain or loss that relates to investments held at the end of the period, and b) contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Fund's financial statements.

##### IFRS 18 Presentation and Disclosure in Financial Statements

The new standard will replace the IAS 1 Presentation of Financial Statements though it contains a number of the current requirements in the IAS 1. IFRS 18 sets out to ensure the financial statements provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. Although IFRS 18 includes many of the requirements of IAS 1, it introduces new requirements to better structure financial statements and to provide more detailed and useful information to investors, including:

- Two new subtotals defined in the statement of profit or loss, namely (1) operating profit and (2) profit or loss before financing and income taxes
- The classification of all income and expenses within the statement of profit or loss in one of five categories
- Disclosures of management-defined performance measures (MPM)
- An improvement in the principles related to the aggregation and disaggregation of information in the financial statements and accompanying notes

Some of the disclosure requirements previously contained in IAS 1 have been transferred to IAS 8 without any material changes. This applies in particular to disclosures on accounting policies and sources of estimation uncertainty. As a result of these changes, IAS 8 will be renamed 'Basis of Preparation of Financial Statements'. The publication of IFRS 18 also results in consequential amendments to other IFRS Accounting Standards, including IAS 7.

Management is currently working to identify all of the impacts that IFRS 18 will have on the primary financial statements and notes to the financial statements.

##### Annual Improvements to IFRS Accounting Standards – volume 11

The annual improvement project updates a number of standards primarily providing clarifications and removing inconsistencies.

Management does not anticipate adoption of the amendments will have a significant impact on the Fund's financial statements.

## Notes to the financial statements (continued)

### 5 Material accounting policies

The material accounting policies adopted in the preparation of the financial statements are set out below.

#### 5.1 Revenue recognition

Revenue arises from rendering of services, investing activities and real estate activities.

Revenue is measured based on the consideration to which the Fund expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Fund recognises revenue when it transfers control of a product or service to a customer. The Fund follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

The Fund recognises revenue from following major sources.

##### 5.1.1 Rental Income

Rental income arising from investment properties is accounted for on a straight line basis over the lease term.

##### 5.1.2 Revenue from sale of investment properties

Revenue from sale of investment properties is recognized on completion of sale contract.

##### 5.1.3 Profit Income

Income from saving accounts and time deposits with Islamic financial institutions is recognised on a time proportion basis using the effective profit rate and is presented in the statement of profit or loss and other comprehensive income.

### 5.2 Operating expenses

Operating expenses are recognised in statement of profit or loss upon utilisation of the service or at the date of their origin.

### 5.3 Financial instruments

#### 5.3.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is derecognised when:

- rights to receive cash flows from the assets have expired;
- the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either
  - (a) the Fund has transferred substantially all the risks and rewards of the asset or
  - (b) the Fund has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

## Notes to the financial statements (continued)

### 5 Material accounting policies (continued)

#### 5.3 Financial instruments (continued)

##### 5.3.1 Recognition, initial measurement and derecognition (continued)

Where the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Fund's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

##### 5.3.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

The Fund may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Fund irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met and
- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

##### 5.3.3 Subsequent measurement of financial assets

###### • Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

## Notes to the financial statements (continued)

### 5 Material accounting policies (continued)

#### 5.3 Financial instruments (continued)

##### 5.3.3 Subsequent measurement of financial assets (continued)

- *Financial assets at amortised cost (continued)*

The Fund's financial assets at amortised cost comprise of the

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash at banks and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- *Accounts receivable and other assets*

Account receivables and other assets are stated at original amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

##### 5.3.4 Impairment of financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Fund recognises a loss allowance for expected credit losses ("ECL") on financial assets at amortised cost.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Fund in accordance with the contract and all the cash flows that the Fund expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward - looking information as described above. As for the exposure at default, for financial assets, this is represented by the asset's gross carrying amount at the reporting date.

The Fund recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Fund's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

## Notes to the financial statements (continued)

### 5 Material accounting policies (continued)

#### 5.3 Financial instruments (continued)

##### 5.3.4 Impairment of financial assets (continued)

However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Fund recognises an impairment gain or loss in the statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

If the Fund has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Fund measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward - looking information as described above. As for the exposure at default, for financial assets, this is represented by the asset's gross carrying amount at the reporting date.

##### 5.3.5 Classification and subsequent measurement of financial liabilities

The Fund's financial liabilities include accrued expenses and other payables and murabaha payable

The subsequent measurement of financial liabilities depends on their classification as follows:

- **Financial liabilities at amortised cost**

These are stated using effective interest rate method. Accrued expenses and other payables and murabaha payable are classified as financial liabilities other than at FVTPL.

- *Murabaha payables*

Murabaha payables represent amount payable on deferred settlement basis for assets purchases under murabaha arrangements. Murabaha payables are stated at the contractual amount payable, less deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

- *Accrued expenses and other payables*

Accrued expenses and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed or not.

## Notes to the financial statements (continued)

### 5 Material accounting policies (continued)

#### 5.4 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

#### 5.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 5.6 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models (note 17).

#### 5.7 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis and are included in the statement of financial position. Changes in fair value are taken to the statement of profit or loss and other comprehensive income.

Investment properties are de-recognised when either they have been disposed or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment properties are recognised in the statement of profit or loss and other comprehensive income in the year of retirement or disposal.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner-occupied properties, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied properties become an investment properties, the Fund accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

## Notes to the financial statements (continued)

### 5 Material accounting policies (continued)

#### 5.8 Unitholders' contributions, unit premium, retained earnings and dividends payments

Unitholder's contribution represents the nominal value of units that have been issued and paid up. Units are redeemable at the option of the unitholders.

Unit premium represents the difference between the par value unit (KD 1) and the amount actually received from the unitholders or paid to the unitholders for the units redeemed.

Dividend distribution to the Fund's unitholders is recognised as a liability in the Fund's financial statements in the period in which the dividends are approved by the Fund's manager.

Retained earnings include current period and prior periods retained profits. All transactions with unitholders of the Fund are recorded separately within equity.

#### 5.9 Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Fund, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

#### 5.10 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Fund and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

#### 5.11 Related party transactions

Related parties consist of Fund Manager, Fund Custodian and Investment Controller, major unit unitholders, executive officers, their close family members and companies which they are principal owners. All related party transactions are approved by the Fund Manager.

## Notes to the financial statements (continued)

### 5 Material accounting policies (continued)

#### 5.12 Leases

##### *The Fund as a lessor*

The Fund enters into lease agreements as a lessor with respect to some of its investment properties. The Fund classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

When the Fund is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contacts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.,

Rental income from operating leases is recognised on a straight-line basis over lease term. Initial direct cost incurred in arranging and negotiating a lease are added to the carrying amount of the lease assets and recognised on a straight-line basis over the lease term.

#### 5.13 Climate-related matters

The Fund considers climate-related matters in estimates and assumptions, where appropriate. Risks induced by climate changes include transition risks (eg. regulatory changes and reputational risks) and physical risks due to weather related events (e.g. storms, wildfires, rising sea levels). The Fund has not identified significant risks induced by climate changes that could negatively and materially affect the Fund's financial statements. Management continuously assesses the impact of climate-related matters.

### 6 Significant management judgements and estimation uncertainty

The preparation of the Fund's financial statements requires management to make judgments, estimations and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### 6.1 Significant management judgments

In the process of applying the Fund's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the financial statements:

##### *6.1.1 Classification of real estate*

Management decides on acquisition of a real estate whether it should be classified as trading property, property held for development or investment property.

The Fund classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Fund classifies property as property under development if it is acquired with the intention of development. The Fund classifies property as investment property if it is acquired to generate rental income or for capital appreciation

#### 6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

## Notes to the financial statements (continued)

### 6 Significant management judgements and estimation uncertainty (continued)

#### 6.2 Estimates uncertainty (continued)

##### 6.2.1 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Fund based these estimates using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

##### 6.2.2 Fair value of investment properties

The Fund carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of profit or loss. The Fund engaged independent valuation specialists to determine fair values, and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (note 17).

### 7 Cash and cash equivalents

	31 Dec. 2025 KD	31 Dec. 2024 KD
Bank balance	883,070	826,622
Fixed Deposits	1,150,000	300,000
<b>Cash and cash equivalents for the purpose of statement of cash flows</b>	<b>2,033,070</b>	<b>1,126,622</b>

The time deposits are placed with a local Islamic bank with original maturities of three months or less and are subject to an insignificant risk of changes in value. The profit rate on time deposits is 3.25% (31 December 2024: 3.5%) per annum.

### 8 Investment properties

	31 Dec. 2025 KD	31 Dec. 2024 KD
Balance at beginning of the year	78,094,000	72,709,000
Addition during the year	5,481,000	-
Disposal during the year	(5,835,000)	-
Change in fair value	3,384,000	5,385,000
<b>Balance at end of the year</b>	<b>81,124,000</b>	<b>78,094,000</b>

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

## Notes to the financial statements (continued)

### 8 Investment properties (continued)

United Facilities Management K.S.C.C and Arkan Al Kuwait Real Estate Company KSCP are the fund consultants. The Fund consultants manage the investment properties in exchange for fees based on a percentage of total net rental collections.

Investment property with carrying value of KD 9,484,000 is secured against Murabaha payable which obtained from local Islamic bank (note 10).

Investment properties with carrying value of KD 5,835,000 were sold during the year for a consideration of KD 6,300,000 realising a net gain of KD 465,000.

### 9 Accrued expenses and other liabilities

	31 Dec. 2025 KD	31 Dec. 2024 KD
Due to Fund Manager (note 15)	33,132	31,615
Due to Fund Custodian and investment Controller (note 15)	13,863	13,825
Subscriptions collected in advance	120,721	622,731
Rents collected in advance	117,872	148,539
Dividends payable	308,858	297,180
Refundable deposits	542,353	578,097
Other liabilities	413,050	463,658
	<b>1,549,849</b>	<b>2,155,645</b>

### 10 Murabaha payable

This represents secured Murabaha facility amounting to KD 5,000,000 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 31 December 2025 is KD 1,743,786 (31 December 2024: KD 4,075,265). This facility is secured by certain investment properties (note 8).

### 11 Unitholders' contribution, unit premium and dividends

#### Unitholders' contribution

	31 Dec. 2025	31 Dec. 2024
Issued and fully paid redeemable units of KD1 each	54,760,293	52,508,598

The Fund is an open-ended fund with capital ranging from 2,000,000 to 100,000,000 (31 December 2024 ranging from 2,000,000 to 100,000,000) units with a par value of KD 1 per unit. These units are issued and redeemed at the unitholder's option at prices based on the value of the Fund's net assets at the time of issue/redemption. The Fund Unitholders are liable only to the extent of their participation in the capital of the Fund.

#### Unit premium

Unit premium represents the difference between the par value unit (KD 1) and the amount actually received from the unitholders or paid to the unitholders for the units subscribed or redeemed.

#### Dividends

During the year the Fund declared cash dividend of KD 3,391,229 (31 December 2024: KD3,354,770).

## Notes to the financial statements (continued)

### 12 Net asset value per unit

	31 Dec. 2025	31 Dec. 2024
Net asset value (KD)	80,104,443	73,152,880
Number of units outstanding (units)	54,760,293	52,508,598
<b>Net asset value per unit (KD)</b>	<b>1.463</b>	<b>1.393</b>

### 13 Management, custodian and controller fees

#### Management fees

Management fees are payable to the Fund manager on the basis of 10% per annum of the net realised income of the Fund and is accumulated and paid on a monthly basis on the valuation day, plus an incentive fee of 20% of the excess by which the net realised income exceeds 8% of the capital of the Fund, provided that the total management and incentive fees does not exceed 5% of the net assets value of the Fund.

#### Custodian fees

Custodian fees is payable annually on the basis of 0.0500% of the net asset value of the Fund for less than KD 40,000,000, 0.0375% of the net asset value of the Fund from KD 40,000,000 to KD 80,000,000 and 0.0250% of the net asset value of the Fund exceeding KD 80,000,000 calculated and accumulated on a monthly basis on the valuation day and paid on a quarterly basis, with a minimum annual fees KD 5,000 and maximum annual fees KD 27,500.

#### Controller fees

Controller fees is payable annually on the basis of 0.0500% of the net asset value of the Fund for less than KD 40,000,000, 0.0375% of the net asset value of the Fund from KD 40,000,000 to KD 80,000,000 and 0.0250% of the net asset value of the Fund exceeding KD 80,000,000 calculated and accumulated on a monthly basis on the valuation day and paid on a quarterly basis, with a minimum annual fees KD 5,000 and maximum annual fees KD 27,500.

### 14 Operating expenses

	31 Dec. 2025 KD	31 Dec. 2024 KD
Utility charges	150,118	134,744
Consultation commission	98,967	123,096
Professional fee	53,603	46,081
Maintenance expenses	353,227	327,264
Security expenses	122,316	119,796
Others	254,139	408,504
	<b>1,032,370</b>	<b>1,159,485</b>

## Notes to the financial statements (continued)

### 15 Related parties' transactions and balances

These represent transactions and balances with the Fund Manager, Fund Custodian and Investment Controller and companies related to these parties under the terms of the Articles of Association of the Fund.

Transactions and balances with related parties included in the financial statements are as follows:

	31 Dec. 2025 KD	31 Dec. 2024 KD
<b>Balances included in statement of financial position</b>		
Due to Fund Manager (note 9)	33,132	31,615
Due to Fund Custodian and investment Controller (note 9)	13,863	13,825
	31 Dec. 2025 KD	31 Dec. 2024 KD
<b>Transactions included in statement of profit or loss and other comprehensive income</b>		
Management fees (Fund Manager)	461,277	361,759
Custodian and investment Controller fees (Fund Custodian and Investment Controller)	55,000	55,000
Investment properties valuations fees	18,488	18,962
	<b>534,765</b>	<b>435,721</b>

At the financial position date, the Fund's manager holds 1,609,858 units representing 2.94% of the Fund's subscribed units (31 December 2024: 1,609,858 representing 3.06% of the Fund's subscribed units).

This is in accordance with the Fund's Articles of Association, which state that the Fund Manager's subscription shall not be less than KD 100,000 and shall not exceed 95% of the Fund's contributed capital at any time.

### 16 Risk management objectives and policies

The Fund's principal financial liabilities comprise murabaha payable and accrued expenses and other payables. These liabilities are mainly accruals related to the Funds operational expenses. The Fund has various financial assets such as bank balances, financial asset at fair value through profit or loss and other assets.

The Fund's activities expose it to variety of financial risks: market risk, credit risk and liquidity risk.

The Fund Manager sets out policies for reducing each of the risks discussed below.

The Fund does not use derivative financial instruments.

A description of the financial risks and the Fund's exposure to such risks are described below:

#### 16.1 Market risk

##### a) Foreign currency risk

Foreign currency risk is the risk that the value of monetary financial instruments will fluctuate due to changes in foreign exchange rates. As at the reporting date the Fund does not have any foreign currency denominated monetary assets or monetary liabilities and therefore, the Fund is not exposed to any significant foreign currency risks.

## Notes to the financial statements (continued)

### 16 Risk management objectives and policies (continued)

#### 16.1 Market risk (continued)

##### b) Profit rate risk

Profit rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Fund does not have any significant floating rate profit earning assets/bearing liabilities and consequently it is not exposed to any significant profit rate risks.

##### c) Price risk

The Fund is not exposed to price risk with respect to its financial assets.

#### 16.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Fund's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarized below:

	31 Dec. 2025 KD	31 Dec. 2024 KD
Accounts receivables and other assets	142,292	163,168
Bank balances and fixed deposits (note 7)	2,033,070	1,126,622
	<b>2,175,362</b>	<b>1,289,790</b>

The Fund monitors defaults of counterparties identified either individually or by group, and incorporates this information into its credit risk controls. The Fund's policy is to deal only with creditworthy counterparties. The Fund's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality. Bank balances are maintained with high credit quality financial institutions.

#### 16.3 Liquidity risk

Liquidity risk is the risk that the Fund will be unable to meet its liabilities when they fall due. To limit this risk, the Fund's management has arranged funding with related parties and banks, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 3 Months KD	3-12 months KD	Over 1 Years KD	Total KD
<b>31 December 2025</b>				
<b>Financial liabilities</b>				
Murabaha payable	1,743,786	-	-	1,743,786
Accrued expenses and other liabilities	475,281	1,074,568	-	1,549,849
	<b>2,219,067</b>	<b>1,074,568</b>	<b>-</b>	<b>3,293,635</b>

## Notes to the financial statements (continued)

### 16 Risk management objectives and policies (continued)

#### 16.3 Liquidity risk (continued)

	Up to 3 Months KD	3-12 months KD	Over 1 Years KD	Total KD
<b>31 December 2024</b>				
<b>Financial liabilities</b>				
Murabaha payable	4,075,265	-	-	4,075,265
Accrued expenses and other liabilities	1,005,989	1,149,656	-	2,155,645
	5,081,254	1,149,656	-	6,230,910

### 17 Fair value measurement

#### 17.1 Fair value hierarchy

Fair value represents 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.

The assets and liabilities measured at fair value are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### 17.2 Fair value measurement of financial instruments

At 31 December 2024 and 2025, the Fund did not have any financial assets, or financial liabilities that are measured at fair value and only the investment properties are measured at fair value on a recurring basis.

#### 17.3 Fair value measurement of non-financial assets

The fair values of investment properties were determined based on two independent valuers' assessment on which the lower value was used. The fair values are considered within level 2 category. Level 2 fair values of investment properties have been generally derived using the income approach. The management still considers these valuations to be the best estimate of the valuation of the investment properties. There were no changes to the valuation techniques during the year.

A reasonably possibly change of 1% in the market price of investment properties will have an effect on change in net assets attributable to unitholders for the year amounting to KD 811,240 (2024: KD 780,940).

There were no transfers between levels that took place during the years ended 31 December 2025 and 2024.

## Notes to the financial statements (continued)

### 18 Capital risk management

The capital of the Fund is represented by the total contribution by the unitholders. The amount of net assets attributable to redeemable unitholders can change significantly as the Fund is subject to periodical subscriptions and redemptions at the discretion of unitholders, 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 to maintain a strong capital base to support the development of investment activities of the Fund.

In order to maintain an appropriate capital structure, the Fund's policy includes the following:

- Monitoring the level of monthly subscriptions and redemptions in relation to the assets expected to be liquidated within one month, and adjusting the amount of distributions paid to redeemable unitholders accordingly.
- Issuing and redeeming units in accordance with the Fund's constitutional documents, which include provisions allowing the Fund to restrict redemptions and impose minimum holding and subscription requirements.

The Fund manager monitors capital based on the value of net assets attributable to unitholders.

As at 31 December 2025, the Fund had Murabaha payables amounting to KD 1,743,786 (2024: KD 4,075,265).