



Annual Report 2024

Markaz Real Estate Fund



Table Of Content

Fund Executive Committee Message	4
MREF Key Numbers	5
MREF Executive Summary	8
Market Overview	10
Properties	18
MREF Manager's Report	54
Sharia Compliance Certificate	55
Financial Statements and Independent Auditor's Report	56



Ghazi Al Osaimi
Fund executive committee member



Milad Elia
Fund executive committee member



Khaled Al Mubarak
Fund executive committee member

Fund Executive Committee Message

We are delighted to present the annual report for the Markaz Real Estate Fund (MREF) for the financial year ended on December 31, 2024. This report highlights the continued strength and resilience of MREF, showcasing our robust operational performance throughout 2024. Our performance underscores the effectiveness of our prudent investment strategy, which focuses on a diversified portfolio of commercial and residential assets, underpinned by proactive asset management.

Market Overview

Despite global headwinds, Kuwait's economy is expected to grow at 3.3% y/y in 2025, a notable rebound from the -2.7% y/y contraction estimated for 2024. This anticipated growth is supported by the reversal of OPEC+ production cuts, although downside risks remain due to geopolitical tensions and weak demand from China. Oil prices, which averaged USD 81 per barrel in 2024, are expected to moderate to USD 78 per barrel in H1 2025 and USD 74 per barrel in H2 2025. Kuwait's non-oil sector is expected to continue its positive momentum, supported by the easing of interest rates, a resurgence in project activity, increased credit growth, and improving consumer and business sentiment. These factors are likely to contribute to an expansion in economic activity, boosting demand for commercial and industrial real estate.

Fund Performance

In capitalizing on these evolving opportunities, the MREF Managers have been steadfast in enhancing operational efficiencies, improving occupancy rates, and optimizing rental income. Overall, our key performance indicators at the property level continued to improve in 2024. Renting activity is witnessing stability in Kuwait's real estate market and MREF properties in both investment and commercial sectors, reaching an occupancy rate of 93% as of December 31, 2024. Rent collection efforts were highly effective, achieving a one-year average collection rate of 99% by year-end.

As of December 31, 2024, MREF achieved a total property income of KD 4.95 million and net realized income of KD 3.20 million. Driven by improved valuations, the Fund achieved a net income of KD8.59 million, driven by a 7.4% increase in valuation, which rose from KD 72.7 million to KD 78.1 million year-on-year. As a result, the overall financial performance of MREF in 2024 has improved significantly, achieving 12.4% return, of which capital gains scored 7.6%, while dividends distributions return scored 5.2%. The Net Asset Value per unit closed at KD 1.393 per unit as of December 31, 2024, up from KD 1.295 per share as of December 31, 2023.

Conclusion

The solid performance of MREF in 2024 reflects our unwavering commitment to strategic investment and active management. We remain dedicated to maximizing shareholder value and adeptly navigating the evolving market landscape with agility and foresight.

We look forward to building on this performance in the coming year and delivering further value to our shareholders.

Sincerely,
Fund Executive Committee

MREF in Brief

properties

78,094,000
KWD



7.4%
Variance Y-O-Y

IRR %

7.7% P.A
Since 2002



NAV per unit

1.393
KWD



7.6%
Variance Y-O-Y

2024 Total return

12.8%



59.7%
Variance Y-O-Y

Key Numbers

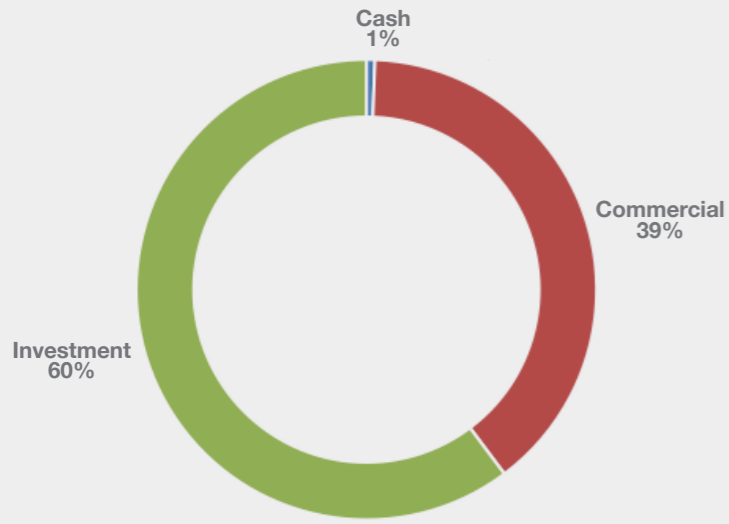
As of December 2024

Net Income Before Fees	3,617,588
Net Realized Income (KWD)	3,200,829
Earnings per unit (fils)	178
IRR % per annum since inception in 2002	7.7%
2024 total return	12.8%
Annual distribution per unit fils	62.7

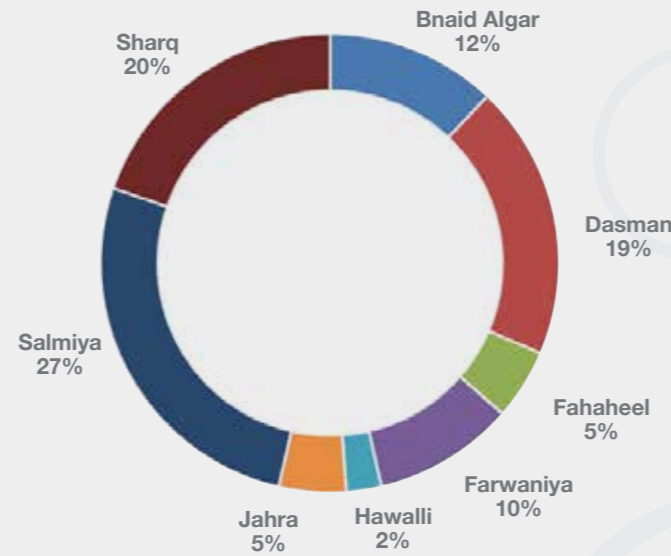
Asset Allocation

MREF invests in a diverse portfolio of real estate properties in lower risk sectors and high concentration areas within the state of Kuwait.

Sector-based Distribution



Geographical Distribution



Distribution by subsectors



MREF Financial Performance

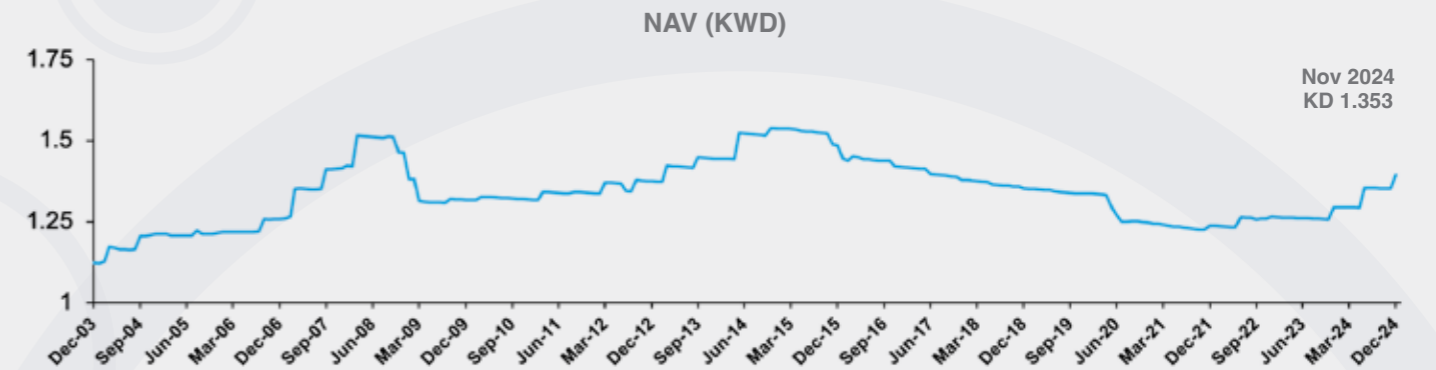
MREF achieved a total return of 12.8% within the year 2024.

Since inception the fund generated total returns of 186% equivalent to an IRR of 7.7% p.a between 2002 and December 2024.

MREF Annual Return - Since Inception



MREF NAV per unit

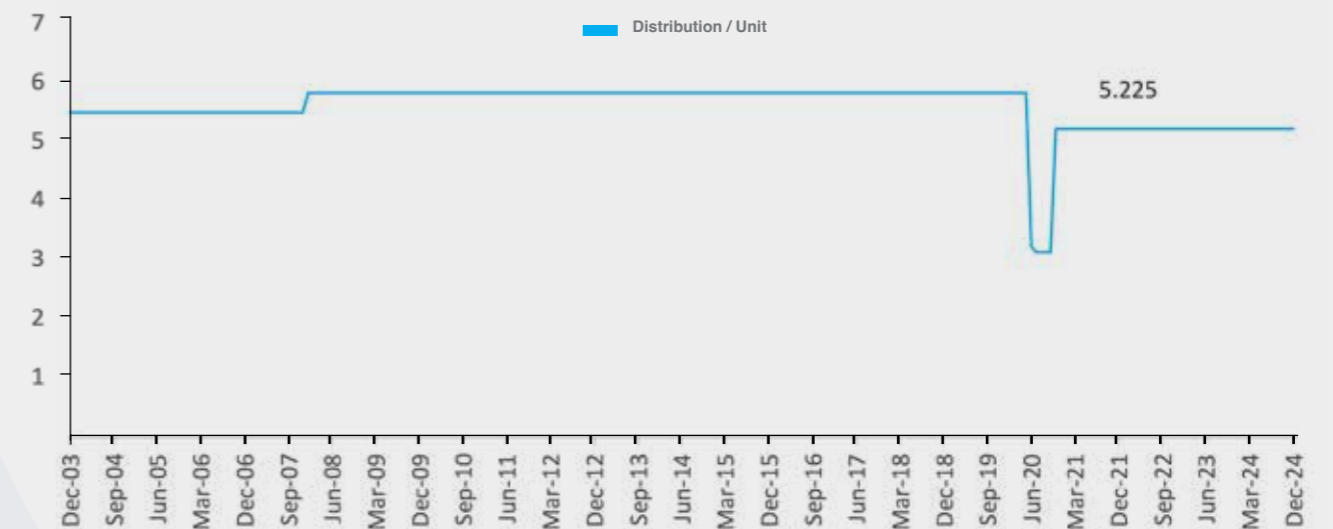


MREF Monthly Distributions

Since establishment in 2002, MREF consistently made cash monthly distributions.

Until December 2024, distributions stand at 5.225 Fils per unit per month, representing c. 4.5% annualized yield on NAV.

Monthly Distribution Per Unit (Fils)



Markaz Real Estate Fund Executive Summary

MREF is a Shariah-compliant, income generating open-ended fund that targets monthly cash distributions of 5%p.a. with a long-term total return target of 7% to 8%.

Markaz Real Estate Fund (MREF) presents a long-term investment opportunity, offering investors the potential for property appreciation in addition to cash yield from rental income that is distributed on a monthly basis. Since its establishment in 2002 up to December 2024, the fund has delivered IRR of 7.7%. Additionally, MREF provides a monthly distribution that is equivalent to an annualized 4.5% return.

Investors of all nationalities can subscribe, monthly and they have the option to exit every six months from the date of subscription.

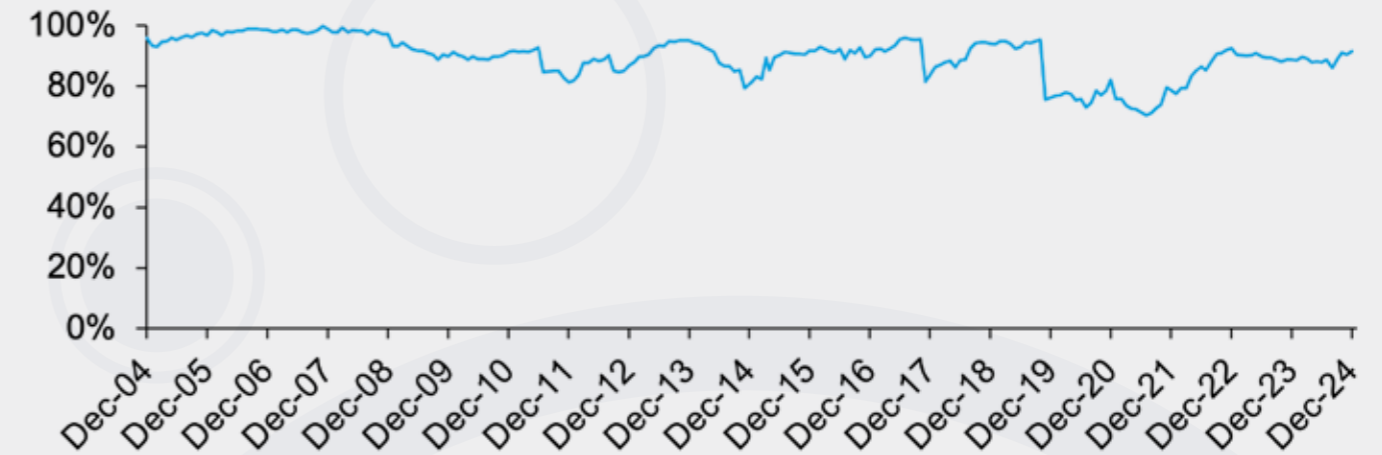
MREF's strategy includes investing in a diverse portfolio across Kuwait, with an asset allocation breakdown of 100% within Kuwait, 70-80% within the 5th ring road, 60-70% in the investment sector, and 30-40% in the commercial sector. The fund focuses on acquiring medium to high-quality properties that are free of violations, leasing units at prevailing market rates to a diverse tenant base, and ensuring the properties are well-maintained and efficiently operated.

As of December 2024, the fund's total assets under management (AUM) reached approximately KWD 78.1 million.

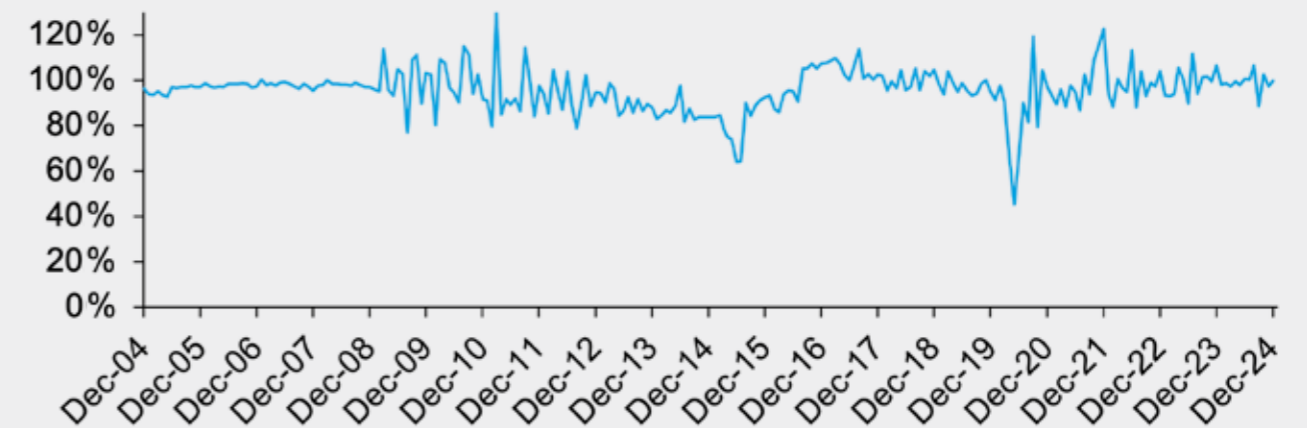
MREF maintains a balanced portfolio consisting of 17 income-producing property clusters/properties, which are strategically distributed across various sectors and governorates. The portfolio comprises 61% investment sector properties and 39% commercial sector properties, with geographical allocation mainly in Salmiya, Sharq, Bneid Al Gar, Dasman, with a small allocation in Fahaheel, Farwaniya, Jahra, and Hawalli.



MREF occupancy rate stands at 93% as of December 2024.



MREF collection rate stands at 99% as of December 2024.



Market Overview

1. Executive Summary

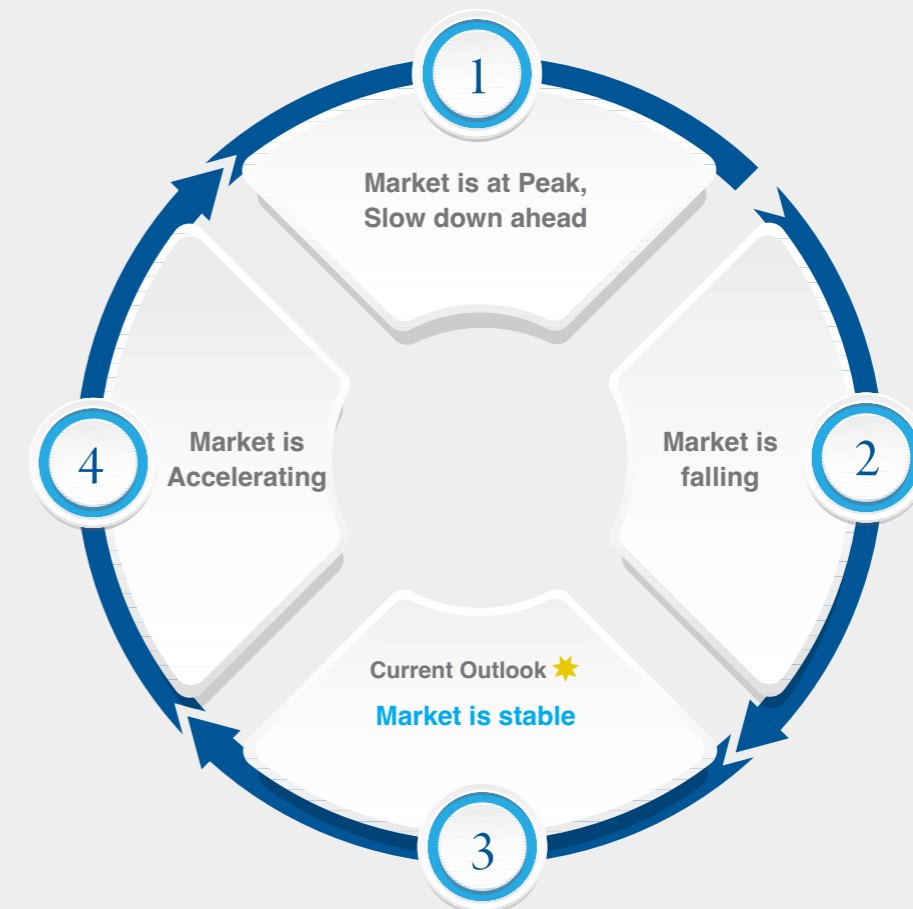
- Kuwait economy is expected grow in 2025, with its real GDP rising by 3.3% y/y, compared to the -2.7% y/y contraction estimated for 2024. The outlook for non-oil real GDP remains positive supported by factors such as easing of interest rates, pick up in project activity and credit growth. This expected growth in economic activity is likely to boost demand for commercial and industrial real estate.
- In 2024, oil prices had been volatile in 2024 owing to geopolitical tensions in the Middle East, averaging USD 81 per barrel during the year until November. Oil prices are expected to average at around USD 78 per barrel in H1 2025 and at USD 74 per barrel in H2 2025, amid the reversal of OPEC+ production cuts, geopolitical risks and weakness in demand, particularly from China.
- Kuwait's consumer price inflation stood at 2.44% y/y in October 2024, down from 3.37% in December 2023. Though inflation had largely eased through 2024, it remains persistently above the central bank's target of 2%. While food and beverages inflation remain high, the rise in the house rent component eased to 0.48% y/y in October 2024 compared to 2.57% y/y in December 2023, indicating moderation in rents. In 2025, food and beverage inflation might continue to keep overall inflation around current levels, impacted by shipping costs which are expected to remain elevated amid ongoing geopolitical tensions.
- The growth of credit to the private sector strengthened in 2024, recording 3.2% y/y in October 2024 compared to 1.7% y/y rise in 2023. The growth was supported by the uptick in non-oil activity and positive momentum in project awards. Household credit growth was stable, rising by 2.3% y/y as of Q3 2024, compared to 2.6% y/y growth in October 2023. Business credit showed some improvement, rising 2.9% y/y as of October 2024 and by 3.6% on YTD basis, compared to 1.3% y/y rise in October 2023. Credit growth is likely to trend upwards in 2025 amid further easing of interest rates and positive outlook on project awards.
- The Central Bank of Kuwait (CBK) had lowered its policy rate by 25 bps to 4.00% in September 2024, marking the beginning of the monetary easing cycle. The rate cut followed U.S Fed's rate cut of 50 bps during the same month amid slowing inflation. However, though the Fed had further lowered interest rates by 25 bps each in November and December 2024, CBK had maintained its policy rate at 4%. While Kuwait largely follows the U.S' monetary policy, the magnitude of rate cuts by CBK is likely to be lesser than that of the U.S Fed, much similar to the trajectory in the tightening cycle. Nevertheless, decline in borrowing costs would improve demand for real estate, particularly in commercial and investment real estate segments.
- Kuwait's real estate sector continued to recover in 9M 2024, with pick up in prices and rents in investment and commercial segment. Land prices of Istithmari (investment) segment largely witnessed an increase, with average land price in the segment rising by 3.3% y/y as of Q3 2024, reflecting positive investor sentiment. The land prices in the commercial segment recorded considerable increase, with average land price rising by 7.6% y/y as of Q3 2024. However, land prices for private housing (residential segment) continue to trend down from their high valuations, decreasing by 3.3% y/y in Q3 2024. Overall average rental rates for 3-bedroom and 60 sq.m. apartments in Istithmari (investment) segment have seen some increase in Q3 2024. Average rental value for the office segment in the commercial sector had remained flat in Q3 2024.

Market Overview

1. Executive Summary

- Overall, the volume and value of transactions rose in 9M 2024. Real estate sales amounted to KD 2.4 billion in 9M 2024, registering an increase of 16.3% y/y from KD 2.1 billion in 9M 2023. While commercial and investment segment posted considerable rise, residential segment had declined marginally in the backdrop of high-interest rate environment and elevated valuation. Private Housing (Residential) sales amounted to KD 1.1 billion in 9M 2024, marking a decline of 24.8% compared to full-year sales in 2023. Sales in the Istithmari (investment) segment, comprising of apartments and apartment buildings, rose by 15.9% y/y reaching KD 772 million in 9M 2024. Commercial sector sales surged by 72% y/y to KD 552 million in 9M 2024.
- Based on our assessment of various macroeconomic indicators, we believe that the Real Estate market in Kuwait would accelerate in 2025 with prospects of rebound in land prices and rentals amid the government reforms as indicated by Markaz Real estate Macro Index score of 3.5 out of 5.0.

Kuwait Real Estate Market Outlook



Kuwait Macro-Economic Views

Economic Factors	Our Take	Our View
Oil (Real) GDP Growth	Moderate	Oil GDP growth is expected to turn positive in 2025 on the back of planned unwinding of production cuts by OPEC+. The group plans to gradually unwind production cuts from April 2026.
Non-Oil (Real) GDP Growth	Moderate	Non-oil GDP growth would continue to be positive amid healthy pace of project awards, improvement in credit growth and monetary easing.
Fiscal Position¹	Neutral	Fiscal deficit for 2025 is expected to be at -4.2% of GDP, up from -3.1% in 2024 on the back of decline in oil revenue due to lower oil prices.
Investments	Moderate	Amid increasing focus on project activity, investments are expected to increase to 24.1% of GDP in 2025 from 22.3% in 2023.
Money Supply	Moderate	Money supply (M2) is forecasted to grow by 4.3% y/y in 2025 compared to 1.8% in 2024 supported by further interest rate cuts and moderating inflation.
Inflation	Neutral	Though inflation in Kuwait has eased in 2024 supported by fall in housing rents, clothing etc., it continues to remain above 2%. Food inflation continues to remain sticky on the back of high shipping costs amid geopolitical tensions.
Interest Rate	Neutral	The Central Bank of Kuwait (CBK) has begun its monetary easing in line with the U.S Fed. Being less hawkish than the Fed during tightening, CBK would be less dovish during monetary easing. Additionally, slowing down or pausing of interest rate cuts by the U.S Fed in the event of uptick in inflation also presents a downside risk.
Population Growth	Neutral	Population growth is expected to be stable amid recent relaxations to family visa and short-term work visa.
Job creation	Neutral	Job creation is expected to remain neutral with pick up in non-oil economic activity helping maintain stable job creation.

Excludes Investment Income and after transfer to FGF

2. Kuwait Real Estate – Major News/Laws

Kuwait expands e-real estate broker system

Kuwait has launched final version of e-real estate broker system for all real estate segments. While its earlier version was limited to residential segment, the current version covers investment and commercial segments. The electronic system would provide accurate price information for traded properties, creating a comprehensive database for all concluded transactions. The system would be integrated with the platform of the Public Authority for Minors Affairs (PAMA). It would also notify for involved parties via the Sahel app, and authenticate the “My Identity” app.

Kuwait plans to open Entertainment City in two years’ time

Kuwait’s Ministry of Finance has approved the transfer of the Entertainment City project to the Kuwait Investment Authority (KIA) from the Amiri Diwan. The project is expected to be completed in two years’ time, with the KIA committing to launch the project within six months as of August 2024. With the project’s cost estimated around USD 655 million (KD 200 million), the project is expected to boost tourism and commercial real estate.

PAHW issues 3 new tenders for South Saad Al-Abdullah project in Kuwait

The Public Authority for Housing Welfare (PAHW) has issued three tenders in September 2024 for the infrastructure development of 23,551 residential plots in South Saad Al-Abdullah. The public tenders were open to international contractors, including foreign, local, and Gulf companies that specialize in roadworks and infrastructure services.

New Decree issued to amend real estate rental law in Kuwait

A new decree had been issued in September 2024 to amend real estate rental law in Kuwait. According to the decree, all pending lawsuits pertaining to real estate rental that are pending in the court of appeal would be transferred to Court of First Instance. The decree also ratified lease agreement between the lessor and the lessee.

3. Markaz Real Estate Macro Index

'Markaz Real Estate Macro Index' helps investors in identifying the current state of real estate market using a list of economic indicators such as Oil and non-Oil GDP growth, inflation, new jobs generated etc. The past seven years data along with estimates for 2023 and forecasts for 2024 were considered and a qualitative rating (strong, moderate, neutral, weak & poor) was assigned considering the historical information and the current environment.

Exhibit 30: Macro-Economic factors that drive Real Estate markets

Economic factors	Weightage Assigned	Rationale
GDP Growth (Oil & Non-Oil)	25%	Real Estate could benefit the rewards of strong economic growth opening up opportunities for the Commercial, Residential and investor market.
Fiscal Balance	10%	Governments support to economic expansion is key for any sector to grow. Fiscal deficit has narrowed as a % of GDP signaling government's ability to fund and build the economy. This could bode well for the Real Estate sector.
Investments	10%	Investments are a key indicator of market sentiment. Increased investments stand to influence the real estate markets through job, creation, and increased economic activity.
Money (M2) Supply Growth	10%	Increase in money supply indicates higher economic growth
Inflation	15%	Real Estate traditionally is a natural hedge against inflation, as rents, land value and prices increase at the time of inflation. Higher Inflation periods could give a positive outlook for Real Estate.
Interest Rate	10%	Interest rate fluctuations directly impact Real Estate investments. Higher interest rate translates to higher borrowing costs thereby reducing demand for home buyers.
Population Growth	10%	Increasing population indicates the need for more dwelling units eventually benefitting the Real Estate sector.
Jobs created	10%	The number of jobs created serves as a useful indicator for real estate demand.

Source: Marmore research

For each qualitative factor, a quantitative score was assigned with 'Strong' being assigned a top score of '5' and 'Poor' assigned a value of '1'. A weighted average score was computed based on the weights as provided in the below table.

Exhibit 31: Kuwait Macro-Economic Factor Assessment

Economic Factors	2019	2020	2021	2022	2023e	2024f	2025f	Qualitative Take	Quantitative Score
Oil (Real) GDP Growth	-0.1%	-9.0%	-0.9%	12.1%	-4.3%	-6.6%	4.0%	Moderate	4
Non-Oil (Real) GDP Growth	-1.1%	-8.0%	5.8%	-0.3%	-1.0%	2.0%	2.4%	Moderate	4
Fiscal Position, % of GDP	15.9%	-31.5%	-6.5%	11.4%	-4.7%	-3.1%	-4.2%	Neutral	3
Investments (as % of GDP)	23.0%	18.7%	14.5%	16.9%	19.4%	22.3%	24.1%	Moderate	4
Money Supply, M2 (Y/y)	-1.2%	-7.3%	3.8%	6.5%	1.0%	1.8%	4.3%	Moderate	4
Inflation	1.4%	3.0%	4.2%	3.2%	3.4%	2.9%	2.3%	Neutral	3
Interest Rate	2.9%	1.7%	1.5%	2.4%	4.1%	4.2%	3.9%	Neutral	3
Yearly Population Growth	3.3%	-2.2%	-6.1%	8.0%	1.2%	4.6%	2.0%	Neutral	3
Jobs created (in '000s)	29	(140)	(27)	54	41	37	36	Neutral	3
Overall Score									3.5

Source: IMF, CSB Kuwait, LMIS, Refinitiv, S&P, Marmore research;

The state of the real estate market was categorized into four distinct phases as shown below.

Exhibit 32: Market Phases

From	To	Market Phase
4.3	5.0	Market is at peak, slowdown ahead
3.5	4.3	Market is accelerating
2.8	3.5	Market is stable
Less than 2.8		Market is Falling

Source: Marmore Research

Exhibit 34: Kuwait Markaz Real Estate Macro Index Scores (H1 2025 vs. H2 2024)

Economic Factors	H1 2025	H2 2024
Oil (Real) GDP Growth	4	3
Non-Oil (Real) GDP Growth	4	3
Fiscal Position, % of GDP	3	3
Investments (as % of GDP)	4	4
Money Supply, M2 (y/y)	4	4
Inflation	3	4
Interest Rate	3	3
Yearly Population Growth	3	3
Jobs created (in '000s)	3	4
Total Score	3.5	3.5

Source: Marmore Research

Conclusion

Kuwait's economic growth is expected to be positive in 2025, supported by pick up in non-oil economic activity and expected unwinding of production cuts. This would in turn improve demand for real estate, particularly commercial and industrial segments. Interest rate cuts and healthy pace of project awards would continue to lend support to the non-oil economy.

Kuwait's Real estate sector remained stable in 9M 2024. Istithmari (Investment) segment has seen moderate improvement in both prices and rents. Commercial segment has seen considerable rise in prices, with rents remaining stable. Private housing (residential) prices have continued to moderate. Overall activity levels have been positive, supported by commercial and investment segment. Though the value of transactions has marginally declined on an annual basis in the Private housing (residential) segment for 9M 2024, transactions value had increased in Q3 2024, possibly indicating emerging green shoots. Istithmari (Investment) and commercial segments' sales had edged up in 9M 2024. Cap rates have decreased for both Istithmari (Investment) and commercial segments.

The launch of e-real estate broker system builds on the recent reforms such as anti-monopoly of residential lands law and Housing Development Law that have been implemented in the sector. Based on our assessment of various macroeconomic factors, we believe that the Real Estate sector in Kuwait would continue to accelerate in H1 2025 in terms of property prices and rents. Real estate market liquidity is also expected to improve on the back of further interest rate cuts.

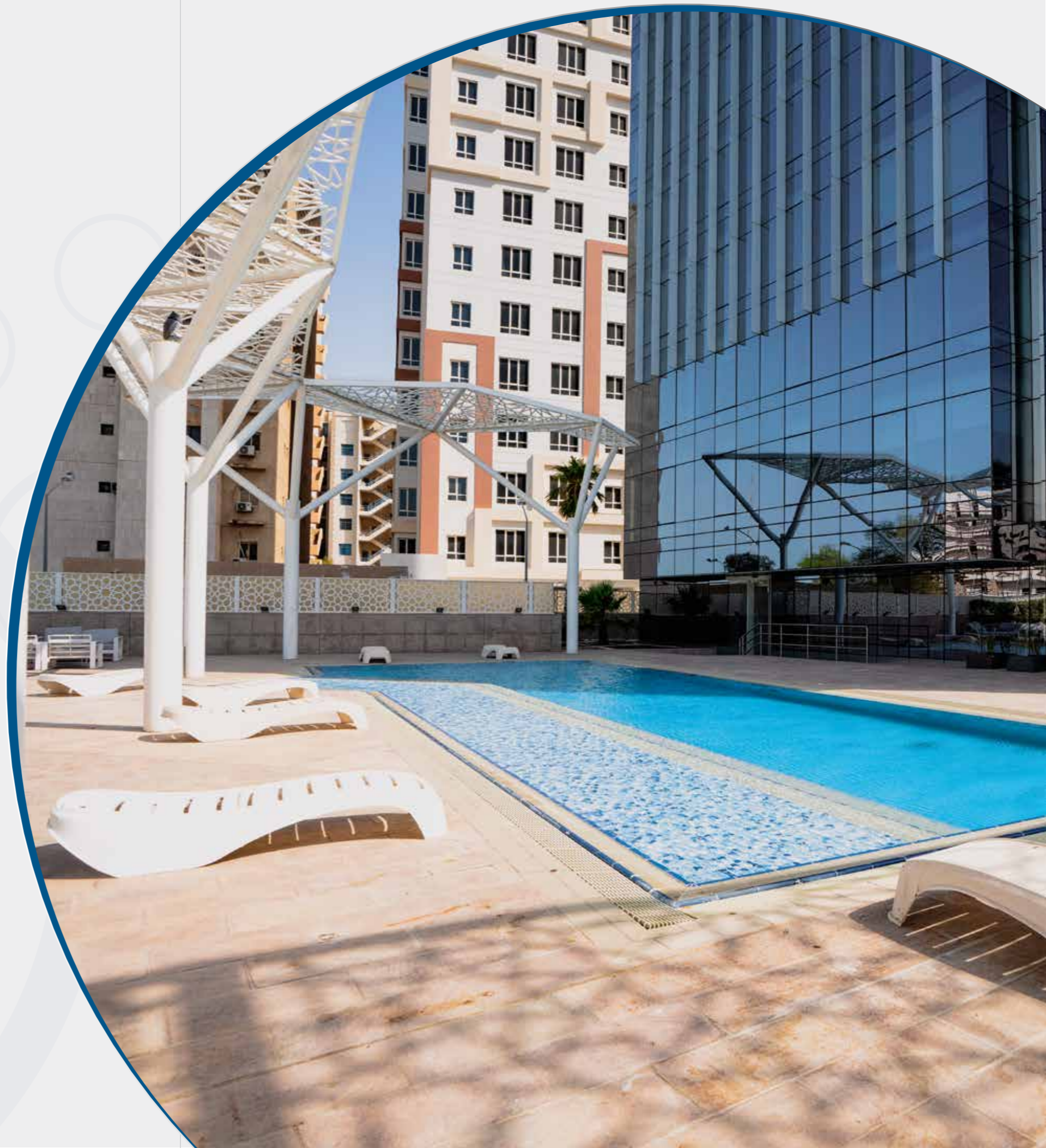
Exhibit 35: Summary – Kuwait Markaz Real Estate Macro Index

Macro indicators	Future Outlook (2025 & beyond)	Quantitative Score
Oil Real GDP Growth	Moderate	4
Non-Oil Real GDP Growth	Moderate	4
Fiscal Balance	Neutral	3
Investments	Moderate	4
(Money Supply, M2 (y/y)	Moderate	4
Inflation	Neutral	3
Interest Rate	Neutral	3
Population growth	Neutral	3
Jobs created	Neutral	3
Overall Score	Market is accelerating	3.5

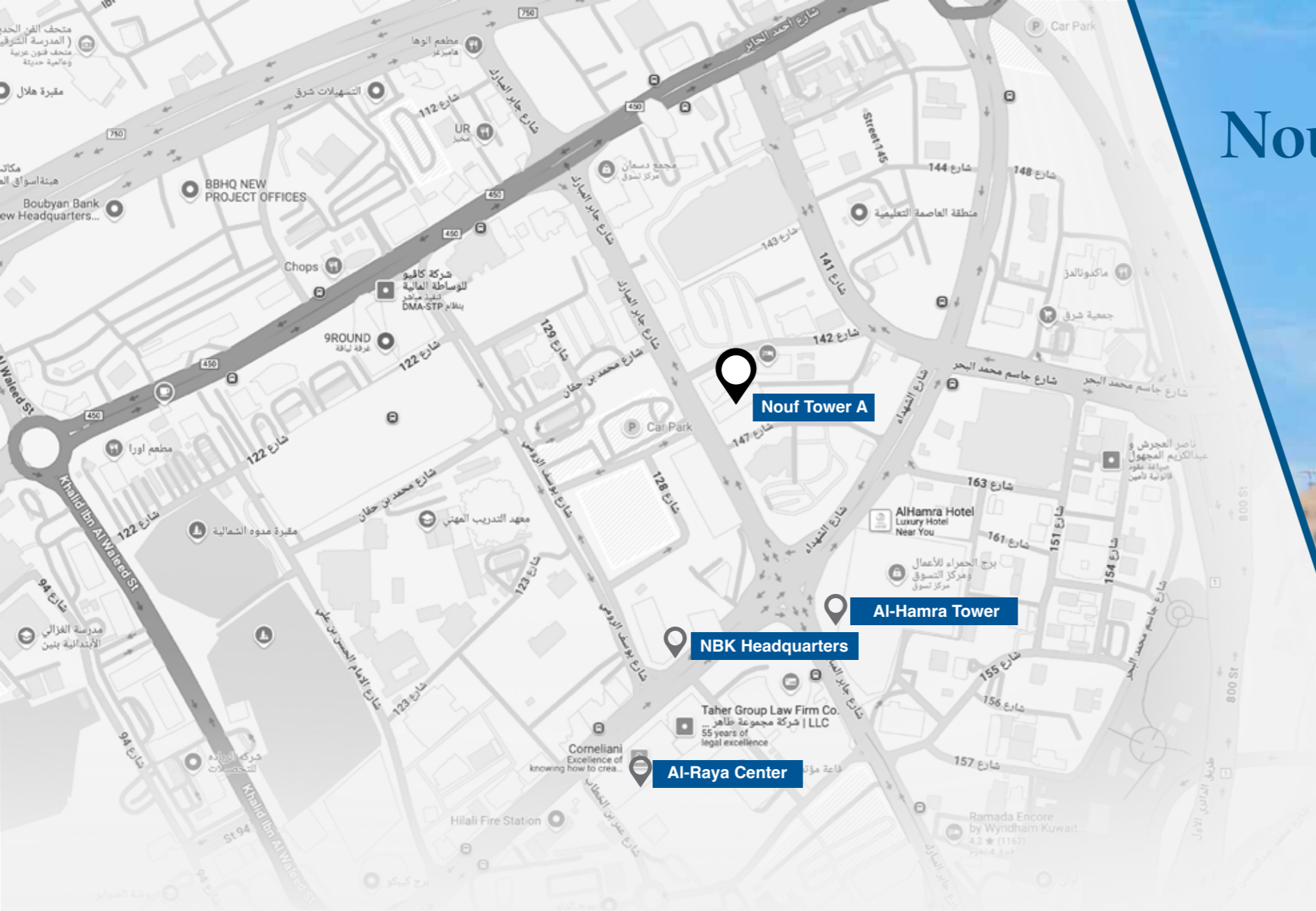
Source: Marmore research



Properties



Nouf Tower A



- **GLA: 3,459 m²**
- **Annual Potential Income: KWD 452,160**
- **Acquired: 2022**
- **Occupancy: 94%**
- **Collection: 95%**
- **Number of Floors: Basement, GF shops, Mezzanine offices, 16 office floors**

Nouf A is a prime commercial property in Sharq, located near Al-Hamra Tower and the National Bank of Kuwait headquarters, with modern architecture and recent renovations in 2023-2024. It offers a prestigious address with excellent amenities, maintaining a high occupancy rate of 94.2%. The property's diverse tenant mix ensures stability and strong revenue generation.

POSITIONING

- **Key Business Location:** Nouf Tower A's prime location on Jaber Al-Mubarak Street in Sharq enhances its visibility and accessibility for current and potential tenants.
- **Versatile Use:** The property accommodates diverse business types, ensuring stable income and minimizing vacancy risks.

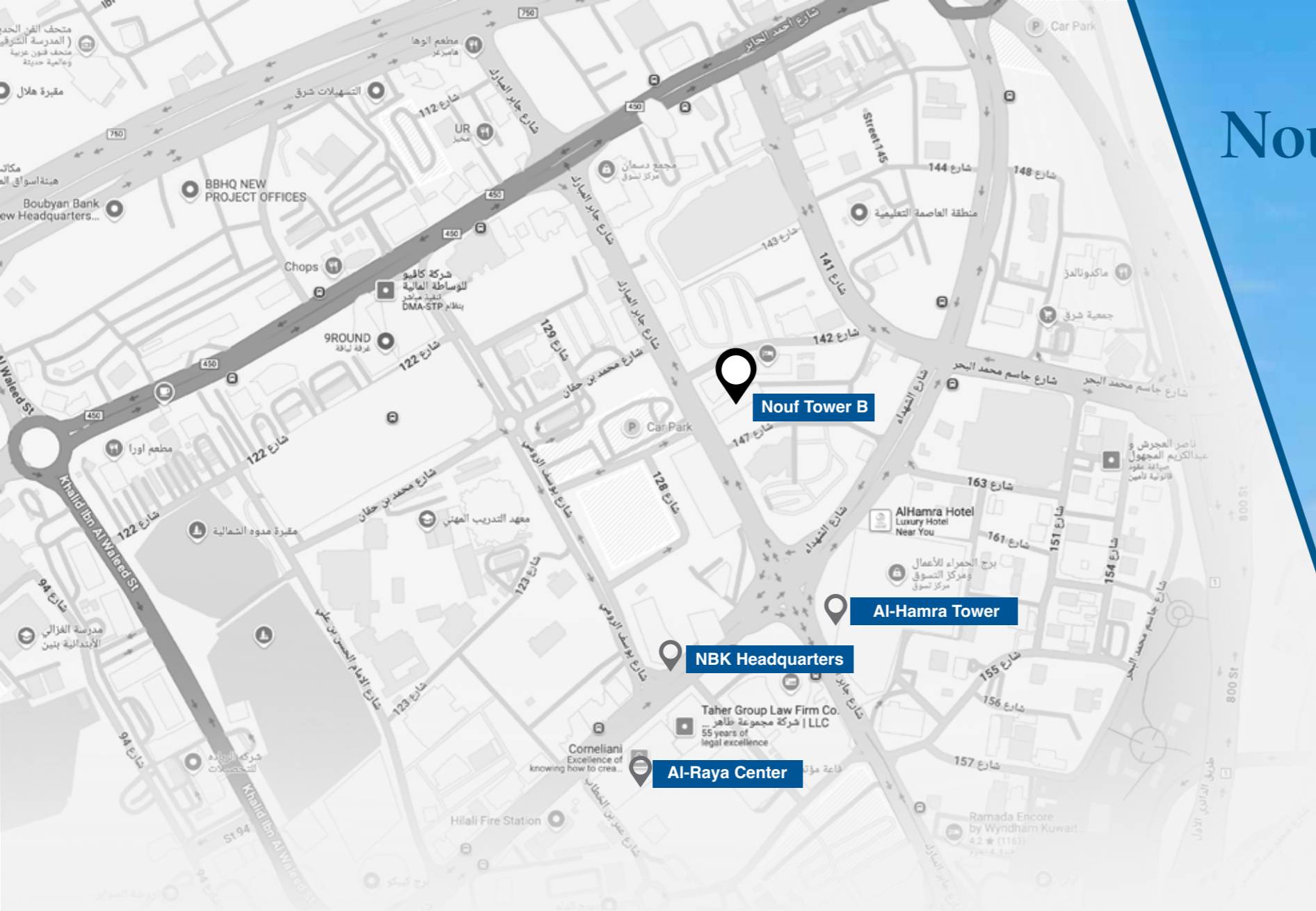
OPERATIONAL HIGHLIGHT

- **Projected Income Growth:** Current income is expected to rise by approximately 9% increase through strategic rental adjustments.

ACTIONS ENVISIONED

- **Facility Upgrades:** Consider opportunities for more floor lobby enhancements to increase tenant satisfaction and attract new tenants.
- **Tenant Retention & Engagement:** Focus on initiatives to enhance tenant satisfaction, strengthen lease renewals, and maintain high occupancy levels.

Nouf Tower B



- GLA: 6,748 m²
- Annual Potential Income: KWD 764,520
- Acquired: 2013
- Occupancy: 96%
- Collection: 94%
- Number of Floors: Basement, GF shops, Mezzanine 1+2 offices, 18 office floors

Nouf Tower B is a prime commercial property in Sharq, Kuwait City, featuring modern architecture and a complete renovation in 2022. Its strategic location offers easy access to key amenities, making it highly attractive to businesses. With an occupancy rate of 96.5% and a diverse tenant mix, the property ensures stability and strong revenue generation.

POSITIONING

- Prime Commercial Location: Situated in a highly sought-after business district on Jaber AlMubarak Street, Nouf Tower B is an attractive option for companies looking for visibility and prestige.
- Diverse Tenant Base: The property boasts a varied mix of tenants, which contributes to consistent cash flow and mitigates risks associated with vacancy.
- Proximity to Amenities: Its location provides tenants with easy access to essential services, enhancing the overall tenant experience.

OPERATIONAL HIGHLIGHT

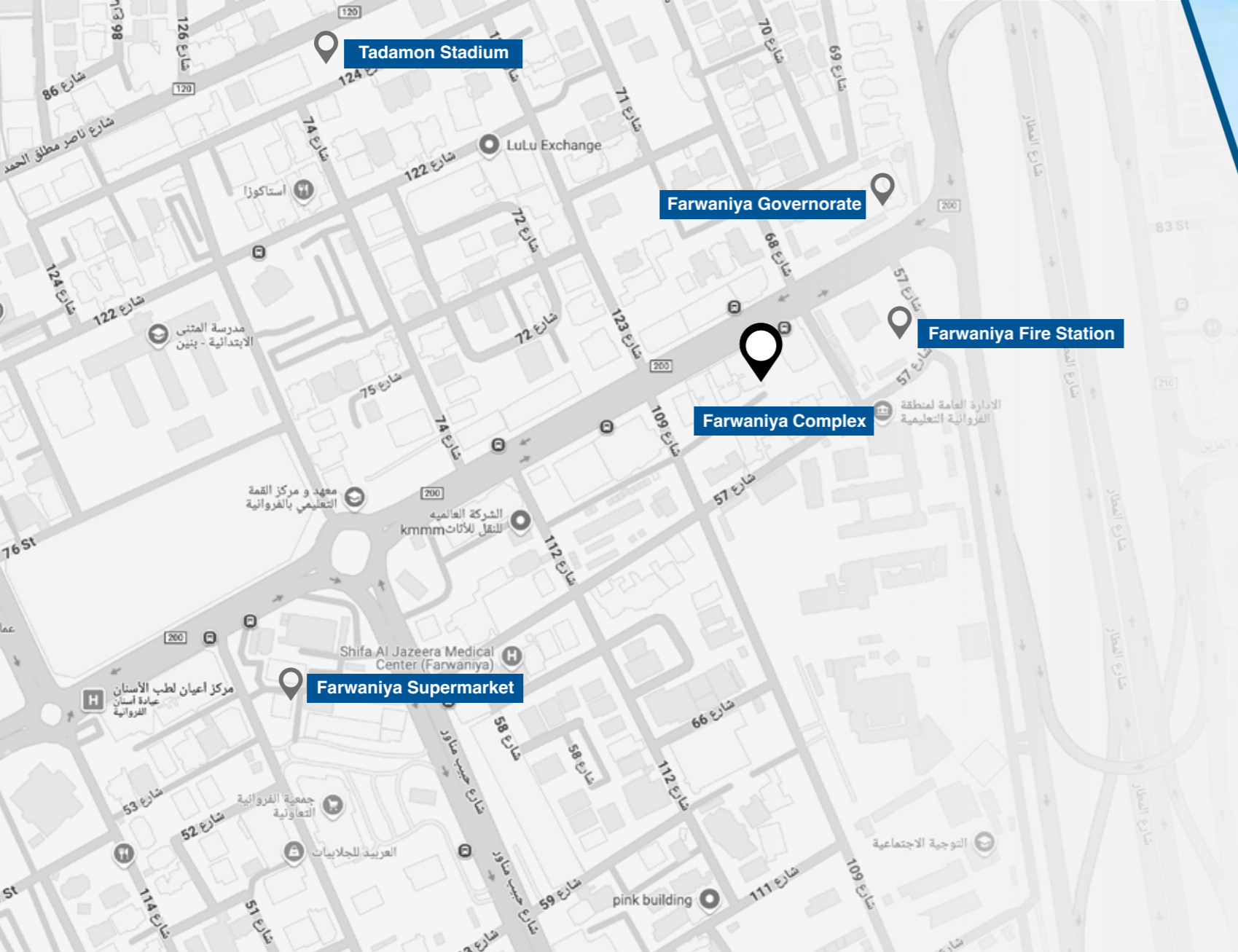
- Strategic Rental Adjustments: Plans are in place to adjust rental rates for expiring contracts, anticipated to drive revenue growth significantly.
- Enhanced Marketing Efforts: Ongoing marketing strategies aim to increase visibility and attract new tenants, ensuring sustained interest in the property.

ACTIONS ENVISIONED

- Rental Strategy Implementation: Initiate rental increases for expiring contracts to enhance income potential while remaining competitive within the market.
- Maximizing Tenant Mix & Engagement: Identify opportunities to enhance tenant synergy within the building, ensuring optimal use of leased spaces and sustaining high occupancy levels.

- Tenant Retention & Engagement: Focus on initiatives to enhance tenant satisfaction, strengthen lease renewals, and maintain high occupancy levels.

Farwaniya Complex



- GLA: 3,588 m2
- Annual Potential Income: KWD 610,560
- Acquired: 2014
- Occupancy: 95.9%
- Collection: 94%
- Number of Floors: Basement, GF, Mezzanine 1+2, 11 office floors

Farwaniya Complex is a strategically located commercial property on a high-traffic street near the Farwaniya Fire Department. With a diverse tenant mix and a 100% occupancy rate, it offers a stable and secure environment for businesses. Its prime location, security, and accessibility make it an ideal choice for companies in a thriving commercial hub.

POSITIONING

- Centrally Located Asset: Ideally situated in a prime street, enhancing its visibility and accessibility for tenants and customers alike.
- Stable Tenant Mix: A diverse array of tenants contributes to consistent rental income and mitigates risks associated with vacancy rates.

OPERATIONAL HIGHLIGHT

- Growth Potential: Current income growth of 6% through strategic rent adjustments and value-added services.
- Changing tenant mix activities in the ground floor to encourage more foot traffic to the complex

ACTIONS ENVISIONED

- Continuous Market Assessment: Maintain vigilance regarding market conditions to inform rent strategies and ensure competitiveness.
- Enhancing Tenant Facilities: Explore opportunities for upgrading facilities to attract and retain tenants, further stabilizing occupancy rates.

Salmiya Tahreer



- GLA: 2,404 m²
- Annual Potential Income: KWD 139,920
- Acquired: 2010
- Occupancy: 92%
- Number of Floors: 9
- Collection: 98%

Salmiya Tahreer is a distinguished investment property in Salmiya, offering stunning sea views and proximity to local amenities. With a 92.5% occupancy rate, it appeals to families seeking a quality lifestyle, supported by facilities like a gym and kids' area. Its modern infrastructure further enhances its attractiveness to potential tenants.

POSITIONING

- Ideal Investment Property: The combination of sea views and accessible infrastructure makes Salmiya Tahreer a sought-after location for businesses.
- Strong Demand Drivers: The property benefits from stable demand driven by its location and nearby services, ensuring consistent occupancy rates.

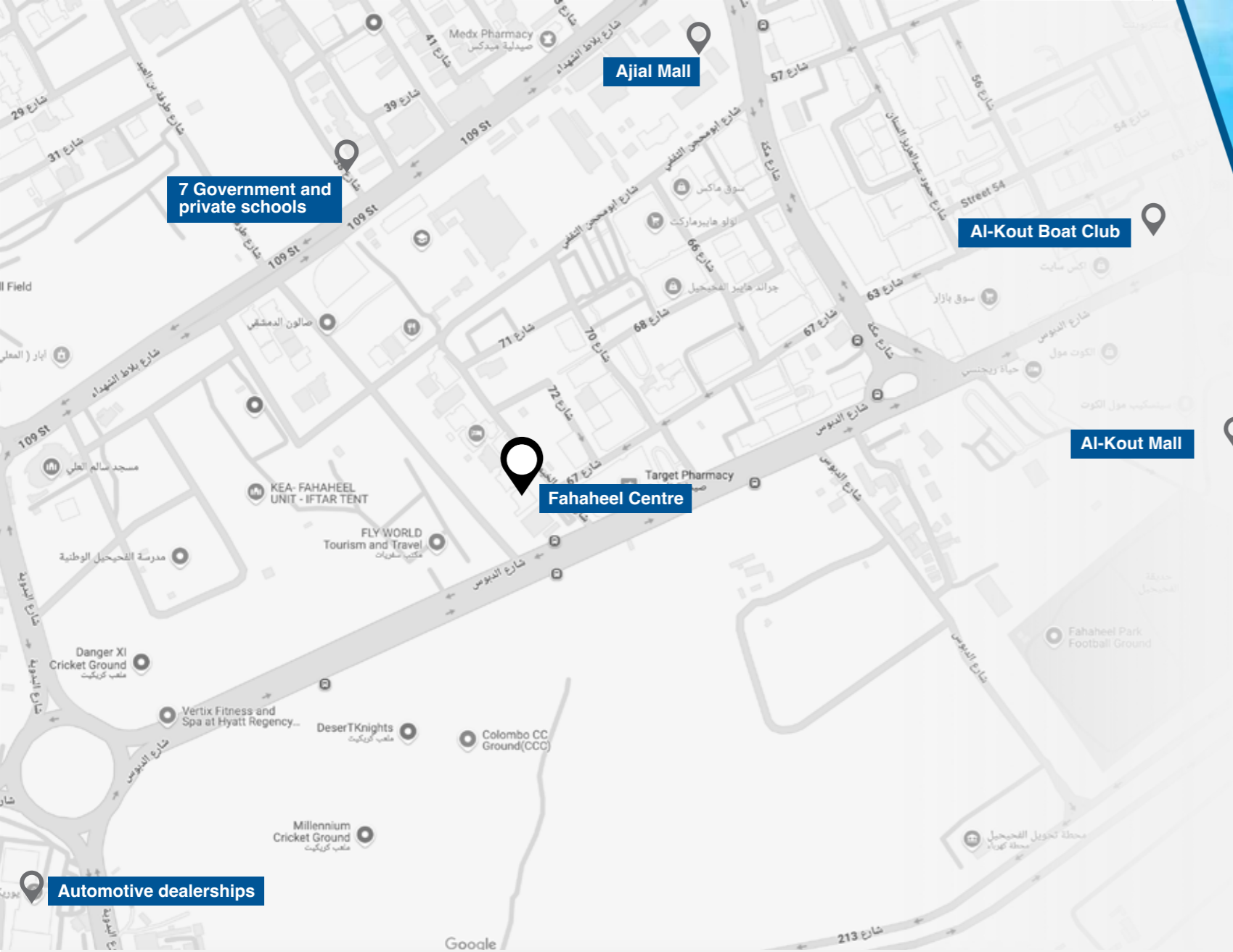
OPERATIONAL HIGHLIGHT

- Income Potential: Current income is projected to rise 22% through strategic rental adjustments targeting expiring contracts.

ACTIONS ENVISIONED

- Feedback Incorporation: Consider tenant feedback to improve service offerings and address concerns, enhancing tenant satisfaction.
- Facility Enhancements: Prioritize upgrades and enhancements to facilities to maintain a competitive edge and attract new tenants.

Fahaheel Centre



- GLA: 1,911 m2
- Annual Potential Income: KWD 300,420
- Acquired: 2008
- Occupancy: 94%
- Collection: 100%
- Number of Floors: Basement, GF, Mezzanine, 5 office floors

Fahaheel Centre is a bustling commercial hub strategically located in a high-traffic area of Fahaheel. This property benefits from consistent footfall and a diverse tenant base, providing a stable source of rental income. With an occupancy rate of 94.0%, reflecting its strong position in the local market.

POSITIONING

- Key Commercial Asset: Fahaheel Centre is recognized for its high visibility and foot traffic, making it a desirable location for a variety of businesses.
- Established Tenant Mix: A diverse range of tenants ensures steady cash flow and mitigates risks associated with vacancy.

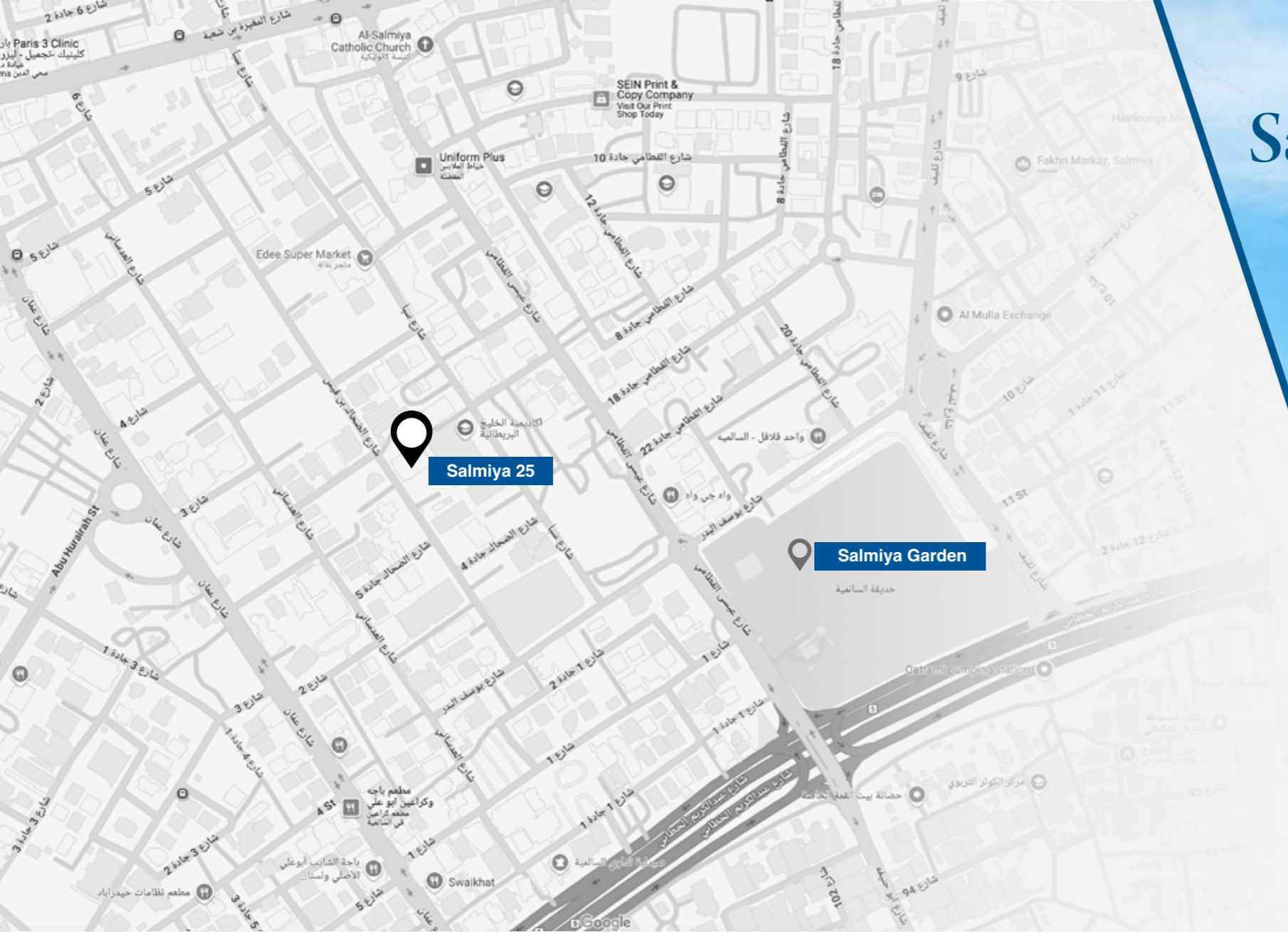
OPERATIONAL HIGHLIGHT

- Income Growth Potential: Current income is projected to increase by 10% through strategic rental increases and improvements to facilities.

ACTIONS ENVISIONED

- Targeted Marketing Initiatives: Focus on marketing strategies to attract new tenants and enhance visibility within the community.
- Parking Solutions: Evaluate and implement parking solutions to improve tenant satisfaction and enhance overall accessibility.

Salmiya 25



- **GLA: 5,283 m²**
- **Annual Potential Income: KWD 346,260**
- **Acquired: 2012**
- **Occupancy: 100%**
- **Collection: 100%**
- **Number of Floors: 2 buildings with 10 floors each**

Salmiya 25 is a vibrant residential property situated in the heart of Salmiya. Known for its strategic location within and surrounding amenities, this property boasts an occupancy rate of 100%. Its attractive features include proximity to schools, shopping, dining, and recreational facilities, along with kid's play area and large basement parking making it an ideal choice for a diverse range of tenants.

POSITIONING

- **Prime Location:** Salmiya 25's strategic location in the Indian district enhances its appeal to both tenants and customers, driving demand for its space.
- **Diverse Tenant Appeal:** The property caters to various families, ensuring steady cash flow and minimizing the impact of potential vacancies.

OPERATIONAL HIGHLIGHT

- **Income Optimization:** Current income is expected to rise to 8% through targeted rental adjustments and facility improvements.
- **Facility Limitations:** The absence of certain facilities may limit the property's appeal to potential tenants.
- **Competitive Market:** The emergence of new developments in Salmiya could heighten competition for attracting tenants.

ACTIONS ENVISIONED

- **Facility Upgrades:** Explore opportunities for facility enhancements to increase tenant satisfaction and attract new businesses.
- **Marketing Strategies:** Implement targeted marketing initiatives to promote the property and highlight its advantages.

- **Tenant Retention & Engagement:** Focus on initiatives to enhance tenant satisfaction, strengthen lease renewals, and maintain high occupancy levels.

Salmiya Mugheera



- GLA: 1,920 m²
- Annual Potential Income: KWD 129,240
- Acquired: 2011
- Occupancy: 91%
- Collection: 100%
- Number of Floors: 8

Salmiya Mugheera is a promising residential property located in the bustling district of Salmiya. This property features an impressive occupancy rate of 91.6%. With its strategic location on AlMugheera Bin Shuba'a Street near essential services and amenities, Salmiya Mugheera is poised as a prime choice for various families looking to settle in this vibrant area.

POSITIONING

- Strategically Located: Positioned in a prime area of Salmiya, the property benefits from high visibility and foot traffic, making it attractive for potential tenants.
- Versatile Use: The property accommodates various mix of families, ensuring a stable income stream and reducing vacancy risks.

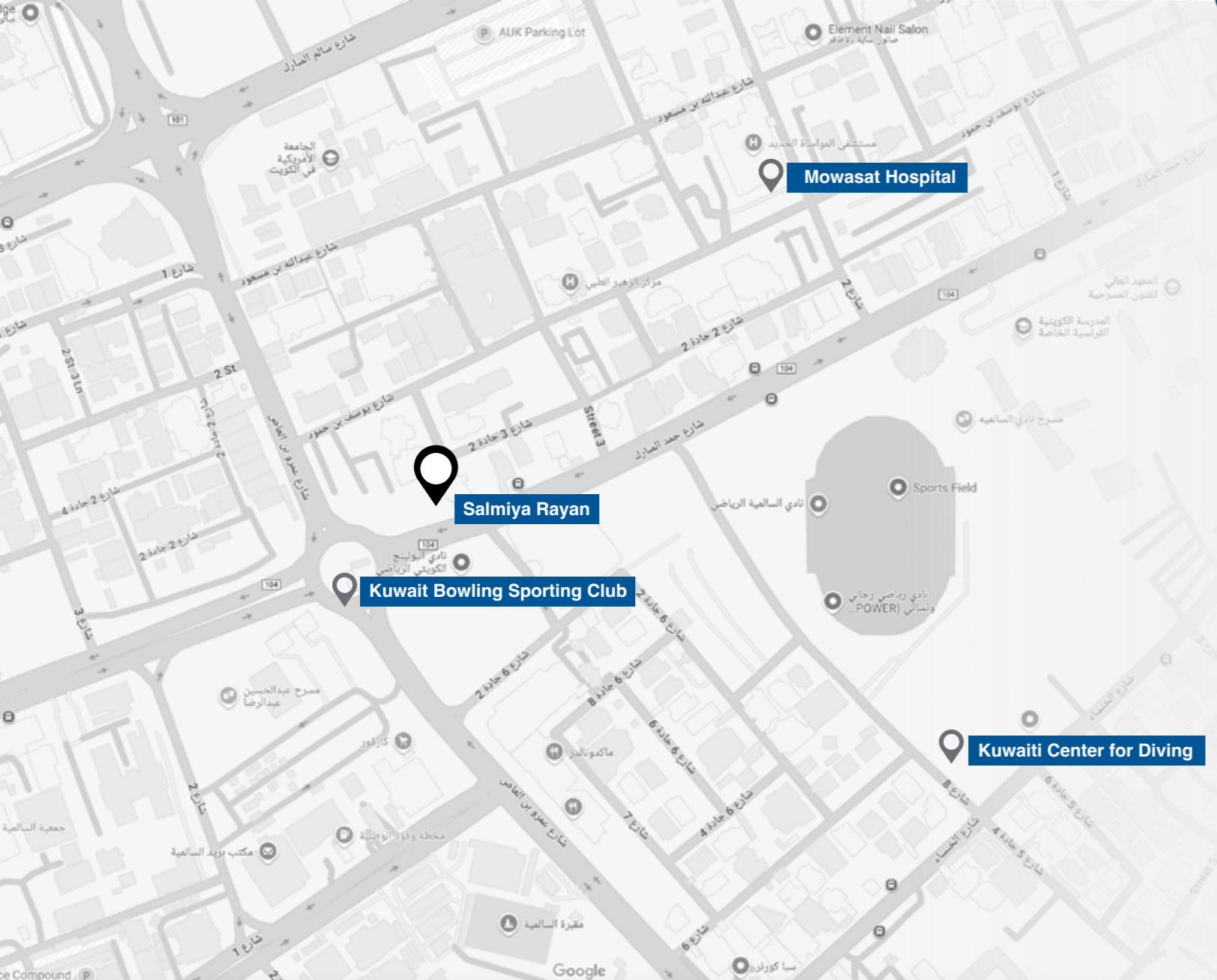
OPERATIONAL HIGHLIGHT

- Projected Income Growth: Current income is anticipated to increase by approximately 9% through strategic rental increases and lease renewals.

ACTIONS ENVISIONED

- Enhancing Tenant Amenities: Assess and implement facility upgrades to improve tenant experience and satisfaction, making the property more appealing.
- Marketing Campaigns: Execute targeted marketing initiatives to attract new tenants and achieve full occupancy while ensuring strong tenant retention.

Salmiya Rayan



- GLA: 3,003 m²
- Annual Potential Income: KWD 185,400
- Acquired: 2011
- Occupancy: 100%
- Collection: 96%
- Number of Floors: 10

Salmiya Rayan is a modern residential property situated in one of Salmiya's key business districts. This asset currently holds a high occupancy rate of 100%. Its excellent location on Hamad Almubarak Street in front of the Kuwait Bowling Club, coupled with modern facilities, makes it an appealing choice for various businesses looking for a quality space.

POSITIONING

- High Visibility Location: Salmiya Rayan's strategic positioning enhances its attractiveness, drawing interest from various sectors.
- Modern Facilities: Equipped with contemporary amenities, the property meets the demands of today's families, providing them with a swimming area, BBQ facilities, both indoor and outdoor seating areas, as well as fully equipped gym and children's play zone for the convenience of the tenants.

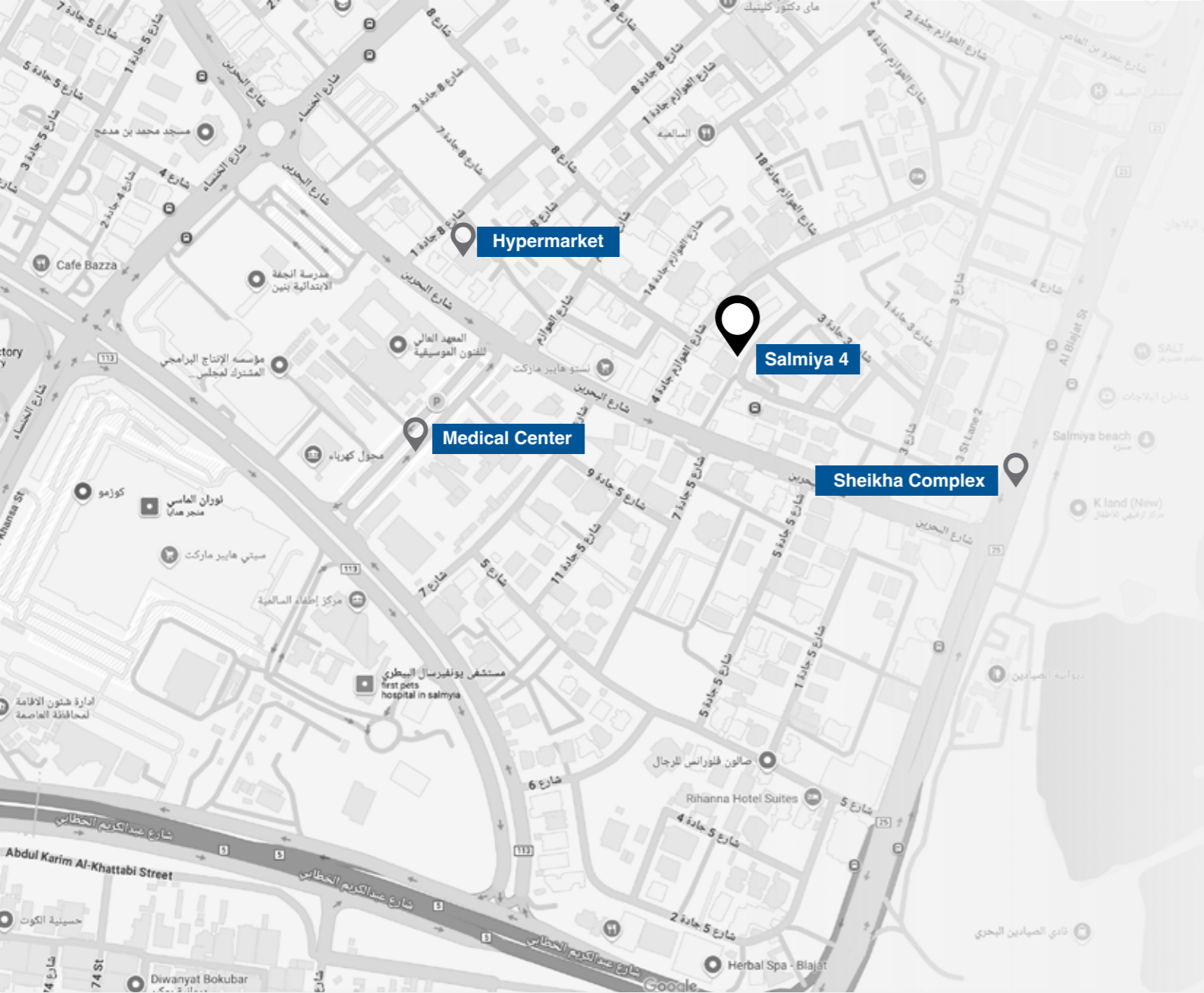
OPERATIONAL HIGHLIGHT

- Income Potential: The property expected rise is 5% through lease renewals and rental adjustments.

ACTIONS ENVISIONED

- Value-Added Services: Explore opportunities to introduce additional services that enhance tenant satisfaction and loyalty.
- Market Analysis: Conduct regular market assessments to adjust rental strategies and remain competitive.

Salmiya 4



- GLA: 2,010 m²
- Annual Potential Income: KWD 114,000
- Acquired: 2011
- Occupancy: 100%
- Number of Floors: 10
- Collection: 94%

Salmiya 4 is an attractive, modern residential property located in Salmiya area. The property boasts an occupancy rate of 100%. It is prominently located on Bahrain Street and has easy access and exit routes leading to the Blajat Street.

POSITIONING

- Prime Commercial Hub: Located in a highly sought-after area, Salmiya 4 attracts a diverse range of tenants.
- Modern Infrastructure: The property features state-of-the-art facilities that cater to the needs of contemporary families.

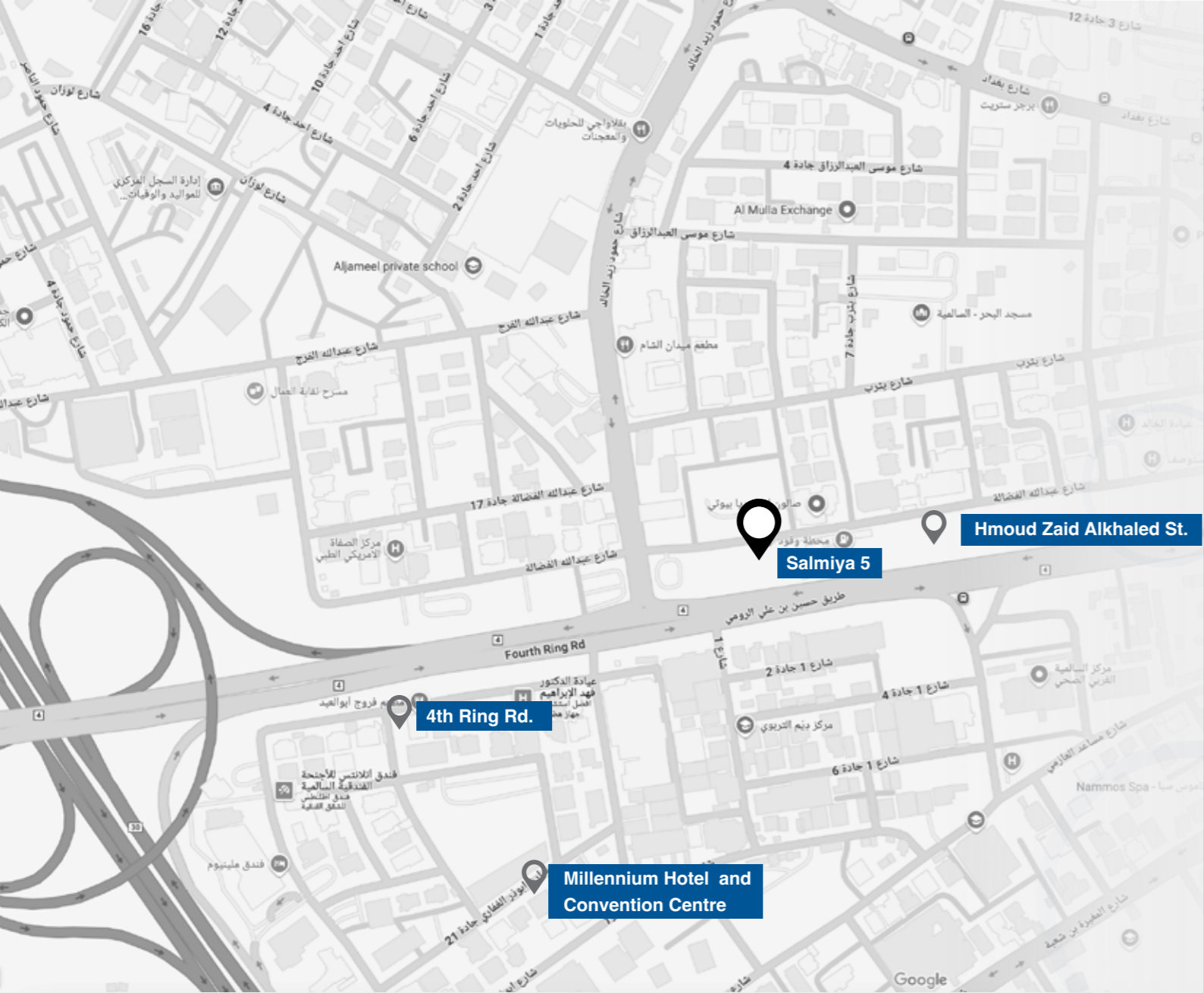
OPERATIONAL HIGHLIGHT

- Projected Income Growth: Current income is expected to be approximately 5% through strategic rental adjustments.

ACTIONS ENVISIONED

- Facility Improvements: Continue upgrading facilities to improve tenant satisfaction and elevate the living experience.
- Targeted Outreach: Develop initiatives to strengthen tenant relationships and enhance the property's reputation.

Salmiya 5



- GLA: 2,484 m²
- Annual Potential Income: KWD 129,420
- Acquired: 2011
- Occupancy: 96%
- Collection: 100%
- Number of Floors: 9

Salmiya 5 is a well-positioned residential asset in the heart of Salmiya. With an occupancy rate of 96.9%, this property offers a unique opportunity for families seeking a comfort location. Its proximity to essential services and modern amenities further enhances its attractiveness.

POSITIONING

- Prime Location: The prime location of Salmiya 5 property is an attractive option for tenants seeking easy access points, as it is near Hamoud Zaid Al-Khaled Street, which leads to the Fourth Ring Road, Baghdad Street, and the Arabian Gulf Street.
- Modern Amenities: The property features contemporary facilities that cater to the needs of diverse tenants.

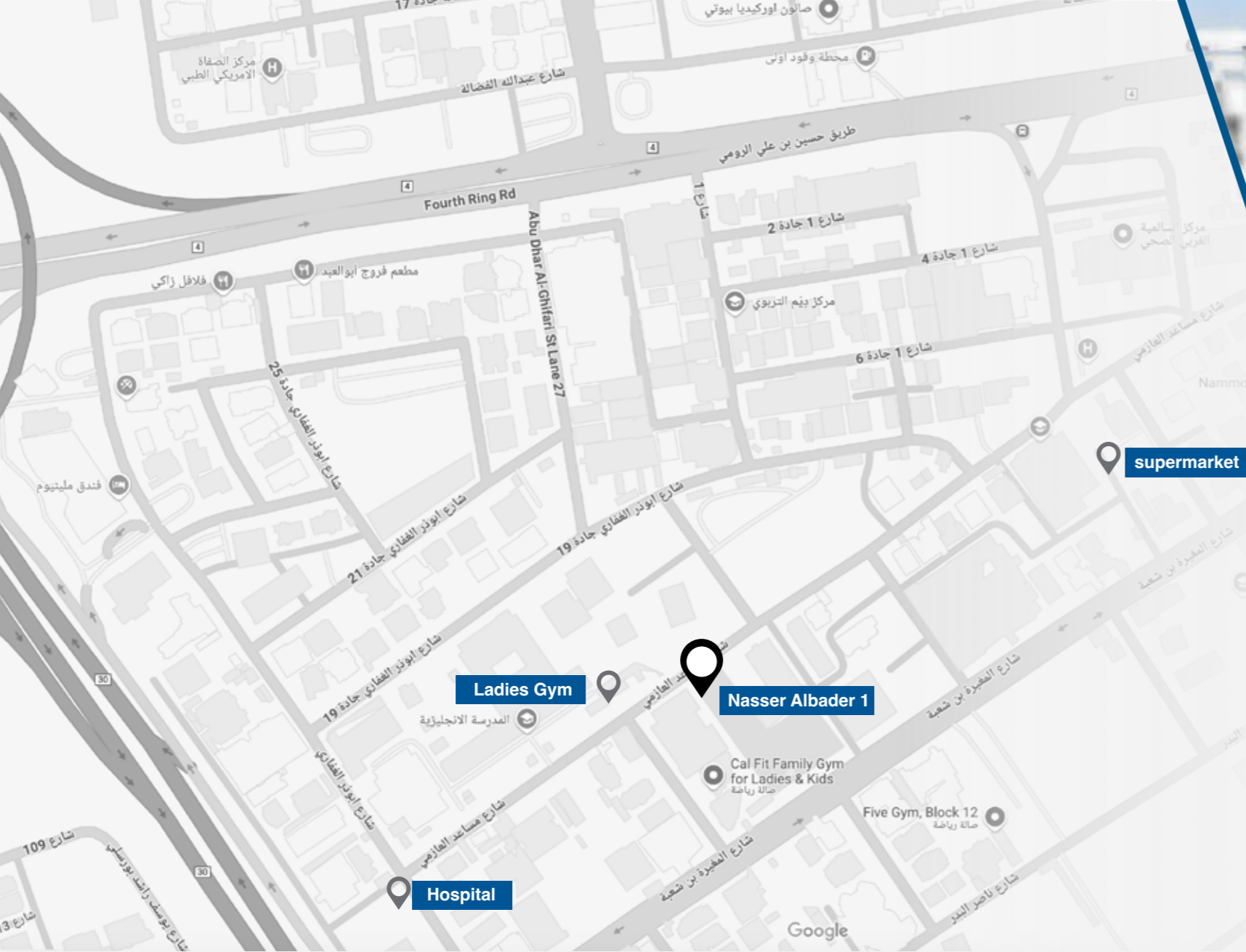
OPERATIONAL HIGHLIGHT

- Upgrading ground floor kids play, lobby area and elevators doors to enhance the entry experience.
- Income Growth Projections: The current income is expected to increase by 7% through strategic lease renewals.

ACTIONS ENVISIONED

- Marketing Strategies: Develop and implement targeted marketing campaigns to attract potential tenants.
- Facility Enhancements: Consider facility upgrades to increase attractiveness and tenant satisfaction.

Nasser Albader 1



- GLA: 2,855 m²
- Annual Potential Income: KWD 156,816
- Acquired: 2012
- Occupancy: 82%
- Collection: 100%
- Number of Floors: 10

Nasser Albader 1 is a prestigious recently renovated residential asset located in Salamiya. The property current occupancy rate of 82.9%. Its prime location and modern design make it a desirable choice for families seeking quality facilities offerings. With recent major development the property is set for income growth of 34% behind the modern finished apartments and mix of kids and adults facilities for the whole family. It is also connected to the key streets of Oman and Al-Mughira bin Shu'bah.

POSITIONING

- High-Profile Location: NB1's corner street location with wide range of parking availability enhances its appeal to a wide array of families.
- State-of-the-Art Facilities: The property features modern amenities that cater to the needs of contemporary families.

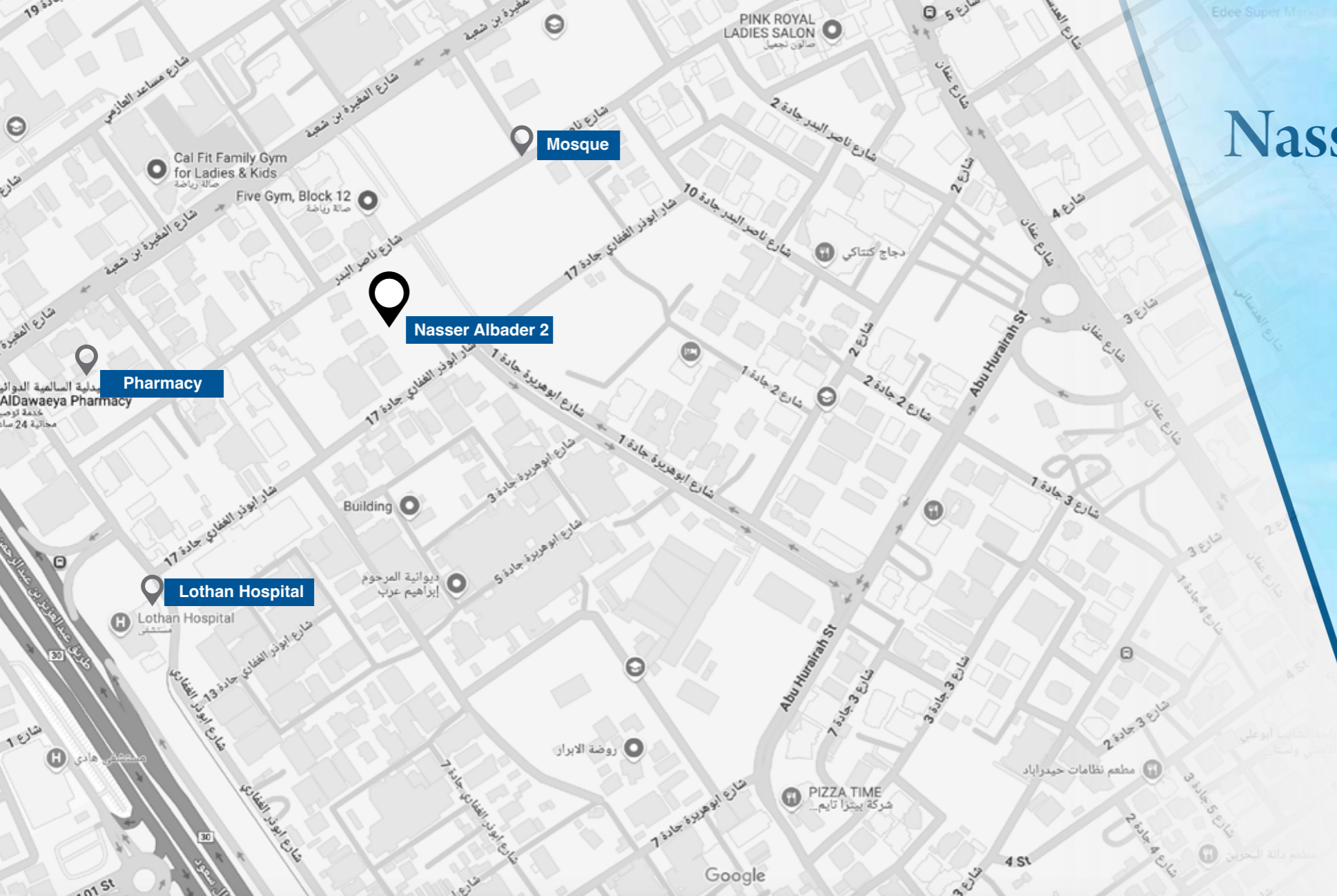
OPERATIONAL HIGHLIGHT

- Projected Income Growth: The current income is expected to rise by approximately 34% increase through strategic lease adjustments and new increased rental rates.
- Recent upgrades: full upgrade of apartment flooring, bathrooms and kitchens which increased the approved rent by 14%

ACTIONS ENVISIONED

- Retention Strategies: Develop and implement strategies aimed at retaining current tenants and minimizing turnover.
- Upgrading Facilities: Evaluate opportunities for upgrading facilities to enhance attractiveness and tenant satisfaction.

Nasser Albader 2



- GLA: 2,674 m²
- Annual Potential Income: KWD 138,480
- Acquired : 2012
- Occupancy: 100%
- Collection: 100%
- Number of Floors: 9

Nasser Albader 2 is a contemporary residential building located in the bustling area of Salimiya. This property currently holds an occupancy rate of 100%. Its proximity to essential services and modern amenities further enhances its attractiveness. It is also connected to the key streets of Oman and Al-Mughira bin Shu'bah.

POSITIONING

- Central Business Location: Located in a key business district, NB2 is well-positioned to attract a diverse range of tenants.
- Modern Facilities: The property is equipped with contemporary amenities that cater to the evolving needs of families.

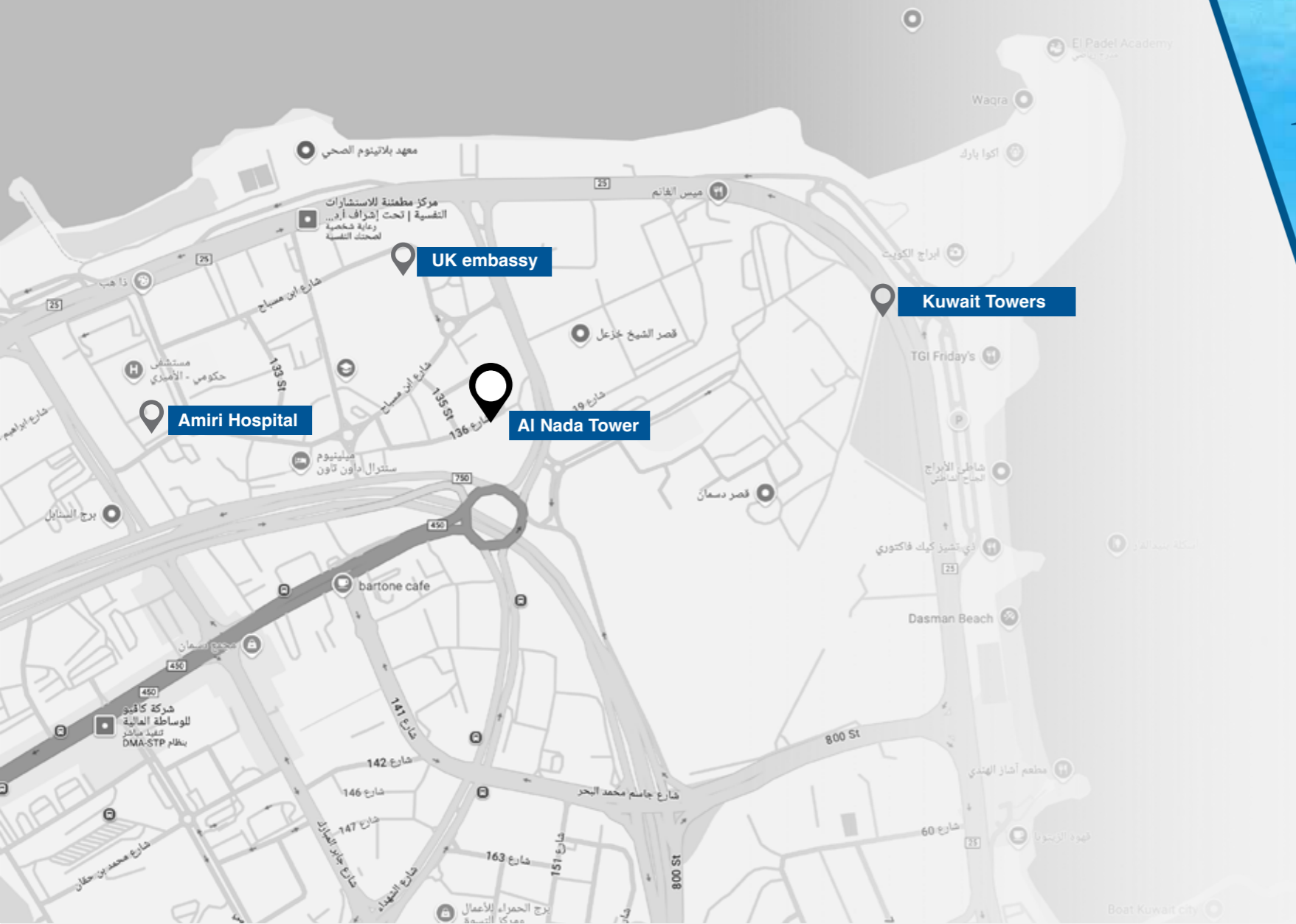
OPERATIONAL HIGHLIGHT

- Projected Income Growth: Current income projected to increase by 7% through strategic rental adjustments.

ACTIONS ENVISIONED

- Enhancing Tenant Amenities: Evaluate potential enhancements to tenant amenities to improve satisfaction and retention.
- Targeted Marketing: Focus on brand positioning and community engagement initiatives to reinforce the property's reputation and maintain tenant satisfaction.

Al Nada Tower



- GLA: 11,800 m2
- Annual Potential Income: KWD 1,091,046
- Development Completed: 2019
- Occupancy: 81%
- Collection: 100%
- Number of Floors: 25

Al Nada Tower is a 25-floor residential property in Kuwait City's Dasman area, offering stunning city and sea views with an occupancy rate of 81.8%. The tower features modern amenities, including a rooftop infinity pool, gym, and children's play areas, with flexible rental options for furnished or unfurnished apartments. Its prime location and contemporary design make it a highly sought-after residence for families.

POSITIONING

- Prominent Business Location: Al Nada Tower's strategic location in Kuwait City's Dasman area offers residents stunning view on Kuwait Towers as well as the city and sea, enhancing its appeal to potential tenants.
- Modern Infrastructure: With state-of-the-art amenities such as fiber internet, rooftop infinity pool, fully-equipped gym, and 24/7 security, Al Nada Tower is designed to meet the lifestyle needs of modern families.

OPERATIONAL HIGHLIGHT

- Income Growth Potential: Current income is projected to increase by approximately 9% through strategic rental adjustments.

ACTIONS ENVISIONED

- Enhancing Tenant Facilities: Explore upgrading amenities, such as adding more family-centric features, to boost tenant satisfaction and attract new families.
- Targeted Marketing Efforts: Strengthen marketing campaigns to highlight the property's premium facilities, including flexible furnished/unfurnished options, rooftop garden, and modern conveniences, to attract a broader tenant base.



Al Maha Tower



- GLA: 9,445 m²
- Annual Potential Income: KWD 672,360
- Development Completed: 2017
- Occupancy: 93%
- Number of Floors: 19
- Collection: 100%

Al Maha Tower is a 22-story residential building in Bneid Al Gar, offering panoramic views and luxury living. Its prime location near city centers and shopping areas provides convenience, while amenities like a rooftop infinity pool, gym, and children's play areas ensure a high-quality living experience. The tower promises a comfortable and secure environment for its residents.

POSITIONING

- Strategic Location: Located in Bneid Al Gar, providing breathtaking panoramic views and setting a new standard for contemporary living. Its strategic proximity to city centers, trade zones, and shopping areas makes it the perfect home for those seeking convenience and modern lifestyle experiences.
- Modern Amenities: Al Maha Tower combines elegance with practical functionality, offering upscale amenities, including a modern padel court, which caters to a luxurious lifestyle while ensuring comfort and safety for tenants and their families.

OPERATIONAL HIGHLIGHT

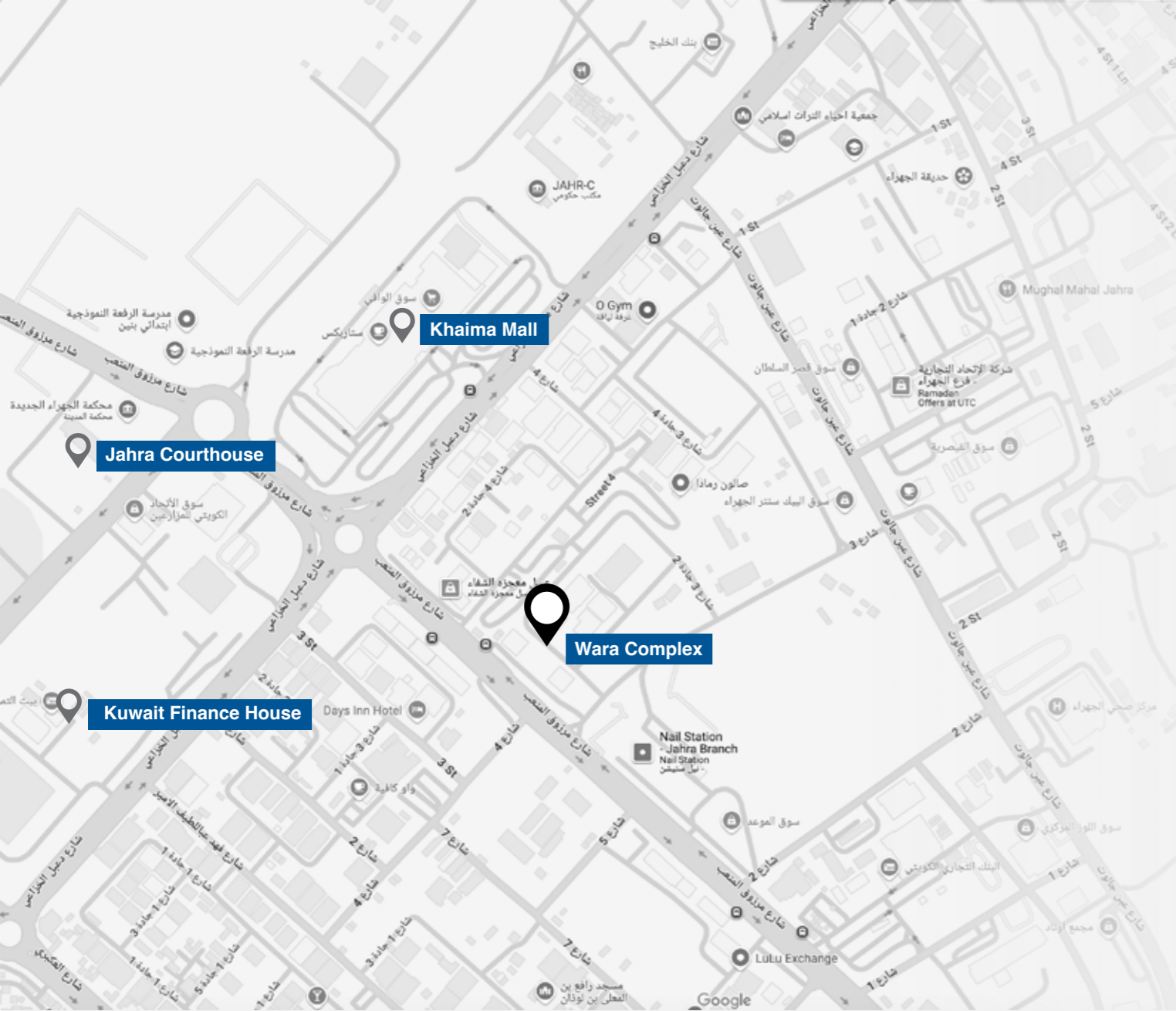
- Projected Income Growth: The current income is expected to rise approximately 12% increase through strategic lease renewals.
- Recent renovations: The padel court in the podium area has undergone recent renovations to prepare for the upcoming season. Enhancements include upgraded playing surfaces and improved lighting, ensuring a top-notch experience for both players and fans. These improvements reflect our commitment to providing excellent recreational facilities for residents.

ACTIONS ENVISIONED

- Enhancing Tenant Facilities: Explore opportunities to further enhance amenities, such as expanding recreational areas or adding family-centric features, to boost tenant satisfaction and attract new residents.
- Targeted Marketing Efforts: Implement focused marketing strategies to showcase the property's luxurious features and superior amenities, emphasizing its ideal location and lifestyle offerings to draw in a diverse tenant base.



Wara Complex



- **GLA: 795 m2**
- **Annual Potential Income: KWD 245,760**
- **Acquired: 2003**
- **Occupancy: 100%**
- **Collection: 100%**
- **Number of Floors: Basement, GF and Mezzanine**

Wara Complex is a versatile commercial asset situated in a thriving area of Jahra's main shopping street (Marzouq Almeteb st.). This property features an occupancy rate of 100%. Its strategic location, range of surrounding available services, tenant mix and the abundance of parking space that serve the complex, make it a popular choice for businesses.

POSITIONING

- **High-Demand Location:** The complex's location in a vibrant commercial district enhances its appeal to potential tenants.
- **Diverse Tenant Base:** A variety of tenants contributes to steady cash flow and mitigates risks associated with vacancy.

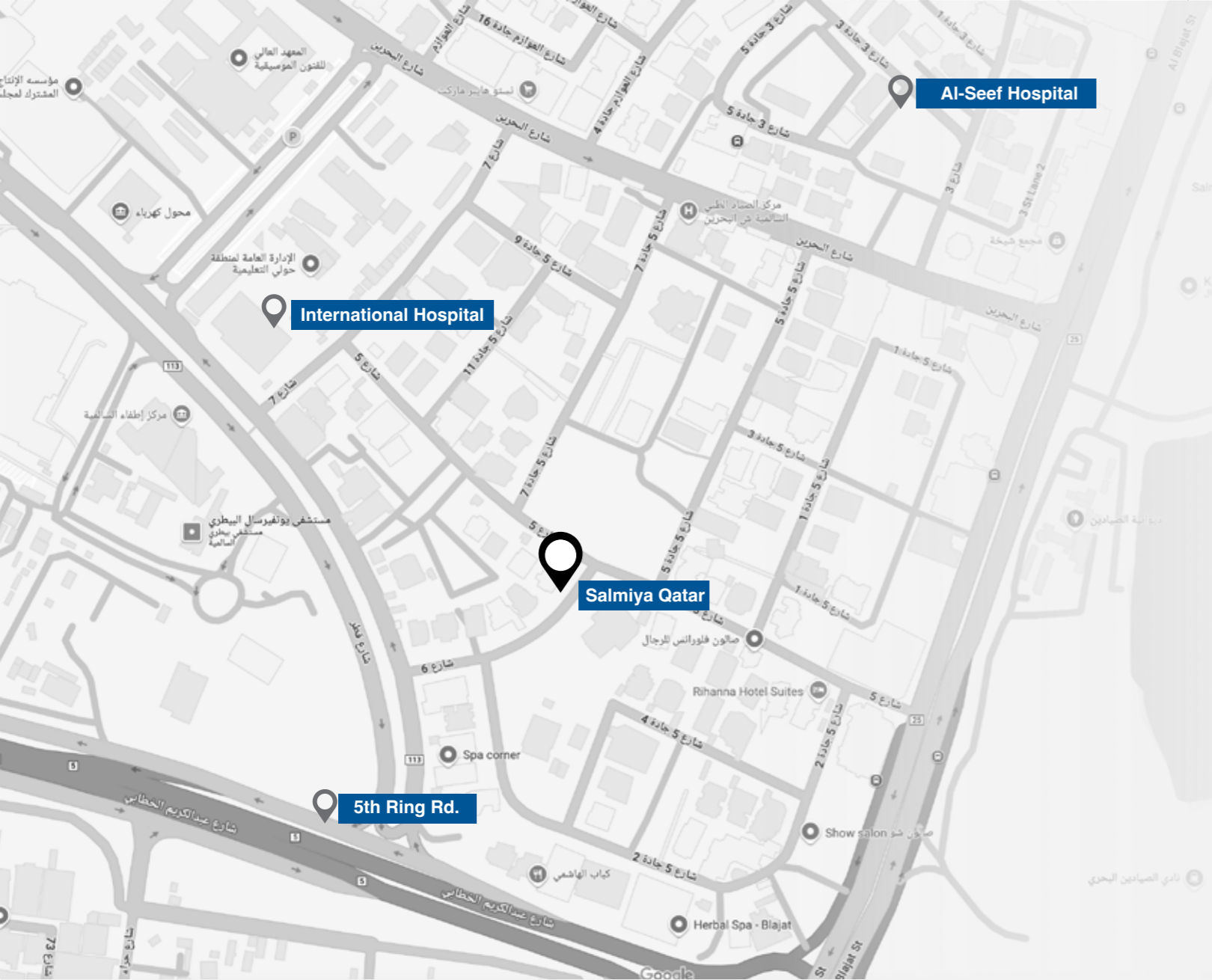
OPERATIONAL HIGHLIGHT

- **Income Growth Potential:** The current income is projected to by approximately 15% increase through strategic rental adjustments.

ACTIONS ENVISIONED

- **Marketing Campaigns:** Develop engagement strategies to maintain high tenant satisfaction and strengthen long-term occupancy.
- **Facility Improvements:** Assess opportunities for upgrades to further enhance tenant experience and support business operations.

Salmiya Qatar



- GLA: 1,928 m²
- Annual Potential Income: KWD 124,860
- Acquired: 2013
- Occupancy: 90%
- Collection: 96%
- Number of Floors: 8

Salmiya Qatar is a well-positioned residential property located in a prime area of Salmiya. This property currently has an occupancy rate of 90.2%. Its proximity to major amenities such as Salmiya Boulevard and modern infrastructure makes it an attractive choice for families.

POSITIONING

- Central Location: The strategic positioning of Salmiya Qatar enhances its appeal, attracting various tenants.
- Modern Facilities: Equipped with contemporary amenities, the property meets the needs of today's tenants.

OPERATIONAL HIGHLIGHT

- Projected Income Growth: Current income is expected to by approximately 17% through strategic lease renewals.
- Upgrades: recent façade painting works and repair of car parking shades

ACTIONS ENVISIONED

- Improving Accessibility: Evaluate potential solutions to enhance accessibility and parking options for tenants.
- Marketing Efforts: Implement targeted marketing initiatives to promote the property and attract new tenants.

Hawalli Qutaiba



- GLA: 2,124 m²
- Annual Potential Income: KWD 127,620
- Acquired: 2012
- Occupancy: 100%
- Collection: 100%
- Number of Floors: 12

Hawalli Qutaiba is a well-established residential property located in Hawalli on Mughira Bin Shuba'a Street next to Bin Kheldoun Street. This property currently holds an occupancy rate of 100%. Its strategic location in high dense area surrounded with couple of schools make it an attractive choice for families seeking reliable housing.

POSITIONING

- High Visibility Location: Hawalli Qutaiba's prominent location enhances its appeal to a wide range of businesses.
- Modern Amenities: The property is equipped with contemporary facilities that cater to the needs of diverse tenants.

OPERATIONAL HIGHLIGHT

- Projected Income Growth: The current income is expected to rise by 10% through strategic rental adjustments.
- Recent rental increase: rental rates have recently increased by 7%

ACTIONS ENVISIONED

- Enhancing Tenant Facilities: Explore opportunities for enhancing facilities to improve tenant satisfaction and enhance the living experience.
- Targeted Marketing Initiatives: Develop strategies to strengthen tenant relationships and reinforce the property's appeal through exclusive services and community-driven initiatives.



MREF Manager's Report

Share Capital

Markaz Real Estate Fund (MREF), was established in 2003 and operates like a REIT years before legislation was present in Kuwait. It is currently managed as a Shariah Compliant open-ended mutual fund. The fund operates under the laws and regulations of Capital Markets Authority "CMA" as a real estate fund with license number LCIS/2015/0021.

As of December 2024, the fund's share capital comprised of 52,508,598 units with a market value of KWD 1.393 each. With all shareholders having a common type of units with a minimum of 100 units each, they are all eligible for full payment of the units with a 6-month redemption window.

Fund Manager

Markaz Real Estate Fund "MREF" is managed by Kuwait Financial Centre K.P.S.C. "Markaz". Established in 1974 "Markaz" is a leader in asset management and investment banking in MENA with bespoke advisory services, diversified investment portfolios, a presence in 13 countries, Markaz's total assets under management are KD 1.21 billion as of December 31, 2024.

Investment Objectives

The objective of Markaz Real Estate Fund is to generate stable and recurring returns, in compliance with the Islamic Shari'ah, by investing in a portfolio of real estate properties within the state of Kuwait during the life of the fund.

Investment Policy

The type of investments MREF can invest in currently includes free lease hold real estate properties in Kuwait, bank deposits with a maximum of 25% of AUM and cash.

MREF's policies mandate investment board approval and adherence to Book Value (BV) thresholds for acquisitions and disposals. This ensures transactions align with strategic goals, manage risk, and uphold financial discipline.

Management Strategy

To achieve fund objective, MREF is following main strategies as follows:

1. Diversification Strategy: Carefully select a range of properties within Kuwait to balance risk and ensure steady returns by investing in various property types and locations.
2. Active Asset Management Strategy: Proactively manage and enhance property value through operational improvements and renovations to maximize rental income and property performance.
3. Risk Management: Implementing measures to mitigate financial, operational, and market risks, ensuring stable returns throughout the fund's life.

Related Parties

Custodian: Gulf Custody Company

The custodian is responsible for safeguarding the fund's assets, ensuring that all transactions are conducted properly, and maintaining accurate records of the assets held. Gulf Custody Company acts as the custodian for MREF, providing secure and compliant asset custody services.

Auditors: PricewaterhouseCoopers Al-Shatti & Co.

As the external auditors, PricewaterhouseCoopers Al-Shatti & Co. conducts an independent examination of MREF's financial statements. Their role is to ensure that the financial reports are accurate, transparent, and in compliance with applicable accounting standards and regulations.



Property Managers: United Facilities Management

Role: United Facilities Management is responsible for the day-to-day operations and maintenance of MREF's real estate assets. This includes managing tenants, ensuring the upkeep of properties, handling lease agreements, and maximizing the operational efficiency of the real estate portfolio.

External Shariah Auditor: Al Mashora & Al Rayah for Islamic Financial Consulting

Role: The external Shariah auditor ensures that MREF's operations and investments comply with Islamic law (Shariah). Al Mashora & Al Rayah for Islamic Financial Consulting reviews the fund's activities and certifies that they adhere to Shariah principles, providing assurance to investors seeking Shariah-compliant investment options.

Sharia Compliance

Certificate

The Sharia auditor issued the certificate confirming the Sharia compliance of the fund for year 2024.

At Markaz Real Estate Fund, we are deeply committed to ensuring that all our investment activities align with Sharia principles. As a leading investment fund in Kuwait, we understand the importance of adhering to Islamic law in all aspects of the fund's financial operations. Our approach is guided by a profound respect for the ethical and moral guidelines that form the cornerstone of Sharia compliance.

Sharia Compliance Framework

To ensure our operations are Sharia-compliant, we have established a comprehensive framework that covers every aspect of our fund's activities, from investment selection to ongoing monitoring. Our compliance framework is built around the following key elements:

1. Sharia Supervisory Board:

We have appointed a dedicated Sharia Supervisory Board consisting of prominent Islamic scholars with deep expertise in Islamic finance. This board provides continuous oversight and ensures that our investment activities strictly adhere to Sharia principles.

2. Investment Screening:

Before any investment is made, it undergoes a rigorous screening process to ensure it meets the criteria outlined in Sharia law. We avoid investments in industries and sectors that are considered non-compliant, such as those involved in alcohol, gambling, and interest-based financial services. Our focus is on ethical investments that promote positive social impact.

3. Prohibition of Riba (Interest):

One of the fundamental principles of Sharia law is the prohibition of Riba, or interest. Marka Real estate Fund "MREF" strictly avoids any financial instruments or transactions that involve interest, ensuring that all our investments are structured in a way that is free from Riba.

4. Zakat Calculation:

As part of our commitment to social responsibility, MREF facilitates the calculation of Zakat, an obligatory form of almsgiving in Islam, in line with the requirements of Sharia law.

Conclusion

MREF is proud to offer investment opportunities that are not only profitable but also fully compliant with Sharia law. Our adherence to Islamic principles ensures that our investors can achieve their financial goals while staying true to their values.



Markaz Real Estate Fund
State of Kuwait
Financial Statements and Independent
Auditor's Report for the year ended
31 December 2024





Table Of Content

1-	Independent auditor's report	60
2-	Statement of financial position	62
3-	Statement of comprehensive income	63
4-	Statement of changes in net assets attributable to unitholders	64
5-	Statement of cash flows	65
6-	Notes to the financial statements	66



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

Report on the audit of the financial statements

Our Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of Markaz Real Estate Fund ("the Fund") as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards..

What we have audited

The Fund's financial statements comprise:

- The statement of financial position as at 31 December 2024;
- The statement of comprehensive income for the year then ended;
- The statement of changes in net assets attributable to unitholders for the year then ended;
- The statement of cash flows for the year then ended; and
- The notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for Opinion

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

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

Independence

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

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS Accounting Standards, 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.

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



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

(continued) Report on the audit of the financial statements

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

We further report that during the course of our audit, we have not become aware of any material violations concerning the Executive Bylaws 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 year ended 31 December 2024 that might have had a material effect on the business of the Fund or on its financial position.

Khalid Ebrahim Al-Shatti
Licence No. 175
PricewaterhouseCoopers (Al-Shatti & Co.)

11 February 2025
Kuwait

Statement of financial position

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Note	As at 31 December	
		2024	2023
Assets			
Non-current assets			
Investment properties	5	78,094,000	72,709,000
Current assets			
Cash and cash equivalents	6	1,126,622	435,302
Accounts receivable and prepayments		163,168	199,469
		<u>1,289,790</u>	<u>634,771</u>
Total assets		<u>79,383,790</u>	<u>73,343,771</u>
Liabilities			
Current liabilities			
Accrued expenses and other payables	7	2,155,645	1,589,642
Murabaha payable	8	4,075,265	767,840
		<u>6,230,910</u>	<u>2,357,482</u>
Total liabilities			
Net assets attributable to unitholders		<u>73,152,880</u>	<u>70,986,289</u>
Represented by			
Unitholders contribution	9	52,508,598	54,819,351
Units' premium	9	8,835,900	9,589,616
Retained earnings		11,808,382	6,577,322
		<u>73,152,880</u>	<u>70,986,289</u>
Total net assets attributable to unitholders			
Net asset value per unit (KD)	10	1.393	1.295

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

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

Statement of comprehensive income

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Note	Year ended 31 December	
		2024	2023
Income			
Net rental income		4,952,834	4,758,567
Change in fair value of investment properties	5	5,385,000	2,178,000
Profit income from bank balances		4,122	44,547
Other income		43,179	28,830
		<u>10,385,135</u>	<u>7,009,944</u>
Total income			
Expenses			
Operating expenses	12	(1,159,485)	(1,403,040)
Finance costs		(146,817)	(7,845)
Management fees	11	(361,759)	(336,169)
Custodian and controller fees	11	(55,000)	(55,000)
Provision for impairment of receivables (net)		(76,244)	(59,371)
		<u>(1,799,305)</u>	<u>(1,861,425)</u>
Total expenses			
Profit for the year		<u>8,585,830</u>	<u>5,148,519</u>
Other comprehensive income		-	-
		<u>8,585,830</u>	<u>5,148,519</u>
Total comprehensive income for the year			



Statement of changes in net assets attributable to unitholders

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Outstanding number of redeemable units	Unitholders' contribution	Units Premium	Retained earnings	Total
Balance at 1 January 2023	57,477,576	54,477,576	10,283,497	4,947,133	72,708,206
Subscription of redeemable units	2,196,871	2,196,871	572,371	-	2,769,242
Redemption of redeemable units	(4,855,096)	(4,855,096)	(1,266,252)	-	(6,121,348)
Total comprehensive income for the year	-	-	-	5,148,519	5,148,519
Declared cash dividend during the year (note 9)	-	-	-	(3,518,330)	(3,518,330)
Balance at 31 December 2023	54,819,351	54,819,351	9,589,616	6,577,322	70,986,289
Balance at 1 January 2024	54,819,351	54,819,351	9,589,616	6,577,322	70,986,289
Subscription of redeemable units	2,366,104	2,366,104	784,319	-	3,150,423
Redemption of redeemable units	(4,676,857)	(4,676,857)	(1,538,035)	-	(6,214,892)
Total comprehensive income for the year	-	-	-	8,585,830	8,585,830
Declared cash dividend during the year (note 9)	-	-	-	(3,354,770)	(3,354,770)
Balance at 31 December 2024	52,508,598	52,508,598	8,835,900	11,808,382	73,152,880



Statement of cash flows

(All amounts in Kuwaiti Dinars unless otherwise stated)

Note	Year ended 31 December	
	2024	2023
Cash flows from operating activities		
	8,585,830	5,148,519
Profit for the year		
Adjustments for:		
5	(5,385,000)	(2,178,000)
	(4,122)	(44,547)
	76,244	59,371
	3,272,952	2,985,343
Changes in working capital:		
	(39,943)	24,523
	580,215	276,739
	3,813,224	3,286,605
NET CASH GENERATED FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
	4,122	45,307
	4,122	45,307
Net cash generated from investing activities		
Cash flows from financing activities		
	3,307,425	767,840
	3,150,423	2,769,242
	(6,214,892)	(6,121,348)
	(3,368,982)	(3,530,111)
	(3,126,026)	(6,114,377)
NET CASH USED IN FINANCING ACTIVITIES		
	691,320	(2,782,465)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
6	435,302	3,217,767
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
6	1,126,622	435,302
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		

Notes to the financial statements

(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 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 manager started obtaining the necessary approvals for renewing the fund license.

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 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 financial statements of the Fund for the year ended 31 December 2024 were approved for issuance by the Fund manager and the Fund custodian on [Date].

2. MATERIAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with IFRS Accounting Standards. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- IAS® Standards
- Interpretations developed by the IFRS Interpretations Committee (IFRIC® Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC® Interpretations).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the Fund manager to exercise its judgement in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) New standards and amendments to existing standards effective 1 January 2024

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2024 that have a material effect on the financial statements of the Fund.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2024 and have not been early adopted in preparing these financial statements. The Fund’s assessment of the impact of these new standards and amendments is set out below:

- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2026)
- IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)

The Fund is currently assessing the effect of the forthcoming standard and amendments.

2.2 Foreign currency translation

a) Functional and presentation currency

The Fund’s unitholders are mainly from the State of Kuwait, with the subscriptions and redemptions of the redeemable shares denominated in Kuwaiti Dinars. The primary activity of the Fund is to achieve capital appreciation and cash profit by investing the Fund’s capital for purchasing and developing income generating and non-generating real estate properties, in accordance with Islamic Sharia. The performance of the Fund is measured and reported to the unitholders in Kuwaiti Dinars. The management of the Fund considers the Kuwaiti Dinar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Kuwaiti Dinars, which is the Fund’s functional and presentation currency.

2.3 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Fund is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Property held under operating leases is classified and accounted for by the Fund as investment property when the rest of the definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Fund expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier.

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Investment properties (continued)

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature location or condition of the specific asset. If this information is not available, the Fund uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date, by professional evaluators who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the cost of replacement is included in the carrying amount of the property, and the fair value is reassessed.

Changes in fair values of investment properties are recognised in the statement of comprehensive income. Investment properties are derecognised when they have been disposed of.

Where the Fund disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of comprehensive income.

If an investment property becomes owner-occupied, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in the statement of comprehensive income to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within net assets attributable to unitholders. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to the statement of comprehensive income.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Financial assets

a) Classification

i) Assets

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

- those to be measured at amortised cost.

The classification depends on the Fund's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets at amortized cost are included in current assets except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets.

b) Recognition, derecognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

c) Impairment

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

For accounts receivable, the Fund applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of rental income over a period of 24 months before 31 December 2024, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the tenants to settle the receivable.

Such forward-looking information would include:

- changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics);
- external market indicators; and
- tenant base

Accounts receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Financial assets (continued)

Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently are measured at amortised cost using the effective interest method, less impairment provision. The Fund holds the accounts receivable with the objective to collect the contractual cash flows.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include current accounts held with local financial institutions and time deposits with original maturities of three months or less which are subject to an insignificant risk of change in value.

2.5 Financial liabilities

The Fund recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost, unless the Fund opted to measure a liability at FVPL.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Accrued expenses and other payable balances

Financial liabilities included in accrued expenses and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Murabaha Payable

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Financial liabilities are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Financial liabilities are classified as current liability unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

2.7 Net Assets attributable to unitholders

Units are subscribed and redeemed at the holder's option at prices based on the Fund's net asset value per unit at the time of subscription or redemption. The Fund's net asset value per share is calculated by dividing the net assets attributable to unitholders with the weighted average number of outstanding units. In accordance with the provisions of the Fund's articles of association and bylaws, investment positions are valued based on the last traded market price for determining the net asset value per unit for subscriptions and redemptions. The redemption and subscription process will be entered into and executed on weekly basis.

2.8 Dividend distribution

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.

2.9 Income recognition

Rental income from investment properties

Rental income from operating leases is recognised in the statement of comprehensive income on a straight-line basis over the lease term.

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 comprehensive income.

2.10 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 evaluation 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 evaluation day and paid on a quarterly basis, with a minimum annual fees KD 5,000 and maximum annual fees KD 27,500.

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks: credit risk and liquidity risk. The primary objectives of the Fund manager are to establish risk limits, and then ensure that exposure to risks stays within these limits.

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

The monitoring of these risks is carried out by the Fund's management. Risk management is carried out by the management under policies approved by the Fund manager.

3.1.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation and arises principally from accounts receivables and cash and cash equivalents. The Fund has no significant concentrations of credit risk.

Credit risk arises from cash and cash equivalents held at banks, accounts receivable, including rental receivables from tenants.

The Fund has policies in place to ensure that rental contracts are entered into only with tenants with an appropriate credit history. In addition, deposits refundable to tenants may be withheld by the Fund in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract. The Fund's manager seeks to avoid undue concentrations of risks with individuals or groups of counterparties in specific locations or business through diversification of its activities. The Fund seeks to limit its credit risk with respect to the bank balances by dealing with reputable banks.

The Fund has one type of financial assets that are subject to the expected credit loss model:

- Accounts receivable

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the assessed impairment loss was immaterial.

Exposure to credit risk

The Fund's maximum exposure to credit risk by class of financial assets is as follows:

	As at 31 December	
	2024	2023
Loans and receivables		
Accounts receivable – net	142,292	100,126
Cash and cash equivalents	1,126,622	435,302
	1,268,914	535,428

The Fund's exposure to credit risk is not significant.

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.1 Credit risk (continued)

Risk concentration of the maximum exposure to credit risk

Concentrations arise when a number of counterparties is engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location.

As at 31 December 2024 and 2023, all financial assets subject to credit risk are in Kuwait and with highly reputable banks and financial institutions.

3.1.2 Liquidity risk

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

The Fund is exposed to monthly cash redemptions of redeemable units. The Fund's units do not have any contractual maturity since these units are redeemable on demand at the unit holders' option. The Funds policy is to maintain bank balances sufficient to settle historical pattern of monthly redemptions.

Under extraordinary circumstances the Fund also has the ability to suspend redemptions if this is deemed to be in the best interest of all unitholders. The Fund did not withhold any redemption or implement any suspension during 2024 and 2023. In accordance with the Fund's policy, the investment manager monitors the Fund's liquidity position on a daily basis.

As at 31 December 2024 and 2023, the Fund's financial liabilities subjected to liquidity risk have contractual maturities up to one year from the end of the reporting period. These represent the contractual undiscounted cash flow.

3.2 Capital risk management

The capital of the Fund is represented by the net assets attributable to unitholders. The amount of net asset attributable to unitholders can change significantly on a weekly basis, as the Fund is subject to monthly subscriptions and redemptions at the discretion of unitholders, as well as changes resulting from the Fund's performance. 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, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain the capital structure, the Fund's policy is to perform the following:

- Monitor the level of monthly subscriptions and redemptions relative to the assets it expects to be able to liquidate within a month and adjust the amount of distributions the Fund pays to redeemable unitholders.
- Redeem and issue new shares in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Fund manager monitors capital on the basis of the value of net assets attributable to unitholders. As at 31 December 2024, the Fund had KD 4,075,265 outstanding Murabaha payable (2023: 767,840).

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The different levels have been defined as follows:

- Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs are unobservable inputs for the asset or liability.

The Fund's investment properties are carried at fair value on a recurring basis. 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 780,940 (2023: KD 727,090).

There were no transfers between levels that took place during the years ended 31 December 2024 and 2023.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Valuation of investment properties

Fair value is determined based on the lowest valuation of two external, independent valuers, having appropriate recognised professional qualifications and recent experiences in the location and category of properties being valued. The fair value of the Fund's properties were determined using the income approach based on unobservable inputs that include:

- Future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
- Discount rates: reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Estimated vacancy rates based on current and expected future market conditions after expiry of any current lease; and
- Capitalisation rates based on actual location, size and quality of the properties and taking into account market data at the valuation date.

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

5. INVESTMENT PROPERTIES

The movement of investment properties during the year is as below:

	As at 31 December	
	2024	2023
Balance at 1 January	72,709,000	70,531,000
Change in fair value	5,385,000	2,178,000
Balance at 31 December	78,094,000	72,709,000

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 9,145,000 is secured against murabaha payable which is obtained from local Islamic bank (note 8).

6. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2024	2023
Cash at banks	826,622	435,302
Time deposits	300,000	-
Cash and cash equivalents for the purpose of statement of cash flows	1,126,622	435,302

The time deposits held with local Islamic bank have original maturities of three months or less and are subject to an insignificant risk of changes in value. Time deposits carry a profit rate of 3.5% (2023: Nil%) per annum.

7. ACCRUED EXPENSES AND OTHER PAYABLES

	As at 31 December	
	2024	2023
Accrued management fees (note 11)	28,907	31,127
Accrued custodian and controller fees (note 11)	13,825	13,864
Subscriptions collected in advance	622,731	151
Rents collected in advance	148,539	176,230
Dividends payable	297,180	311,392
Refundable deposits	578,097	569,269
Others	466,366	487,609
	2,155,645	1,589,642

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

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

8. 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 2024 is KD 4,075,265 (31 December 2023: KD 767,840). This facility is secured by certain investment properties (note 5).

9. UNITHOLDERS CONTRIBUTION, UNIT PREMIUM and DIVIDENDS

Unit contribution

The fund is an open ended fund with fund capital varying from 2,000,000 to 100,000,000 units with a par value of KD 1 per unit (31 December 2023: 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.

	As at 31 December	
	2024	2023
Issued and fully paid	52,508,598	54,819,351

Units Premium

Units premium represents surplus on the par value of the subscriptions and redemptions of the Funds' units.

Dividends

During the year, the Fund declared dividends of KD 3,354,770 (31 December 2023: KD 3,518,330).

10. NET ASSET VALUE PER UNIT

	As at 31 December	
	2024	2023
Net assets attributable to unitholders (KD)	73,152,880	70,986,289
Number of units outstanding (units)	52,508,598	54,819,351
Net asset value per unit (KD)	1.393	1.295

Notes to the financial statements

(All amounts in Kuwaiti Dinars unless otherwise stated)

11. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. These represent transactions with the Fund manager or any of his subsidiaries or associates, members of the board of directors of the Fund or the Fund manager, executive members or employees of the Fund manager, investment custodian and controller, investment properties valuers, the Fund's external auditor, the Fund manager's external auditor, major unitholders whose ownership exceed 5% of the Fund's net asset value and any person related to or controls the aforementioned parties. Transactions with related parties are conducted in the normal course of business and are on terms and conditions approved by the management and under the terms of the Private Placement Memorandum of the Fund.

	As at 31 December	
	2024	2023
Balances included in the statement of financial position		
Accrued management fees (note 7)	28,907	31,127
Accrued custodian and controller fees (note 7)	13,825	13,864
Due to Fund manager (included in accrued expenses and other payables)	2,708	2,053
Professional fees	1,250	2,000
Year ended 31 December		
	2024	2023
Transactions included in the statement of comprehensive income		
Management fees	361,759	336,169
Custodian and controller fees	55,000	55,000
Investment properties valuers fees	18,962	19,973

At the reporting date, the Fund manager holds 1,609,858 unit which representing 3.06% of the Fund's subscribed units (31 December 2023: 1,609,858 unit which representing 2.94% of the Fund's subscribed units). This is in accordance with the Fund's private placement memorandum which requires that the Fund manager is required to hold a minimum of KD 100,000 of the Funds subscribed units and not exceed 95% of the Fund's capital.

12. OPERATING EXPENSES

	Year ended 31 December	
	2024	2023
Utility charges	134,744	173,747
Consultant commission	123,096	74,176
Professional fees	46,081	41,920
Maintenance expenses	327,264	540,180
Security expenses	119,796	120,770
Others	408,504	452,247
	1,159,485	1,403,040



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