

MARKAZ ARABIAN FUND

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2023**

MARKAZ ARABIAN FUND

Chairman

Mrs. Amani Ebrahim Al-Omani

Directors

Mrs. Maha Abdul Salam Imad
Rasha Ali Khalil Khalil

Registered Office

P.O. Box 2400
Manama
Kingdom of Bahrain

Principal Bankers

Ahli United Bank, Kuwait
Bank Muscat, Oman
Commercial Bank of Qatar

Fund Company

Markaz Arabian Fund Company B.S.C. (c)
C/o Gulf Custody Company B.S.C. (c)
P. O. Box 2400,
Manama
Kingdom of Bahrain

Operator, Fund Manager
& Placement Agent

Kuwait Financial Centre K.P.S.C.
P. O. Box 2344, Safat 13095,
State of Kuwait

Administrator, Custodian & Registrar

Gulf Custody Company B.S.C. (c)
P.O. Box 2400
Manama
Kingdom of Bahrain

Auditor

Deloitte & Touche – Middle East
P.O. Box 421
Manama, Kingdom of Bahrain

Engagement Partner: Ronald Gardiner

MARKAZ ARABIAN FUND

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DIRECTORS' REPORT

The Directors present the annual report and financial statements of Markaz Arabian Fund (the "Fund") for the year ended December 31, 2023.

Principal activity

The Fund is a collective investment scheme with the primary objective of seeking capital appreciation through investing principally in equity and debt securities listed on the Gulf Cooperation Council ("GCC") and Middle East and North Africa ("MENA") stock markets in addition to unlisted debt securities issued by the government institutions of GCC and MENA countries. The Fund's investments at December 31, 2023 consist of listed equities on various GCC and MENA stock exchanges.

Review of business

The Fund's profit for the year amounted to USD 3,348,193 (2022: 194,703 loss). The results of the operations of the Fund are summarised on page 6.

Appropriations

None.

Changes in Directors

There was no change in Directors during the period and up to the date of this report.

Auditors

The auditors of Deloitte & Touche – Middle East have expressed their willingness to accept reappointment as external auditors of the Fund.

On behalf of the Board

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Amani Ebrahim Al-Omani
Chairman

13 March 2024

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Maha Abdul Salam Imad
Director

INDEPENDENT AUDITOR'S REPORT

To the Unitholders
Markaz Arabian Fund
Manama, Kingdom of Bahrain

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Markaz Arabian Fund (the "Fund"), which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to the unitholders and statement of cash flows for the year then ended, and notes to the financial statements including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards) (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Fund's financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Existence and valuation of equity instruments</p> <p>The Fund's equity investments at December 31, 2023 are valued at USD 31,438,580 and constitute over 97% of the Fund's total assets.</p> <p>We considered the existence and valuation of equity investments to be a key audit matter due to their significance to the financial statements as a whole.</p> <p>These equity investments are all level 1 investments as defined in the fair value hierarchy. Accordingly, management determined the fair value of the equity investments based on quoted prices from observable markets.</p> <p>Refer to note 3 of the financial statements for the accounting policy and note 6 for the related disclosures.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Assessing the controls over the valuation of equity instruments to determine if they had been appropriately designed and implemented; • Agreeing the Fund's investments holdings to independently requested and received third party confirmations; • Agreeing the valuation of investments in the portfolio to externally quoted prices as at December 31, 2023; • Agreeing the total of the valuation of the portfolio to the amount reported in the financial statements; • Assessing the disclosures in the financial statements relating to this matter against the requirements of IFRSs.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' report and additional disclosures as disclosed in the Annexure attached to the financial statements. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determine 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 have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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; and
- 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

We communicate with those charged 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.

We also provide the those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rulebook (Volume 7), we report that:

- a) the Fund has maintained proper accounting records and the financial statements are in agreement therewith;
- b) the financial information contained in report of the Board of directors is consistent with the financial statements;
- c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 7), and CBB directives or the terms of Funds' prospectus, having occurred during the year ended December 31, 2023 that might have had a material adverse effect on the business of the Fund or on its financial position;
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.

Deloitte & Touche

DELOITTE & TOUCHE – MIDDLE EAST
Partner Registration No. 261
Manama, Kingdom of Bahrain

March 13, 2024

MARKAZ ARABIAN FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	Notes	2023 USD	2022 USD
ASSETS			
Cash and cash equivalents	5	829,978	7,497,384
Investments at fair value through profit or loss	6	31,438,580	28,601,924
Other assets		4,000	1,135
Total assets		<u>32,272,558</u>	<u>36,100,443</u>
Liabilities			
Due to fund manager	10	183,433	7,163,026
Accrued expenses and other payables	11	32,293	28,334
Total liabilities		<u>215,726</u>	<u>7,191,360</u>
Net Assets attributable to the unitholders		<u>32,056,832</u>	<u>28,909,083</u>
Outstanding number of units		<u>5,864,954</u>	<u>5,904,478</u>
Net asset value per unit		<u>5.5</u>	<u>4.9</u>

The financial statements from page 5 to 8 and annexure on pages 19 to 21 were approved and authorised for issue on 13 March 2024:

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Amani Ebrahim Al-Omani
Chairman

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Maha Abdul Salam Imad
Director


The attached notes form part of these financial statements

MARKAZ ARABIAN FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2023

	Notes	2023 USD	2022 USD
Revenue			
Dividend income		1,021,057	1,003,889
Net realised gain on investments	6	343,545	1,075,446
Net unrealised gain/(loss) on investments	6	2,820,928	(1,137,658)
Interest income		147	515
Total operating income		4,185,677	942,192
Expenses			
Management fees	8 & 10	(519,094)	(689,383)
Custodian and administrator fees	8	(50,000)	(50,000)
Performance fees	8	(52,189)	(108)
Placement fees		-	-
Registrar fees		(3,000)	(3,000)
Representative fees		(7,000)	(7,000)
Professional fees		(16,130)	(16,254)
Other expenses	12	(54,839)	(82,259)
Net foreign currency loss		(135,232)	(288,891)
Total expenses		(837,484)	(1,136,895)
Profit/(loss) for the year		3,348,193	(194,703)
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year		3,348,193	(194,703)
Earnings/(loss) per unit	9	0.5689	(0.0266)

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Chairman

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Maha Abdul Salam Imad
Director

The attached notes form part of these financial statements

MARKAZ ARABIAN FUND
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS
YEAR ENDED DECEMBER 31, 2023

	No. of Units	Unit capital		Units surplus		Retained earnings		Total	
			USD	USD	USD	USD	USD	USD	USD
Balance, January 1, 2022	7,338,719	22,016,157	4,958,138	9,068,767	36,043,062				
Redemptions of units	(1,482,559)	(4,447,677)	(2,739,265)	-	(7,186,942)				
Issuance of units	48,318	144,954	102,712	-	247,666				
Total comprehensive loss for the year	-	-	-	(194,703)	(194,703)				
Balance, December 31, 2022	5,904,478	17,713,434	2,321,585	8,874,064	28,909,083				
Redemptions of units	(39,524)	(118,572)	(81,872)	-	(200,444)				
Total comprehensive income for the year	-	-	-	3,348,193	3,348,193				
Balance, December 31, 2023	5,864,954	17,594,862	2,239,713	12,222,257	32,056,832				

The attached notes form part of these financial statements

MARKAZ ARABIAN FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	Notes	2023 USD	2022 USD
Cash flows from operating activities			
Profit/(loss) for the year		3,348,193	(194,703)
Adjustments for:			
Net unrealised (gain)/loss on investments	6	(2,820,928)	1,137,658
Net realised gain on investments	6	(343,545)	(1,075,446)
Dividend income		(1,021,057)	(1,003,889)
Interest income		(147)	(515)
		<u>(837,484)</u>	<u>(1,136,895)</u>
Changes in operating assets and liabilities:			
Purchase of investments	6	(3,951,237)	(9,473,986)
Proceeds from sale of investments	6	4,279,054	17,191,309
(Increase)/decrease in other assets		(2,865)	47,707
(Decrease)/increase in due to Fund Manager		(6,979,593)	7,000,396
Increase/ (decrease) in accrued expenses and other payables		3,959	(510,067)
Dividend income received		1,021,057	1,002,806
Interest income received		147	515
Net cash (used in)/generated from operating activities		<u>(6,466,962)</u>	<u>14,121,785</u>
Cash flows from financing activities			
Issuance of units		-	247,666
Redemption of units		(200,444)	(7,186,942)
Net cash used in financing activities		<u>(200,444)</u>	<u>(6,939,276)</u>
Net (decrease)/increase in cash and cash equivalents		(6,667,406)	7,182,509
Cash and cash equivalents, beginning of year		7,497,384	314,875
Cash and cash equivalents, end of year	5	<u>829,978</u>	<u>7,497,384</u>

The attached notes form part of these financial statements

MARKAZ ARABIAN FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

1. INCORPORATION AND ACTIVITIES

Markaz Arabian Fund (the "Fund") was established on June 7, 2005 and commenced operations on January 1, 2006 in the Kingdom of Bahrain in accordance with the regulations for the Operation and Marketing of Collective Investment Undertakings as contained in Volume 7 of the Central Bank of Bahrain ("the CBB") Rulebook. The Fund is an open ended collective investment scheme, registered with the CBB as a Retail Fund, with its duration subject to the duration of the Markaz Arabian Fund Company B.S.C. (Closed) ("the Fund Company"), which is twenty five calendar years commencing from August 15, 2005. The Fund Company is a closed joint stock company registered under Commercial Registration No. 57793 in the Kingdom of Bahrain for the sole purpose of creating the Fund and to enter into instruments for the creation and issue of participating investment units. The major shareholder of the Fund Company is Kuwait Financial Centre K.P.S.C. which owns 99% of the share capital of the Fund Company and who is also the Fund Manager and Operator ("the Fund Manager"). During 2010, the Fund changed its name from Markaz Gulf Fund to Markaz Arabian Fund.

The primary objective of the Fund is to seek capital appreciation through investing principally in equity and debt securities listed on the Gulf Cooperation Council ("GCC") and Middle East and North Africa ("MENA") stock markets.

These financial statements represent the assets, liabilities and operations of the Fund only. The registered office of the Fund Company, which represents the Fund, is at P.O. Box 2400, Manama, Kingdom of Bahrain

2. ADOPTION OF NEW AND REVISED STANDARDS (IFRSs)

2.1 New and revised Standards applied with no material impact on the financial statements

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)	The Company has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.
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The Company does not have any contracts that meet the definition of an insurance contract under IFRS 17.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies	The Company has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.
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The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed.

MARKAZ ARABIAN FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Company has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

Amendments to IAS 12 Income Taxes — International Tax Reform — Pillar Two Model Rules

The Company has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Company is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The Company has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

MARKAZ ARABIAN FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

2.2 **New and revised standards issued but not yet effective**

At the date of authorization of these financial statements, the Fund has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback - effective from January 1, 2024
- Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements - effective from January 1, 2024
- Amendments to IAS 1 Non-current Liabilities with Covenants - effective from January 1, 2024
- Amendments to IAS 1 Classification of liabilities as current or non-current - effective from January 1, 2024
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current — Deferral of Effective Date - effective from January 1, 2024
- Amendments to IAS 21 Lack of exchangeability - effective from January 1, 2025

The Directors do not expect that the adoption of the above Standards will have a material impact on the Fund's financial statements in future periods.

3. **MATERIAL ACCOUNTING POLICY INFORMATION**

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the applicable requirements of the CBB.

The financial statements have been prepared on the historical cost basis, except for the measurement at fair value of the investment portfolio. These financial statements have been presented in US Dollars ("USD"), which is the Fund's functional and presentation currency.

Going concern

The Fund Operator is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the Fund Operator is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern for the period of 12 months subsequent to the approval of financial statements. Therefore, the financial statements continue to be prepared on the going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

The material accounting policy information is as follows:

Financial instruments

Financial assets and financial liabilities are recognized in the Fund's statement of financial position when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of financial assets.

Classification of financial assets

Financial assets are classified as follows:

- Financial assets at amortized cost
- Financial assets at Fair Value Through Other Comprehensive Income (FVOCI)
- Financial asset at Fair Value Through Profit or Loss (FVTPL)

The classification and measurement category of financial assets, except for equity instruments and derivatives, are assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

MARKAZ ARABIAN FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

Business model assessment:

The Fund determines its business model at the level that best reflects how it manages Funds of financial assets to achieve its business objective. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Contractual cash flow characteristics test:

The Fund assesses whether the financial instruments' cash flows represent Solely for Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

The Fund reclassifies a financial asset only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Fund's cash and cash equivalents and receivables are classified as financial assets at amortized cost.

Financial asset at FVTPL

Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. This also includes equity instruments held-for-trading and are recorded and measured in the statement of financial position at fair value. Changes in fair values and dividend income are recorded in statement of profit or loss according to the terms of the contract, or when the right to receive has been established.

The Fund's portfolio of equity investments are within the 'Sell' business model, measured at FVTPL.

Impairment of financial assets

The Fund uses the general approach under IFRS 9 to measure the expected credit losses (ECL) for cash and cash equivalents. ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realized and the time value of money.

The Fund uses the simplified approach under IFRS 9 to measure ECL for receivables from brokers. The Fund's receivables from brokers are very short term in nature and do not include any financing component. Under the simplified approach the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. The difference between the carrying amount of the financial asset derecognised and the sum of the consideration received, and receivable is recognised in profit or loss

Financial liabilities and equity instruments issued by the Fund

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

MARKAZ ARABIAN FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Fund are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) Held for trading, or (iii) designated at FVTPL, are subsequently measured at amortized cost.

Derecognition of financial liabilities

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the sum of the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Interest income is recognised on a time proportion basis by reference to the principal outstanding and at the interest rate applicable. Dividend income is recognised when the Fund's right to receive payment is established.

Units issuance and redemption

New units are issued, and units are redeemed at the unit's Net Asset Value ("NAV") of the Fund for the preceding week. The difference between the nominal value of the units of USD 3 each and the NAV is transferred to equity under "units surplus as appropriate."

Evaluation of net asset value

Evaluation of the net asset value of the Fund for the purposes of issuing new units and redeeming units is done on each Thursday of the week. In the event that Thursday coincides with an official holiday, the preceding working day shall be the valuation date.

Foreign currencies

Transactions in currencies other than the Fund's functional currency (foreign currencies) are recognized in functional currency at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Fund's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

There were no critical judgements and estimates at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
	USD	USD
Current accounts and deposits with banks	5,204	2,174,961
Balances with brokers	<u>824,774</u>	<u>5,322,423</u>
	<u>829,978</u>	<u>7,497,384</u>

MARKAZ ARABIAN FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

6. **INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2023 USD	2022 USD
Listed shares (Level 1)	31,438,580	28,601,924

Investments at fair value through profit or loss represent investments in securities quoted on various GCC and MENA stock exchanges. Movement is as follows:

	2023 USD	2022 USD
Balance at beginning of year	28,601,924	36,381,459
Proceeds from sales during the year	(4,279,054)	(17,191,309)
Purchases during the year	3,951,237	9,473,986
Realised gain on investments	343,545	1,075,446
Unrealised gain/(loss) on investments	2,820,928	(1,137,658)
Balance at end of year	31,438,580	28,601,924

Investments in listed shares are classified as investments at fair value through profit or loss. These securities provide the Fund with the opportunity to enhance the return on investment through trading gains. The fair value of these securities are based on quoted market prices. Certain markets and securities may be illiquid and published market prices may not necessarily represent realisable value.

7. **CAPITAL**

The capital of the Fund consists of redeemable units with a par value of USD 3 per unit, which do not carry voting rights. Units are entitled to dividends and to a proportionate share of the Fund's net assets attributable to holders of redeemable units.

All issued redeemable units are fully paid and the Fund's capital is represented by these redeemable units. Quantitative information about the Fund's capital is provided in the statement of changes in net assets attributable to holders of redeemable units.

Each unit issued confers upon the unitholder an equal interest in the Fund, and is of equal value. A unit does not confer any interests in any particular asset or investment of the Fund.

8. **MANAGEMENT, PERFORMANCE ADMINISTRATION, REGISTRAR AND CUSTODY FEES**

In accordance with the Fund's Offering Memorandum:

a. Management fee

The Fund Manager shall earn an annual management fee of 1.75% of the net asset value of the Fund, to be calculated on a weekly basis and to be paid on a quarterly basis.

b. Custodian and Administrator fee

The Fund Custodian and Administrator shall earn an annual fee of 0.125% of the net asset value of the Fund, (subject to minimum fee of USD 50,000 per annum) to be calculated on a weekly basis and to be paid on a quarterly basis.

c. Performance fee

The Fund Manager is entitled to receive a performance fee of 10% of over and above a hurdle rate of 10%.

d. Registrar fee

The Fund Custodian and Administrator shall earn a flat fee of USD 3,000 per annum.

MARKAZ ARABIAN FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

9. EARNINGS PER UNIT

	<u>2023</u>	<u>2022</u>
Profit/(loss) for the year (USD)	3,348,193	(194,703)
Weighted average number of units outstanding (Units)	5,885,277	7,316,185
Earnings/(loss) per unit (USD)	<u>0.5689</u>	<u>(0.0266)</u>

10. RELATED PARTIES

Related parties, as defined in International Accounting Standard 24: "Related Party Disclosures" include Unitholders, Directors and the Fund Manager. Related party transactions are carried out at rates approved by the Fund Manager. Amounts due from / to related parties are unsecured, bear no interest and have no fixed repayment terms. Management considers these to be current assets and current liabilities, as appropriate.

Management fees expense amounted to USD 519,094 (2022: USD 689,383).

Performance fees expense amounted to USD 52,189 (2022: USD 108).

Balances due to the Fund Manager amounted to USD 183,433 as at December 31, 2023 (2022: USD 7,163,026).

In accordance with the Fund's Offering Memorandum, the Fund Manager is required to hold a minimum of 5% of the Fund's net assets value throughout the life of the Funds. The investment in Fund units by the Fund Manager at December 31, 2023 amounted to USD 30,374,270 (5,557,121 units) representing 94.75% [2022: USD 27,208,378 (5,557,121 units) representing 94.12%] of the total Fund's net assets value.

11. ACCRUED EXPENSES AND PAYABLES

	<u>2023</u> <u>USD</u>	<u>2022</u> <u>USD</u>
Administrator and custody fee payable	22,296	12,288
Registrar fee payable	756	756
Other payables	9,241	15,290
	<u>32,293</u>	<u>28,334</u>

12. OTHER EXPENSES

	<u>2023</u> <u>USD</u>	<u>2022</u> <u>USD</u>
Trade commissions	14,823	42,699
Others	40,016	39,560
	<u>54,839</u>	<u>82,259</u>

MARKAZ ARABIAN FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

13. **FINANCIAL INSTRUMENTS**

Categories of financial instruments

	2023 USD	2022 USD
Financial assets		
Cash and cash equivalents	829,978	7,497,384
Investments at fair value through profit or loss	31,438,580	28,601,924
Accounts receivable and other assets	4,000	1,135
	<u>32,272,558</u>	<u>36,100,443</u>
Financial liabilities		
Due to Fund Manager	183,433	7,163,026
Accrued expenses and redemptions payables	32,293	28,334
	<u>215,726</u>	<u>7,191,360</u>

Financial risk management objectives

The Investment Manager provides services to the Fund, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Fund through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include credit risk, liquidity risk and market risk comprising interest rate risk, foreign currency risk and equity price risk.

Credit Risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss.

In accordance with the Fund's policy, the Fund Manager monitors the Fund's credit position on a periodic basis.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is made by the custodian only on receipt of payment from the broker. Payment is made by the custodian for the purchase of securities only on receipt of security from the broker. The trade will fail if either party fails to meet its obligations.

Exposure to credit risk

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

Financial assets subject to IFRS 9's impairment requirements

The Fund's financial assets subject to the expected credit loss model within IFRS 9 are cash at banks, accounts receivable and other receivables. At 31 December 2023, the total of cash at banks, accounts receivable and other receivables is USD 833,978 on which a loss allowance is minimal. There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired, and no amounts have been written off in the period.

Financial assets not subject to IFRS 9's impairment requirements

The Fund is exposed to credit risk on listed securities. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FVTPL. The carrying value of these assets represents the Fund's maximum exposure to credit risk on financial instruments. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities, it arises because of the possibility (which may often be remote) that the entity could be required to pay its liabilities earlier than expected or reimburse the unitholders as a result of market illiquidity. Liquidity risk may also result from an inability to sell a financial asset quickly at close to its fair value.

The Fund manages liquidity risk by maintaining sufficient bank balances or by obtaining credit facilities from the banks. The Fund's securities are considered readily realizable as they are listed on stock exchanges.

MARKAZ ARABIAN FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

The liquidity profile of financial liabilities reflects the projected cash flows over the life of these financial liabilities.

The financial liabilities at December 31, 2023 and 2022 have a maturity of three months or less.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Fund's market risk is managed through diversification of the investment's portfolio exposure. The Fund's overall market positions are monitored on a daily basis by the Investment Manager.

Market risk consists of interest rate risk, currency risk and equity price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Fund is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Fund is exposed to interest rate risk in respect of time deposits and the Investment Manager believes it is not significant as at the reporting date.

The Investment Manager reviews the market analysis and expectations for interest rate movements as the basis on which Investment Manager monitors and manages the interest rate risk aspect and its impact on the Fund performance.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund's financial assets and financial liabilities are denominated in GCC currencies, Egyptian Pounds ("EGP") and United States Dollars. As the GCC currencies (except for the Kuwaiti Dinar) are effectively pegged to the United States Dollar, balances in these currencies are not considered to represent a significant currency risk. The balances in the other currencies are exposed to currency risk.

Exchange rate exposures to these currencies are managed through continuously monitoring exchange rate fluctuations.

The carrying amounts of the Fund's foreign currency denominated monetary assets and monetary liabilities equivalent to United States Dollar at the reporting dates are as follows:

	Assets		Liabilities	
	2023	2022	2023	2022
	USD	USD	USD	USD
AED	4,878,306	5,635,844	-	-
SAR	18,632,918	17,930,941	-	-
OMR	1,980	2,032	-	-
KWD	4,444,493	6,732,728	16	39
BHD	-	-	6,875	13,487
QAR	3,169,248	4,336,750	-	-
GCC Currencies	<u>31,126,945</u>	<u>34,638,295</u>	<u>6,891</u>	<u>13,526</u>
USD	605,511	1,074,753	208,835	7,177,834
EGP	540,102	387,395	-	-
Non-GCC Currencies	<u>1,145,613</u>	<u>1,462,148</u>	<u>208,835</u>	<u>7,177,834</u>
	<u>32,272,558</u>	<u>36,100,443</u>	<u>215,726</u>	<u>7,191,360</u>

Foreign currency sensitivity analysis

The sensitivity analysis includes only outstanding foreign currency denominated monetary items other than the items in GCC currencies (except the Kuwaiti Dinar) and the Egyptian Pound and adjusts their translation at the period end for a 5% change in foreign currency rates with all other variables held constant. 5% represents management's assessment of the reasonably possible change in foreign currency rates.

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A positive number below indicates an increase in income where USD weakens 5% against the relevant currency, a negative number represents a decrease in income. For a 5% strengthening of USD against the relevant currency, there would be an equal and opposite impact on the income.

Currency	2023 Effect on Profit or Loss USD	2022 Effect on Profit or Loss USD
KWD	222,224	336,636
EGP	27,005	19,370

Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Fund manages the risk through diversification of investments in terms of geographical distribution, to the extent permissible in the Prospectus, and industry concentration. As at the year end, all the Fund's equity investments were in equities listed on the Securities Markets of United Arab Emirates, Saudi Arabia, Oman, Qatar, Kuwait and Egypt.

The effect on the results for the year (as a result of a change in the fair value of equity instruments held as investments at fair value through profit or loss at the year ends presented) due to a reasonably possible change in market indices, with all other variables held constant, is as follows:

Market	Change in equity price %	2023 Effect on Profit or Loss USD	2022 Effect on Profit or Loss USD
Kuwait	+ 5	+ 222,201	+240,161
Qatar	+ 5	+158,245	+172,937
United Arab Emirates	+ 5	+218,183	+228,517
Saudi Arabia	+ 5	+920,100	+728,051
Oman	+ 5	-	-
Egypt	+ 5	+26,541	+18,767

There would be an equal and opposite impact on the results for the year, had there been a decrease in market prices by 5%.

Capital Risk Management

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide return for Unitholders and to maintain an optimal capital structure to reduce the cost of capital. The Investment Manager monitors capital structure on monthly basis.

The capital structure of the Fund consists of Unitholders' capital, units surplus and retained earnings. The Fund does not have borrowings.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Fund Manager believes that the fair values of financial instruments carried at amortised cost are not significantly different from the carrying values included in the financial statements at the reporting dates.

The fair value of investments at fair value through profit or loss is based on quoted market prices at the reporting date. The quoted market price used for investments at fair value through profit or loss held by the Fund is the current bid price.

MARKAZ ARABIAN FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

Fair value measurements recognised in the statement of financial position

The financial instruments that are measured subsequent to initial recognition at fair value are categorized into Levels 1 to 3 based on the degree to which the fair value is observable:

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

All the investments at fair value through profit or loss are listed equity securities and are publicly traded on various recognized stock exchanges. Fair value has been determined by reference to their quoted bid prices at the statement of financial position date. Hence all the investments at fair value through profit or loss are in the Level 1 category. There have been no transfers between any of the Levels during the year.

ANNEXURE
ADDITIONAL DISCLOSURES

MARKAZ ARABIAN FUND

Additional Disclosures

The additional disclosures as required by "Appendix (CRR – (i) - Contents of Financial Reports" to the Rulebook on Collective Investment Undertakings (CIU) – Volume 7 are as follows:

I Investment Portfolio as at December 31, 2023

Top ten holdings

Description	<u>Fair Value</u> <u>USD</u>	<u>Fair Value as</u> <u>% of NAV</u>
Al Rajhi Bank	3,323,838	10.37%
The Saudi National Bank	2,206,685	6.88%
Alinma Bank	1,419,228	4.43%
Qatar National Bank	1,415,385	4.42%
Aldrees Petroleum And Transport Services Co. SJSC	1,414,400	4.41%
Elm Company SJSC	1,141,771	3.56%
Saudi Kayan Petrochemical Company SJSC	1,110,629	3.46%
National Bank Of Kuwait	1,079,023	3.37%
National Industries Group (Holding)	1,051,790	3.28%
Emaar Properties PJSC	860,332	2.68%
	<u>15,023,081</u>	<u>46.86%</u>

In accordance with the Fund's offering memorandum, fund shall not invest more than 10% of the NAV or the index weight (S&P Pan Arab Composite Index), whichever is higher, in one single security.

I Investment Portfolio as at December 31, 2022

Top ten holdings

Description	<u>Fair Value</u> <u>USD</u>	<u>Fair Value as</u> <u>% of NAV</u>
Al Rajhi Bank	2,889,625	9.98%
The Saudi National Bank	1,936,412	6.69%
Saudi Kayan Petrochemical Company SJSC	1,580,659	5.46%
National Bank Of Kuwait	1,382,702	4.78%
Alinma Bank	1,242,357	4.29%
Emaar Properties PJSC	1,193,400	4.12%
National Industries Fund (Holding)	1,172,319	4.05%
Dubai Islamic Bank	1,067,104	3.69%
Kuwait Finance House	879,413	3.04%
National Bank Of Kuwait	858,766	2.97%
	<u>14,202,757</u>	<u>49.07%</u>

MARKAZ ARABIAN FUND

I Performance table (10 years)

	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2021</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
(a) Comparative table								
Net Asset Value	41,643,297	49,335,759	32,986,532	33,078,588	39,727,910	40,271,352	39,258,931	36,043,062
NAV Per Unit	3.50	3.73	3.17	3.22	3.54	4.01	3.91	4.91
(b) Performance record								
Lowest Redemption Price	2.82	3.53	2.85	3.17	3.30	3.54	3.65	3.96
Highest Redemption Price	3.60	4.35	3.17	3.34	3.68	4.13	4.09	5.00
	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2023</u>						
	<u>USD</u>	<u>USD</u>						
(a) Comparative table								
Net Asset Value	28,909,082	32,056,832						
NAV Per Unit	4.90	5.5						
(b) Performance record								
Lowest Redemption Price	4.84	4.93						
Highest Redemption Price	5.60	5.06						