Middle East Financial Investment Company

MEFIC REIT FUND

MEFIC REIT Annual Report | December 2022

Asset in which the fund is investing in

Property Classification	Property Name
Investment Properties	Commercial mall in Riyadh Drnef Ajyad In Makkah Drnef Kudai In Makkah Commercial tower in Jeddah The Pad in Dubai
Leasehold rights	Plaza 1 in Riyadh Dhiyafa in Riyadh

Percentage of the value of leased real estate & percentage of unleased real estate to the total value of the owned real esatate

Classification Property	Property Name	Book Value	Percentage%	* Rent Status
Investment properties	Commercial mall in Riyadh	563,316,275	62%	Managed by an Operator
	Drnef Ajyad In Makkah	102,064,500	11%	Non-rented
	Drnef Kudai In Makkah	53,965,000	6%	Non-rented
	Commercial tower in Jeddah	36,173,500	4%	Managed by an Operator
	The Pad in Dubai	53,532,811	6%	Leased to Master tenant
leasehold properties	Plaza 1 in Riyadh	30,326,083	3%	Managed by an Operator
	Dhiyafa in Riyadh	69,749,961	8%	Managed by an Operator
Total		909,128,130		

value of the leased real estate The percentage of the	82.84%
value of the unleased real estate The percentage of the	17.16%

* there are some vacant showrooms, office and apartments in the occupied building

Percentage of rent amount for each asset in the total rent of the fund's asset

Classification Property	Property Name	Rent (SAR)	Percentage%
Investment properties	Commercial mall in Riyadh	29,803,711	-
	Drnef Ajyad In Makkah	0	-
	Drnef Kudai In Makkah	0	-
	Commercial tower in Jeddah	3,579,371.00	-
	The Pad in Dubai	4,995,183.00	-
leasehold properties	Plaza 1 in Riyadh	10,425,347.00	-
	Dhiyafa in Riyadh	14,405,236.00	-
Total		63,208,848	

The percentage of uncollected revenues from total revenues and the ratio of non-cash expenditure from the fund's net profits - 2022

The percentage of uncollected revenues from total revenues	46%
The ratio of non-cash expenditure from the fund's net profits	193%

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Occupancy rates and the percentage of rented and non-rented units during 2022

Property Classification	Property Name	Occupancy Rate	Rent Status *
Investment properties	Commercial mall in Riyadh	83%	Managed by an Operator
	Drnef Ajyad In Makkah	0%	Non-rented
	Drnef Kudai In Makkah	0%	Non-rented
	Commercial tower in Jeddah	75%	Managed by an Operator
	The Pad in Dubai	100%	Leased to Master tenant
leasehold properties	Plaza 1 in Riyadh	82%	Managed by an Operator
	Dhiyafa in Riyadh	97%	Managed by an Operator

Total occupancy rate	69%
Total vacancy rate	31%

The net asset value of the fund / unit	2022	2021	2020	2019
Net asset value "NAV" (SAR)	524,630,693	521,932,190	669,689,865	754,253,329
Number of units	73,276,800	73,276,800	73,276,800	73,276,800
NAV per unit (SAR / unit)	7.1595	7.1227	9.1392	10.2932
Highest and lowest NAV per unit (SAR / unit)	7.1595/7.2285	7.1227 / 9.1056	9.1392 / 9.7896	10.41/ 10.29
Earnings per share "EPS" Profit (Loss) per Unit (SAR / Unit)	0.187	-1.82	-0.904	0.3818
Dividend per share "DPS" (SAR / unit)	0.15	0.15	0.15	*0.626
Dividend Yield on the initial unit price	1.50%	1.50%	1.50%	6.26%*
The cumulative dividend yield since the fund's inception	10.76%	9.26%	7.76%	6.26%*
The percentage of the fund costs to the fund's total assets value	6.71%	6.45%	5.72%	4.71%
percentage of borrowed assets in the total assets value	33.90%	33.86%	29.65%	22.36%
loan fulfilment and due date	borrowing due date 28 June 2026			

* FOR THE PERIOD SINCE THE FUND WAS OPERATIONAL UNTIL DECEMBER 31, 2019

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MEFIC REIT Performance vs. benchmark performance

	2022	2021	2020	2019	2018
MEFIC REIT performance (SAR/unit)	4.77	7.22	7.21	7.85	8.15
change %	-33.93%	0.1%	-8.2%	-3.7%	
REIT sector index (benchmark)	3975.44	4611.647	4285.34	4197.6	3623.33
Change %	-16%	7.6%	2.1%	15.8%	
TASI (Main Market Index)	10,478.46	11281.71	8689.53	8389.23	7826.73
Change %	-7.12%	29.8%	3.6%	7.2%	

as of 31 Dec of each year

Fund benchmark is the REIT sector index mentioned on Tadawul website -www.saudiexchange.sa

Net profit of the fund	2022	2021	2020	2019
Net profit (loss) (SAR)	13,689,377	-133,121,167	-66,244,264	27,979,887
Number of issued units (unit)	73,276,800	73,276,800	73,276,800	73,276,800
Net income (loss) per unit (SAR / share) “EPS”	0.187	-1.817	-0.904	0.3818

Operating performance and returns

Performance Indicators and Return	2022	2021	2020	2019
Net profit (loss)	13,689,377	-133,121,167	-66,244,264	27,979,888
Total operating income (loss) after deducting all interest and depreciations	-5,525,643	-11,067,224	-1,062,790	32,112,432
EBITDA	49,781,662	42,342,673	47,060,860	86,828,657
EBIT	19,881,921	11,744,452.87	16,073,179	52,270,372
Return on Equity (net profit / equity)	2.61%	-26%	-9.89%	3.71%
EBITDA / total assets	4.86%	4.07%	4.02%	6.42%
EBITDA / equity	9.49%	8.11%	7.03%	11.51%
Gross return (net profit / NAV at the beginning of the period)	2.62%	-19.88%	-8.78%	3.71%
Gross return (net income / beginning NAV) for the last three years	2.6%	-25.5%	-9.9%	4%
Gross return (net income / beginning NAV) since fund inception	-24.6%			

Revenues performance

Revenues (SAR)	2022	2021	2020	2019
Annual revenues (Rental Income)	63,208,848	56,067,679	65,874,499	95,753,865
Total revenues for 1 year	63,208,848	56,067,679		
Total revenues for 3 years	185,151,026	217,696,043		
Total revenues since inception	304,439,085	241,230,237		

Percentage of Expenses incurred by the fund	2022	2021	2020	2019
Total OPEX and Fund expenses	-13,427,186	-13,725,005	13,218,668	8,925,208
Total rental income	63,208,848	56,067,678	65,874,499	95,753,865
“OPEX and Fund Expenses” to total rental income	21.24%	24.48%	20.07%	9%

Service , commissions and fees paid by the fund to external parties	2022	2021	2020	2019
Total operating expenses of the properties (OPEX)	10,192,217	10,877,161	9,311,920	7,180,713
Total operating expenses to the total rental income	**16.1%**	**19.4%**	**14.14%**	**7%**
Fund expenses				
Fund management fees	**1,843,571**	1833178.80 6	2,409,228	360,810
Custodian's fees	**216,830**	158022.94	172,088	206,192
Other fees	**246,223**	20231	525,063	12,767
Listing Fees	**167,622**	185285.68	183,845	207,150
Registration fees	**400,000**	411500	420,000	420,000
Legal fees	**-**	0	19,469	210,000
Valuation Fees	**297,723**	158125.6	81,504	230,450
Sharia audit fees	**12,500**	25000	25,000	13,125
Audit Fees	**50,500**	56500	70,550	84,000
Total fund expenses	3,234,969	2,847,844	3,906,748	1,744,495
The ratio of fund expenses to the total rental income	**5.11%**	**5.08%**	**5.93%**	**2%**
Total financing cost	**21,197,405**	**16,842,480**	**16,426,164**	**17,095,974**

There are no circumstances in which the fund manager decided to exempt or reduce any fees, and the fund manager did not receive any commissions during the period other than what was mentioned to the unit holders in the T&C as shown below:

Special commissions earned by the fund manager	2022	2021	2020	2019
Fund management fee	**1,843,571**	1,833,179	2,409,228	360,810
Facility arrangement fee	-	-	214,390	0
Transaction fees	-	-	815,156	0

Fundamental and non-fundamental changes

- The appointment of Sustainable property Company as the property & Facility manager of Plaza 1 building.
- The appointment of the external auditor "PKF – Al Bassam & Co."
- Distributing of cash dividend of SAR 0.10 per unit for the second half of 2021 and distributing cash dividend of SAR 0.05 per unit for the first half of 2022

Board of Directors Reports:

- Approval of the annual financial statements as of 31/12/2021 for MEFIC REIT Fund
- Approval of the semi-annual financial statements as of 30/06/2022 for MEFIC REIT Fund
- Approval of the appointment of the external auditor "PKF – Al Bassam & Co."
- Approval of the distribution of cash dividend of SAR 0.10 per unit for the second half of 2021
- Approval of the distribution of cash dividend of SAR 0.05 per unit for the first half of 2022
- Approval of the appointment of Sustainable property Company as the property & Facility manager of Plaza1 building
- Approval of updating the fund's T&C

MEFIC REIT Risk Assessment Report / December 2022

- Based on the instructions of the Capital Market Authority in relation to real estate traded funds, the basic risks related to the MEFIC REIT Fund have been evaluated based on an objective assessment of all risks related to the fund that may have an impact.

Number	Type of risk	Risk Description	Applies	do not apply	Risk evaluation mechanism
1	The risk of not having a guarantee of a return on investment	With regard to the fund manager's making the obligatory donation of the difference in dividends if it falls below the target, There is no guarantee that the fund will succeed in achieving returns for investors, or that the returns will be appropriate with the risks of investing in the fund and the nature of the transactions described in these terms and conditions. It is possible for the value of the units to decrease or for investors to lose some or all of their invested capital	✓		The fund manager does not provide any guarantees that the fund will succeed in achieving returns to investors, except for what has been mentioned in the terms and conditions The fund manager seeks to achieve the best performance for the fund’s real estate in order to protect shareholders’ rights.
2	Limited operating history risks	The fund does not have an operating history by which potential investors can judge the fund’s performance and successes. Although the fund manager has extensive experience in managing real estate funds, the fund manager has limited experience in managing real estate investment funds due to the recentness of their legislation in the Kingdom. In addition, the nature of future investments in the fund as well as the nature of the risks associated with them may differ materially from the investments and strategies that the fund manager undertook in the past. Also, past results achieved by the fund manager are not necessarily indicative of future performance. Therefore, the novelty of the product is a risk as it is difficult to predict the extent of a change in the value of units or in the returns that are supposed to be distributed.	✓		The fund manager has managed an income-generating real estate fund, and as the nature of the income-generating real estate fund is close to the nature of the MEFIC REIT fund, except it is available for trading, the fund manager is making every effort by relying on qualified and experienced people to manage the fund through complete familiarity with the factors that are Affecting the fund and the market conditions in which it is traded.
3	Risks of non-compliance with related regulations	The fund may become ineligible to be a real estate investment traded fund according to the regulatory instructions of real estate investment traded funds, which would have negative effects on the liquidity of their units' trading, which may negatively affect the value of their investment. The requirements to maintain the fund's status as a real estate investment traded fund have not been tested. In addition, subsequent changes may be made to the requirements to maintain the fund's status as a REIT. Prospective investors should note that there is no guarantee that the fund, after being selected to be a real estate investment traded fund, will remain a real estate investment traded fund. Or, it will continue to maintain this status (whether due to non-fulfillment of regulatory requirements or otherwise). In the event that the fund fails to fulfill any of the regulatory requirements necessary to maintain its status, the Capital		✓	

Number	Type of risk	Risk Description	Applies	do not apply	Risk evaluation mechanism
		Market Authority may suspend trading of units or cancel the listing of the fund. The inability to list the fund in the Saudi Stock Exchange "Tadawul" could lead to negative consequences for the possibility of marketing the units and their liquidity and value, which may negatively affect the unit's trading price or return on investment.			
4	The risk of not having liquidity in the market	The fund intends to apply for the units to be accepted for trading on the Saudi Stock Exchange "Tadawul". The acceptance of this application should not be seen as an indication that there will be a liquid market for units or that they will develop, or that if they develop they will continue indefinitely after acceptance. In the event that a liquid trading market is not developed or maintained, the liquidity of the units and their trading prices may be adversely affected. In addition, in the event that this market is not developed, relatively small transactions or decided dealings on units may have a significant negative impact on the market value of units, and it may be difficult to implement actual transactions or decided dealings related to a large number of units at a fixed price. The limited number of units and / or unit owners may indicate the existence of limited liquidity in these units, which may negatively affect the following: (1) the investor's ability to achieve a return on some or all of his investment and / or (2) the price that is from During which this investor can achieve the return and / or (3) the price at which units are traded in the secondary market. In addition, a large percentage of units may be issued to a limited number of investors, which may adversely affect the development of an active liquid market for units. In addition, although the units will be tradable, the market liquidity in regards of units may be less than the market for the shares of listed companies. This may negatively affect the unit's trading price or return on investment.	✓		There are currently no risks arising from not trading the units in the main market, and it should be noted that there is a possibility of a risk of not having liquidity in the market if the fund units are traded in the parallel market.
5	Risks of increased sales of units and changes in prices	The sale of a large number of units by unit owners may lead to a decrease in the unit's trading price, and any rumors about the fund's performance may lead to unit owners selling their units, which will affect the unit price. There are many factors that may negatively affect the market price of units, including the general movement in the local and international stock markets, real estate markets, prevailing and expected economic conditions, interest rates, financing costs, investor trends, and general economic conditions. The unit market may be exposed to fluctuations, and the lack of liquidity may have a negative impact on the market value of units. Accordingly, purchasing these units is suitable only for investors who can bear the risks associated with these investments, which may negatively affect the unit's trading price or return on investment.	✓		After listing there was a market maker portfolio to reduce unit’s volatility in the market. Moreover, the fund manager has a qualified team that target to operate the fund in a efficient way
6	Risks of changes in interest rates and general economic conditions	Changes in economic conditions, including interest rates and inflation rates, business conditions, competition, technological developments, political and diplomatic events, and tax laws would materially and negatively affect the business and opportunities of the fund. In particular, an increase in interest rates may cause investors to claim a higher return to compensate for the increase in cash and opportunity costs. As a result, the attractiveness of the units as an investment opportunity may	✓		The fund entered into a financing agreement “Profit Rate Cap”, as the rate of profitability on financing is limited to a higher ceiling, and it was agreed that the profit rate does not reach a higher level than the higher ceiling level in all cases.

Number	Type of risk	Risk Description	Applies	do not apply	Risk evaluation mechanism
		decrease and the demand for them may decrease, which negatively affects the market value of the units. Whereas the fund may resort to financing, any increase in interest rates in the debt market would affect the financing terms of the fund. Changes in interest rates may also affect valuations in the real estate sector in general, which may negatively affect the unit's trading price or return on investment.			
7	The risk of trading at a price below the market value of the IPO price	Units may be traded at a price lower than the initial offering price at the time of subscription, and unit owners may not be able to fully recover the value of their investment. Units may be traded at a lower price than their value for several reasons, including unfavorable market conditions, weak investor expectations about the feasibility of the strategy and investment policy for the fund, and an increase in supply over demand for units. This may negatively affect the unit's trading price or return on investment.	✓		The average trading price of the fund's units is less than the listing price, similar to most REIT funds listed in the market, as the company prepares feasibility studies in addition to strategic studies in order to maintain the unit price and not to increase the supply over demand, which contributes to the drop in unit prices.
8	Distributions Volatility Risks	Although the fund, according to the instructions for real estate investment traded funds, is required to distribute at least 90% of its net income to unit owners annually, excluding capital gains resulting from the sale of assets, there are no guarantees regarding future distributions amounts, and the fund may not Able to make any distribution due to unforeseen events that lead to an increase in costs (including capital expenditures in the event of a large-scale and costly renovation work carried out urgently) or a decrease in revenues (such as in the event of low levels of rental income collection). The fund's inability to make annual distributions to unit owners may expose the fund to certain obligations that would weaken the financial performance of the fund, and the fund may also refrain from making any distributions by its financiers, according to the relevant financing documents, and those who have the right in certain cases (such as After the occurrence of a breach under the financing documents) the right to control and control the cash flows of the fund so that it is used to repay the amounts due under the financing documents. It is indicated that any interruption or decrease in the amounts of distributions to unit owners.	✓		Regarding the obligatory donation of distributions differences in the event of a decrease in the targeted distributions in accordance with the specified conditions, however, the fund guarantees a minimum level of returns with a maximum of 2% as mentioned in point No. 1, and regarding the risks of not having a guarantee of achieving returns on investment for subscribers who keep their units only without selling them.
9	The risk of increasing the ratio of management fees to fund income	The fund pays 0.35% of the fund's net asset value as management fees at the same time that the fund's rental income is fixed for a long period of time. It is expected that the value of the fund's assets will change from time to time, which may lead to a decrease or increase in the management fees paid to the fund manager. In the event of an increase, the percentage of management fees will increase as a percentage of the annual fixed income, which may adversely affect the periodic returns of the fund units.	✓		The fees increase needs unit holders approval
10	Risks of fundamental value reversal	The quoted market price of the units may not reflect the value of the fund's underlying investments. The money markets may be exposed to large fluctuations in prices and the volume of transactions from time to time, and this matter, in addition to economic, political and other conditions, leads to a negative impact on the value and price of trading units. As a closed public real estate fund, the price of a single unit may		✓	the fund manager has a qualified team that target to operate the fund in a efficient way

Number	Type of risk	Risk Description	Applies	do not apply	Risk evaluation mechanism
		be affected by a number of factors, many of which are outside the control of the fund and some of them are related to the fund and its operations, some of which affect real estate investment or stock markets in general.			
11	Risks of valuing the fund's net assets	The value of the fund's net assets is determined at least once every six months. However, the value of the fund's primary investments may change in the period between valuations. Therefore, the market price of the units can be determined based on historical information that may not reflect the current value of the fund's underlying investments. Moreover, the fees payable to the fund manager are only modified from one evaluation to another. Thus, the owner of the units is not aware of the value of the fund's assets updated during this period, and he may dispose of the units of the fund in a manner that may negatively affect his returns on the value of his investment.	✓		In the event that there is any clear discrepancy, the fund manager will inform the unit holders immediately, and the fund manager studies and carefully selects the asset valuation companies that meet all the requirements of the executive authorities so as not to harm the value of the assets by giving an unfair value to the assets managed.
12	Risks of constraints related to raising funds for future acquisitions	Distribution requirements and financing restrictions under the directives of REITs may limit the fund's flexibility and ability to grow through acquisitions. The fund intends to distribute at least 90% of its net profits to the unitholders, with the exception of profits resulting from the sale of basic real estate assets and other investments, which may be reinvested in additional assets or the maintenance and renewal of the fund's existing assets. In addition, in order to maintain the fund's status as a traded real estate investment fund, the financing ratios of the fund must not exceed 50% of the fund's total assets value. As a result, the fund has a limited ability to improve its assets or achieve growth through the acquisition of additional assets, and thus may affect the profitability of the fund, knowing that the fund can increase its capital by offering priority rights in line with the Capital Market Authority regulations and the Companies Law. Relationship.	✓		In the event that the fund manager wishes to make future acquisitions, the fund will increase its capital by offering priority rights in line with the Authority's regulations. Or the use of other options that are compatible with the terms and regulations of the REIT funds
13	Legal restrictions	The fund's investments must be made in accordance with the rules of Islamic Sharia as determined by the Sharia Board. These controls apply to the investment structure and to some extent the fund's activities and the diversification of its investments. In order to adhere to these controls, the fund may be forced to abandon the investment or part of it, or part of its income if the investment or investment structure is in violation of the Islamic Sharia regulations. In addition, when adhering to the Sharia controls, the fund may lose investment opportunities if the Shariah Board decides the existence of any proposed investment that is not committed to the Islamic Sharia regulations and therefore the fund cannot consider it. These factors may, under certain circumstances, have a negative impact on the financial performance of the fund or its investments, compared to the results that would be obtained if the Sharia investment controls of the fund were not applied.	✓		The fund is subject to the supervision of the Sharia Board. It should be noted that all the operations of the Fund are reviewed by the Sharia Board.
14	Risks of incorrect expectations and changes in market conditions	The future performance of the Fund depends largely on changes in the levels of supply and demand in the related real estate sector, which may be affected by regional and local economic and political conditions, increased competition that results in lower real estate values, the possibility of limited availability of housing loans or an increase in mortgage rates, and changes in supply levels and demand. Therefore,		✓	

Number	Type of risk	Risk Description	Applies	do not apply	Risk evaluation mechanism
		incorrect expectations used by a fund manager for the purposes of making an investment decision can have a negative impact on the fund.			
15	Not to participate in the administration	With the exception of what is mentioned in the terms and conditions, investors have no right or power to participate in managing the fund or influence any of the fund's investment decisions. All management responsibilities are assigned to the fund manager. As these decisions affect the activities of the fund and thus the unit owners.		✓	
16	Relying on senior staff	The success of the fund depends mainly on the success of its management team. The loss of the services of any member of the fund management team in general (whether due to resignation or otherwise) or the inability to attract and appoint additional employees may affect the fund’s work and its system. The lack of a successful team to manage the fund may negatively affect the ability to develop real estate and fund assets And the ability to negotiate because of the interest of the fund, which may be reflected in the returns of the fund and the value of its .investment units	✓		The company sets policies and procedures followed, which stipulate that the team is trained to carry out the duties of the fund manager to the fullest, in addition to having a qualified alternative team to manage the fund. An alternative plan in anticipation of any emergency.
17	Nature of investment risks	Investing in the fund requires commitment as indicated in the terms and conditions, with no guarantees to achieve returns on the invested capital. There will be no guarantee that the fund will be able to achieve positive returns on its investments in a timely manner or at any time at all (other than what was mentioned in this draft of a binding donation of the difference in distributions in the event of a reduction from the target). There may be no possibility to sell or dispose of its assets, and if it is decided to dispose of it by sale, there may be no possibility to sell it at a price that the fund manager believes represents its fair value or that it be sold within the time frame requested by the fund. Based on the foregoing, the fund may never be able to achieve any return on its assets.	✓		The fund manager does not provide guarantees, except for those mentioned in the terms and conditions.
18	Risks of potential conflicts of interest	The fund is subject to different situations of conflict of interest because the fund manager and its subsidiaries, their respective managers, managers and associates may be involved in real estate activities and other commercial activities, directly or indirectly. In this regard, the fund may from time to time deal with persons, companies, institutions or companies that are associated with the subsidiary companies of the fund manager to facilitate investment opportunities. It does not require the bodies to whom the fund's board of directors has delegated specific responsibilities (including the fund manager) to devote all of their resources to the fund. In the event that any of the aforementioned bodies dedicate its responsibilities or resources to the benefit of others, this may limit its ability to devote its resources and responsibilities to the benefit of the fund, which may affect the Fund's ability to achieve its objectives in	✓		In the event of a conflict of interest, the portfolio manager will inform the fund's board of directors of the potential for a conflict of interest, and then the board of directors will take the necessary decisions to prevent the occurrence of conflicts that could harm investors.

Number	Type of risk	Risk Description	Applies	do not apply	Risk evaluation mechanism
		terms of growth in returns and the ability to achieve a better market value for units.			
19	Risks of unequal access to information	The fund will issue 28.5% of its units to property owners in exchange for their in-kind contribution to the fund's capital. This group also represents the real owners of the selling companies and property management companies and thus risks arise about the group of real estate owners or real estate managers obtaining essential information which the fund manager may not be aware of or may not realize that it is material. In addition, they may have the ability to interpret the information in due course, other investors may not have the capacity to do so.		✓	
20	Risks of investing outside the Kingdom	International investment - outside the Kingdom - involves many risks such as the currency exchange rate, political and economic fluctuations, high costs to the investor and information security risks. The fund manager will seek to enter into investments related to regulatory, supervisory and supervisory requirements at least similar to those applied by the Kingdom of Saudi Arabia. However, in the event that any of the above occurs, this may affect the fund's profits and / or the valuation of its assets, which may negatively affect the price of its units.	✓		The fund invested outside the Kingdom of Saudi Arabia, and it should be noted that the contract for the fund's assets outside the Kingdom was concluded with only one tenant, as the contract obliges the tenant to pay the rents for the property, which reduces the aforementioned risks.
21	Currency exchange rate risk	The fund's main currency is the Saudi riyal, but the fund may acquire real estate, enter into investments, or pay any fees or costs in a currency other than the Saudi riyal. Consequently, any change in the exchange rate of these currencies may increase the costs incurred by the fund, which may negatively affect the fund's unit price. Also, unit holders for whom the Saudi riyal is not the base currency are exposed to exchange rate fluctuations.	✓		There is no currency exchange rate risk due to the fund investing in the United Arab Emirates, where the risk of currency exchange rates decreases due to the convergence of the local currency exchange rate with the UAE Dirham.
22	Technical risks	The fund manager relies on the use of technology in managing the fund, but its information systems may be exposed to hacks, viruses, or partial or complete disruption, which limits the fund manager's ability to effectively manage the fund's investments, which may negatively affect the fund's performance and consequently the unit holders of the fund.	✓		The fund manager follows policies and procedures related to information security systems so that any attempt to penetrate and prevent viruses is detected early, in addition to the policies and procedures of the business continuity plan.
23	The risk of default of the fund manager	Whereas, the fund manager is obligated by his pure will, in the event that the fund's return is less than 5%, to donate to pay no more than a return of 2% of the MEFIC's own assets for the investor unit holders by offering, for the unsold units since the beginning of the offering. Consequently, in the event of default, the fund manager will not be able to make the obligatory donation of the difference in return if it falls below the target.	✓		The fund manager has sufficient financial solvency to enable him to fulfill his obligations towards the fund's clients.

Number	Type of risk	Risk Description	Applies	do not apply	Risk evaluation mechanism
		This includes the fund manager's failure to fulfill its obligations for one year or more than one year, as well as the risk of bankruptcy of the fund manager. There is also a risk that the fund will be terminated prematurely, and thus investors will not enjoy the privilege of donating the differences in return.			

MEFIC REIT FUND

Traded Real Estate Investment Fund

(Managed by Middle East Financial Investment Company)

Financial Statements

For the year Ended 31 December 2022

with the Independent Auditor’s Report

MEFIC REIT FUND
(Managed by Middle East Financial Investment Company)
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For the year ended 31 December 2022

PKF
Ibrahim Ahmed Al-Bassam & Co.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS AL MEFIC REIT FUND
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Al MEFIC REIT Fund ("the Fund"), being managed by Middle East Financial Investment Company (the "Fund Manager"), as at 31 December 2022, and the related statements of comprehensive income, changes in net assets and cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

We have audited the financial statements of the fund, which comprise of the following:

- The statement of financial position as at 31 December 2022;
- The statement of comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended, and;
- The notes to the financial statements, including a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. 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 professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other responsibilities in accordance with these requirements. 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 judgment, 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.

PKF
Ibrahim Ahmed Al-Bassam & Co.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS AL MEFIC REIT FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

KEY AUDIT MATTERS

Key Audit Matters	How our audit addressed the key audit matter
Al MEFIC REIT Fund owns a portfolio of investment properties comprising of commercial buildings located in the Kingdom of Saudi Arabia and Dubai. Investment properties are held for capital appreciation and or rental yields, are stated at cost less accumulated depreciation and any accumulated impairment losses.	For impairment of investment properties, we have carried out the following audit procedures: -We obtained two valuation reports from independent real estate evaluators Taqeem certified for each investment properties as at 31 December 2022 and confirmed that the valuation approaches are suitable for use in determining the carrying values as at the reporting date;
Investment properties are re-measured for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. For assessing the impairment of investment properties, the Fund manager monitors volatility of fair value of properties by engaging independent certified property valuers to perform a formal valuation of the Fund's investment properties on semi-annual basis. We considered this as a key audit matter since the assessment of impairment requires significant judgment by the Fund manager and the potential impact of impairment if any, could be material to the financial statements. Refer to the summary of significant accounting policies in note 5 relating to impairment of investment properties, note 4 which contains the significant accounting judgment, estimates and assumptions relating to impairment and note 8 relating to investment properties	-We assessed the independence of the external valuers and read their terms of engagement with the Fund to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work; -Involved our specialist to assess the key assumptions and estimates, such as discount rate, exit yield rate, annual rental income, operating expenditure and occupancy, used by the real estate valuation experts in determining the fair values of the investment properties. -Assessed the recoverable amount, which is higher of fair value or value in use of the related investment properties as per the above-mentioned valuation reports. We have determined that the recoverable amount of the investment properties to be higher than the carrying amount of the same; and -We reconciled the average fair value of the investment properties as per note 9 to the external valuers' reports. - Assessing the adequacy of the disclosures in the financial statements.

PKF
Ibrahim Ahmed Al-Bassam & Co.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS AL MEFIC REIT FUND
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OTHER INFORMATION
Other information consists of the information included in the Fund's 2022 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in the Fund's annual report

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

OTHER MATTER
The financial statements of the Fund for the year ended 31 December 2021 were audited by another auditor, who expressed an unmodified opinion dated 30 March 2022 (corresponding to 27 Sha'ban 1443H).

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSILDATED FINANCIAL STATEMENTS
Fund's Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA, the applicable provisions of the Real Estate Investment funds regulations issued by the Capital Market Authority and the fund's terms and conditions, 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, the Fund's 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 the management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the fund's Board, are responsible for overseeing the Fund's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS AL MEFIC REIT FUND
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 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 International Standards on Auditing "ISA" that are endorsed in the Kingdom of Saudi Arabia 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 the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, 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 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 the 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 audit 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.

PKF
Ibrahim Ahmed Al-Bassam & Co.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS AL MEFIC REIT FUND
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have compiled with relevant ethical requirements regarding independence, and 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 year 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 communications.

For Al-Bassam & Co.

Ahmad A.Mohandis
Certified Public Accountant
License No. 477
Riyadh: 8 Ramadan 1444
Corresponding to: 30 March 2023

MEFIC REIT FUND
(Managed by Middle East Financial Investment Company)
STATEMENT OF FINANCIAL POSITION
As of 31 December 2022
(All amounts in SAR)

	Notes	**31 December 2022**	31 December 2021
ASSETS			
Investment properties. net	7	**809,052,086**	799,205,467
Intangible assets – Right of benefit, net	8	**100,076,044**	105,369,382
Right-of-use assets	10	**80,085,046**	89,532,494
Rent receivables, net	11	**26,465,578**	38,376,454
Prepayments and other debit balances	12	**5,323,882**	7,230,604
Cash and cash equivalents	13	**3,220,691**	1,229,649
TOTAL ASSETS		**1,024,223,327**	1,040,944,050
LIABILITIES			
Long-term borrowings	14	**347,222,486**	352,422,486
Payables	15	**23,200,000**	38,300,000
Lease liabilities	10	**104,785,491**	107,875,323
Unearned rental income	16	**5,812,400**	5,007,735
Transactions fees		**-**	2,630,666
Accrued expenses and other liabilities	17	**11,805,138**	9,975,610
Accrued Finance costs	18	**6,767,119**	2,800,040
TOTAL LIABILITIES		**499,592,634**	519,011,860
Net assets value (equity) attributable to the Unitholders		**524,630,693**	521,932,190
Units in issue (number)		**73,276,800**	73,276,800
Net assets (equity) attributable to each unit at Book value		**7.1595**	7,1227
Net assets (equity) attributable to each unit at Fair value	9	**8.005**	7,1872

The accompanying notes form an integral part of these financial statements.

MEFIC REIT FUND
(Managed by Middle East Financial Investment Company)
STATEMENT OF COMPREHENSIVE INCOME / (LOSS)
For the year ended 31 December 2022
(All amounts in SAR)

	Notes	**31 December 2022**	31 December 2021
REVENUES			
Rental income		**63,208,848**	56,067,679
Total revenue		**63,208,848**	56,067,679
OPERATING EXPENSES			
Amortization of Intangible assets – Right of benefit	8	**(14,238,578)**	(14,238,578)
Depreciation of investment properties	7	**(6,213,715)**	(6,213,715)
Depreciation of right-of-use assets	10	**(9,447,448)**	(10,145,927)
Finance cost of lease liabilities	10	**(4,210,159)**	(5,969,197)
Operating expenses	19	**(13,427,186)**	(13,725,006)
Allowance for expected credit losses	11	**(26,575,114)**	(11,184,994)
Reversal of expected credit loss		**9,261,476**	3,412,006
Reversal / (impairment) of Investment properties	7	**16,060,333**	(113,427,847)
Reversal / (Impairment) of intangible assets – Right of benefit	8	**8,945,240**	(8,945,240)
Total operating expenses		**(39,845,151)**	(180,438,498)
Operating income \ (loss)		**23,363,697**	(124,370,819)
Finance Cost	18	**(21,197,405)**	(16,842,480)
Other income		**11,523,085**	8,092,132
Net income / (loss) for the year		**13,689,377**	(133,121,167)
Other comprehensive income		**-**	-
Total comprehensive income / (loss) for the year		**13,689,377**	(133,121,167)

The accompanying notes form an integral part of these financial statements.

MEFIC REIT FUND
(Managed by Middle East Financial Investment Company)
STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS
For the year ended 31 December 2022
(All amounts in SAR)

	Notes	**31 December 2022**	31 December 2021
Net assets (equity) attributable to the Unitholders at beginning of the year		**521,932,190**	669,689,865
Total comprehensive income / (loss) for the year		**13,689,377**	(133,121,167)
Dividends paid during the year	24	**(10,990,874)**	(14,636,508)
Net assets value (equity) attributable to the Unitholders		**524,630,693**	521,932,190

The accompanying notes form an integral part of these financial statements.

MEFIC REIT FUND
(Managed by Middle East Financial Investment Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(All amounts in SAR)

	31 December 2022	31 December 2021
CASH FLOW FROM OPERATING ACTIVITIES		
Net income / (loss)	**13,689,377**	(133,121,167)
Adjustment to reconcile net income / (loss) to net cash generated from operating activities:		
Amortization of intangible assets - right of benefit	**14,238,578**	14,238,578
(Reverse) / impairment losses on intangible assets - right of benefit	**(8,945,240)**	8,945,240
Allowance for expected credit losses	**17,313,638**	7,772,988
Depreciation of right-of-use assets	**9,447,448**	10,145,927
Finance cost	**21,197,405**	16,842,480
Finance cost of lease liabilities	**4,210,159**	5,969,197
(Reverse) / impairment losses on investment properties	**(16,060,333)**	113,427,847
Depreciation of investment properties	**6,213,715**	6,213,715
	61,304,747	50,434,805
Changes in operating assets & liabilities:		
Account receivables	**(5,402,762)**	(15,898,642)
Prepayments and other debit balances	**1,906,722**	(717,044)
Payables	**(15,100,000)**	(9,000,000)
Lease liabilities	**804,665**	(813,573)
Transactions fees	**(2,630,666)**	-
Accrued expenses and other liabilities	**1,829,528**	9,026,883
Finance cost paid	**(17,230,326)**	(17,381,652)
Net cash generated from operating activities	**42,712,234**	33,032,429
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	**(10,990,874)**	(14,636,508)
Payment of non-payable lease liabilities during the year	**(7,299,991)**	(10,290,213)
Payment for borrowings during the year	**(5,200,000)**	5,200,000
Net cash used in financing activities	**(23,490,865)**	(19,726,721)
Net change in cash and cash equivalents	**1,991,042**	(4,075,944)
Cash and cash equivalents at the beginning of the year	**1,229,649**	5,305,593
Cash and cash equivalents on December 31	**3,220,691**	1,229,649
Non-cash transactions		
Increase in lease liabilities as a result of the modification of lease term	**-**	19,781,083

The accompanying notes form an integral part of these financial statements.

1. THE FUND AND ITS ACTIVITIES

MEFIC REIT Fund (the "Fund") is a close-ended shariah compliant, publicly traded real estate investment fund established in the Kingdom of Saudi Arabia under the real estate investment funds regulations.

The Fund is listed in Saudi Stock Exchange Market ("Tadawul") and the units are traded according to market regulations and legislation. The capital of the fund is SR 732,768,000 divided into 73,276,800 units with a nominal value of 10 SAR per unit. The fund has a term of 99 years, which is extendable at the discretion of the Fund Manager following the approval of CMA.

The Fund's primary investment objective is to provide its unitholders with regular income by investing in income-generating properties assets located in Saudi Arabia and the Gulf countries.

The Fund is managed by Middle East Financial Investment Company (the "Fund Manager") A Saudi closed joint stock company under commercial registration number 1010237038 and licensed as a financial market institution by CMA under license number 06029-37.

The Fund generally seeks to acquire or invest in hotel, commercial, administrative, "office towers", and/or logistic, residential and/or mixed-use income-generating real estate assets.

2. REGULATING AUTHORITY

The Fund operates in accordance with Real Estate Investment Fund Regulations "REIFR" issued by the CMA. The regulations detail requirements for real estate funds and publicly traded real estate funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), that endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for chartered Public Accountants ("SOCPA").

3.2 Basis of measurement

These financial statements have been prepared based on the historical cost convention, using the accounting accrual basis. The Fund presents its statement of financial position in the order of liquidity.

On 31 December 2019, the CMA verified the appropriateness of continuing to use the cost model or allowing the use of the fair value model and took the following decisions:

Requiring listed funds to continue using the cost model to measure investment properties (according to IAS 16) and investment properties (according to IAS 40) in the financial statements prepared for financial periods before the year 2023).

Allow listed funds to choose between the fair value model and the revaluation model to measure investment properties (according to IAS 40) for fiscal periods beginning from the year 2023 or thereafter.

3. BASIS OF PREPARATION (CONTINUED)

3.3 Functional and presentation currency

Items included in these financial statements are measured using the primary currency in which the Fund operates (the "functional currency"). These financial statements are presented in Saudi Arabian Riyal ("SAR") which is the Fund's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the ordinary course of business, the preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are reviewed and in any future period affected. The significant accounting judgements and estimates applied in the preparation of these financial statements are as follows:

4.1 Judgments

4.1.1 Going concern

The Fund Manager has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the fund manager is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern. Accordingly, these financial statements have been prepared on a going concern basis.

4.2 Estimation and Assumptions Uncertainties

4.2.1 Useful lives of investment properties

The management determines the estimated useful lives of investment properties for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and any change in depreciation charges, if any, are adjusted in current and future periods. The estimated useful lives of the investment properties are disclosed in note 8.1.

4.2.2 Impairment of investment properties

The Fund assesses whether there are any indicators of impairment for all investment properties at each reporting date. The assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. If any indication exists, or when annual impairment testing for an asset is required, the Fund estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or CGU's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is reduced for its recoverable amount.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.2 Estimation and Assumptions Uncertainties (Continued)

4.2.2 Impairment of investment properties (Continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using the appropriate discount rate that reflects current market assessments of the time value of money and asset-specific risks. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

For investment properties, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the REIT estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is recorded to limits so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of profit or loss.

4.2.3 Expected credit losses

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk.
- Choosing appropriate models and assumptions for the measurement of ECL.
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

The significant accounting policies used in the preparation of these financial statements are set out as follows, these policies have been consistently applied to all years, unless otherwise stated.

5. SIGNIFICANT ACCOUNTING POLICIES

5-1 Financial instruments

Initial recognition and measurement

Trade receivables from operating issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Fund becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs directly attributable to its acquisition or issue, for an item not at FVTPL. Trade receivables without a significant financing component are initially measured at the transaction price.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5-1 Financial instruments (Continued)

Financial assets

Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVOCI if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVOCI.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTOL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gain, loss, and impairment are recognized in the statement of income. Any gain or loss on derecognition is recognized in the statement of profit or loss

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5-1 Financial instruments (Continued)

Financial assets (Continued)

Reclassification:

Financial assets are not subsequently reclassified for their initial recognition, except in the period in which the fund changes its business model for the purpose of managing financial assets.

Derecognition

A financial asset is derecognised when:
- The rights to receive cash flows from the asset have expired, or
- the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

a) The Fund has transferred substantially all the risks and rewards of the asset, or
b) The Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

The impairment in the value of financial assets

The recognition of credit losses is no longer dependent on the fund first identifying the credit loss event. Instead, the fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events and reasonable and supportable forecasts that affect the actual collection of future cash flows of the instrument.

ECL assessment:

The Fund applies the simplified approach in IFRS 9 for the purpose of measuring ECL which uses a lifetime expected credit loss allowance. This method is applied for the purpose of evaluating a provision against:

Financial assets measured at amortized cost;
Expected loss rates are based on receivables settlement information over a period of 12 months prior to each reporting period and the corresponding historical credit losses experienced during this period. Historical loss rates are adjusted to reflect current and forward-looking information regarding macroeconomic factors affecting customers' ability to settle receivables. The Fund decided that the GDP of the Kingdom of Saudi Arabia (the country in which it provides services), the rate of inflation to be the most appropriate factors, and therefore adjusts the historical loss rates based on the expected changes in these factors.

The expected credit loss approach breaks the total loss amount modelling into the following parts: Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). These are briefly described below:

LGD: represents an estimate of the loss given default. It is based on the difference between the contractual cash flows due and those that the lender expects to collect, including from any collateral. It is usually expressed as a percentage of exposure at default (EAD).

PD: The likelihood of a default over a particular time horizon.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5-1 Financial instruments (Continued)

Financial assets (Continued)

ECL assessment (Continued):

EAD: It is defined as the outstanding debt at the time of default. This is an estimate of the exposure at a future default rate, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on commitment facilities.

Model and framework

The fund uses the probability of default model at a certain point in time to measure the impairment in the value of financial assets. Point-in-time PD models incorporate information from the current credit cycle and risk assessment at a point in time. The term structure of the PD at a given point in time can be used to measure credit deterioration and to initiate the PD when making provision calculations. Also, when calculating lifetime ECL, after correctly converting the inputs, the cash flows, total book value, loss allowance, and amortized cost of the financial instrument can be forecast and then calculated.

Weighted average macroeconomic models

The fund incorporates the macroeconomic factor of GDP, inflation rate and government spending to create multiple models in order to achieve more probable outcomes using the best and worst models. The scenario-based analysis incorporates forward-looking information into an impairment estimate using multiple future macroeconomic models. An estimate of ECL reflects an unbiased, probability-weighted value that is determined by evaluating a range of possible outcomes.

After the model inputs have been adjusted for the above mentioned macroeconomic models, the PD is calculated for each scenario and then a weighted average PD based on the model probability is computed. In the final step, a lifetime-weighted average ECL is determined which is based on probability models.

Portfolio division

The Fund evaluates its financial assets based on the characteristics of credit risk using segmentation processes such as geographic region, customer type, customer classification, and so on. The different breakdowns reflect differences in PD events and in recovery rates in the Default event.

Definition of default

In the above context, the fund considers default to occur when:

- There is a possibility that the customer will not pay its credit obligations to the fund in full without the fund resorting to procedures such as collecting collateral (if held by the fund), or
- When a customer is more than 360 past-due days on any significant credit obligation of the fund. As the industry usually suggests that this period fairly represents the default scenario for the fund, this refutes the 90-day assumption mentioned in IFRS 9.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5-1 Financial instruments (Continued)

Financial assets (Continued)

ECL assessment (Continued):

Definition of default (Continued)

The carrying amount of the asset is reduced using the above form and the loss is recognized in the statement of comprehensive income. Receivables are written off along with the related provision when there is no real prospect of recovery in the future and all collateral has been realized or has been transferred to the fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of events occurring after the impairment was recognised, the previously recognized impairment loss is increased or decreased. In the event that the amount written off is subsequently recovered, the recovery amount is recognized under other income in the statement of profit or loss.

Specific provision:

A specific provision is recognized on the basis of one customer to another customer at each reporting date The fund establishes a specific provision against receivables due from some customers. Provisions are reversed only when outstanding amounts are recovered from customers.

Write-off

The total carrying amount of financial assets is written off (either partially or completely) to the extent that there is no realistic prospect of recovery. This is generally the case when the fund determines that the debtor does not have assets or sources of income that can generate sufficient cash flows to repay the amounts subject to write-offs.

Financial liabilities

All financial liabilities are initially recognized at fair value and in the case of loans and advances, net of direct transactions costs. The fund’s financial liabilities mainly include trade and other payables, related party and borrowings. After initial recognition, loans and advances are subsequently measured at amortized cost using the effective interest method.

Derecognition

The Group derecognizes financial liabilities when the contractual obligations are discharged, canceled, or expired.

Operations to modify financial assets and financial liabilities:

Financial assets

If the terms of a financial asset are modified, the fund makes an assessment of whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are considered to have expired. In this case, the original financial assets are derecognized, and new financial assets are recognized at fair value.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5-1 Financial instruments (Continued)

Financial liabilities (Continued)

Operations to modify financial assets and financial liabilities (Continued)

Financial assets (Continued)

If the cash flows of a modified asset carried at amortized cost are not significantly different, then the modification does not result in derecognition of the financial asset. In this case, the fund recalculates the gross carrying amount of the financial asset and recognizes the amount resulting from adjusting the gross carrying amount as an adjusted profit or loss in the statement of profit or loss.

Financial liabilities

The fund derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability that is derecognized, and the new financial liability on modified terms, is recognized in the statement of profit or loss.

Offsetting of financial instruments

An offset is made between the amounts of financial assets and financial liabilities, and the net amount is presented in the statement of financial position when there is a legally binding right to offset the amounts recorded and when there is an intention to settle on a net basis, in order to sell the assets and settle the liabilities simultaneously.

Non-current assets classified as held-for-sale are presented separately and measured at the lower of their carrying amount prior to being classified as held-for-sale and their fair value less costs to sell. However, certain assets that are held for sale continue to be measured in accordance with the fund’s appropriate accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any gain or loss arising from the disposal of a discontinued operation, or its re-measurement at fair value less costs to sell, is presented as a part of a single-line item, gain or loss from discontinued operations.

Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flows represent cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less (if any) which are available to the Fund without any restrictions. Cash and cash equivalents are carried at amortized cost within the statement of financial position.

Receivables

Receivables are initially measured at fair value plus direct transaction costs and subsequently measured at amortized cost using the effective interest method. The allowance for impairment of receivables is normally measured at an amount equal to the expected lifetime loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans

Borrowings are recognized at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost, and any difference between the proceeds (net of transaction costs) and redemption value is recognized as a finance cost over the life of the borrower using the effective interest rate method.

Fees paid on loan facilities are recognized as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee will be deferred until the withdrawal process takes place.

Loans are removed from the statement of financial position when the obligation specified in the contract is paid, canceled, or expired. The difference between the carrying amount of the financial liability that has been canceled or transferred to another party and the consideration paid, including non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other financing income or costs.

Loans are classified as current liabilities unless the fund has an unconditional right to defer payment of the liabilities for a period of not less than 12 months after the statement of financial position date.

5-2 Measurement of fair value

The Fund measures financial instruments such as equity instruments at fair value at each balance sheet date. 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or,
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities that are measured at fair value or disclosed in the financial statements are categorized within the fair value levels hierarchy mentioned below and based on the input to the lowest level of the fair value measurement as a whole:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: valuation techniques that are the lowest level input that is significant to the fair value measurement, which is directly or indirectly observable.
- Level 3 valuation techniques that are the lowest level input that is significant to the unobservable fair value measurement.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Fund verifies whether a transfer has been made between the fair value hierarchy by recalibrating the classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial year. The Fund determines the policies and procedures for both recurring fair value measurement and non-recurring fair value measurement.

On each reporting date, the Fund analyzes the changes in the value of assets and liabilities to be re-measured or re-evaluated in accordance with the Fund's accounting policies. For the purposes of this analysis, the fund verifies the main inputs applied in the latest valuation by matching the information used in calculating the valuation with contracts and other relevant documents. The Fund also compares changes in the fair value of each class of assets and liabilities with relevant external sources to determine whether the change is reasonable. For the purpose of fair value disclosure, for disclosure, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets and liabilities and the hierarchy of levels of fair value measurement mentioned above. Disclosures related to the fair value of financial instruments, which are measured at fair value or for which fair value has been disclosed, are discussed in note (7).

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5-3 The impairment of non-financial assets

The carrying value of non-financial assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of the asset's fair value less costs to sell and present value. If an impairment loss subsequently reverses, then the carrying amount of the asset is increased to the revised estimate of its recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for that asset. or cash-generating unit in previous years. A reversal of an impairment loss is recognized as income directly in the statement of comprehensive income.

5-4 Investment properties

Investment properties are non-current assets held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, and are used in the production or supply of goods or services for administrative purposes. Investment properties are measured according to the cost model on initial recognition and thereafter at cost less accumulated depreciation and impairment losses, if any.

Investment properties are derecognized when they are sold, when they are occupied by the owner, or if they are not held to increase their value.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Cost includes direct expenditures to acquire the investment property. The cost of a self-constructed investment property includes the cost of materials and direct labor, in addition to any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs.

Useful lives of different components of investment properties are as follows:

Components	**Useful Life**
Building	40

The book value of the Fund's non-financial assets is reviewed at each reporting date to ensure that there are any indications of impairment. If such an indication exists, the recoverable amount of the asset is estimated.

Impairment occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the greater of fair value less costs to sell and value in use. The recoverable amount is determined for each individual asset unless the asset does not generate cash inflows that are largely independent of the cash inflows from other assets or a group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is reduced for its recoverable amount for the cash-generating unit. In determining fair value less costs of disposal, recent market transactions, if any, are taken into account. If such transactions cannot be identified then an appropriate valuation model is used. Value in use is based on a discounted cash flow model, under which expected future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset-specific. risks Impairment losses are recognized in the statement of comprehensive income.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5-4 Investment properties (Continued)

An assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If this indicator exists, the fund estimates the recoverable amount of the assets or cash-generating units. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The amount of the reversal is recorded to limits so that the carrying amount of the asset does not exceed its recoverable amount, or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. The amount of the reversal is recognized in the statement of comprehensive income.

Impairment of non-current assets

Properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount which is the higher of the asset's fair value less costs to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the property is increased to the estimate of its recoverable amount, but the increased carrying amount is not greater than the carrying amount that would have been determined. A reversal of an impairment loss is recognized as income directly in the statement of comprehensive income.

5-5 Intangible assets

Intangible assets are initially recognized at fair value and direct costs and expenses related to the acquisition process, including transaction fees for the fund manager. Subsequently, they are measured at cost less accumulated amortization and impairment charges, if any. Subsequent expenditure is capitalized when it increases the useful life or economic life of the asset, otherwise it is charged as a period expense during the period in which it is incurred.

5-6 Accrued expenses and other liabilities

Accrued expenses and other payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

5-7 Contract assets

Revenue recognized in excess of the invoiced value, if any, is included in current assets as accrued rental income and is settled in the subsequent period when the invoices are issued.

5-8 Contract liabilities

Liabilities advanced in excess of the amount of revenue recognized, if any, are included in current liabilities as deferred rental income and recognized as revenue in the subsequent period when the related rental service is provided.

5-9 Provisions

Provisions are recognized when the fund has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5-10 Zakat

Zakat is the obligation of the Unitholders, and it is not presented in the fund's financial statements.

5-11 Right of-use assets

The Fund recognizes the right to use the assets on the lease commencement date (ie the date the asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made on or before the commencement date, less any lease incentives received. Unless the Fund is reasonably certain that it will obtain ownership of the leased asset at the end of the lease term, recognized right-of-use assets are depreciated on a straight-line basis over their estimated useful life and lease term, whichever is shorter. Right-of-use assets are subject to impairment.

5-12 Revenue recognition

The fund recognizes revenues from contracts concluded with customers according to a five-step method:

Step 1: Determine the contract with the customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and stipulates the conditions that must be met.
Step 2: Identify performance obligations in the contract: A performance obligation is an obligation in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price: The transaction price represents the amount of consideration that the Fund expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties.
Step 4: Allocating the transaction price to the performance obligations in the contract: For contracts that include more than one performance obligation, the Fund will allocate the transaction price to each performance obligation in the amount that the Fund expects to be entitled in return for the fulfillment of each performance obligation.
Step 5: Recognize revenue when (or as soon as) a performance obligation is satisfied.

Rental income

Rental income from operating leases of properties is recognized on a straight-line basis over the term of the operating lease.

5-13 Management fees

On a daily basis, the fund manager charges the fund a management fee of 0.35%, which is calculated on a daily basis and paid semi-annually of the fund's total assets value based on the latest evaluation after deducting the fund's expenses.

5-14 Custody fees

The fund pays a custodial fee annually and is payable on a daily basis and paid on a semi-annual basis to the fund custodian.

5-15 Dividends

Dividend distributions to unit holders in the Fund are recorded as liabilities in the Fund's financial statements in the period in which the dividends are approved.

The Fund has a policy of distributing dividends on a semi-annual basis of at least 90% of its net profits, not including the profit resulting from the sale of the underlying real estate assets.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5-16 Net assets value

The net asset value of each unit disclosed in the financial statements is calculated by dividing the fund's net assets by the number of units issued at the end of the year.

5-17 Transactions fees

The fund manager charges the fund a one-time transaction fee at the rate of 1% on the purchase or sale price of investment properties.

5-18 Finance cost

All finance costs are recognized in profit or loss for the period in which they are incurred.

5-19 Other expenses

Expenses include legal, accounting, audit and other fees and are recognized in profit or loss for the period in which they are incurred on an accrual basis.

5-20 New standards, amendments and interpretations issued and effective from 1 January 2022

The accounting policies adopted, and method of computation followed are consistent with those of the previous financial year except for the items described below:

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts Cost of Fulfilling a Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5-20 New standards, amendments and interpretations issued and effective from 1 January 2022 (Continued)

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements. IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

These amendments did not have a material impact on the Fund's financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5-20 New standards, amendments and interpretations effective 1 January 2023 and have not early adopted

The Company has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 17	Insurance Contracts	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to definition of accounting estimate	January 1, 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

Management anticipates that these new interpretations, and amendments to standards will be adopted in the fund's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the fund in the period of initial application.

6. MANAGEMENT FEES, AND OTHER FEES

The fund manager charges the following fees as per the terms and conditions of the Fund:

Subscription fees

The fund manager collects a subscription fee from each investor at a rate not exceeding 2% of the subscription amount to cover administration costs and is deducted from proceeds from issuance of units.

Management fees

The fund manager collects a management fee of 0.35% per annum of the Fund's net assets value. The Fund Manager did not charge a management fee for the first trading year.

Transactions fees

The fund manager receives a transaction fee of 1% of the net purchase or sale value of investments.

Loans arrangement fees

The fund manager also obtains 1% of the amount withdrawn from the loans as loans arrangement fees.

7. INVESTMENT PROPERTIES, NET

The Fund owns the following investment properties:

As of December 31, 2022

Property name	**Property nature**	**Cost**
Commercial mall in Riyadh (note 7-1)	**Mall**	**681,650,000**
Commercial and administrative building in Jeddah (note 7-2)	**Mall - Offices**	**45,450,000**
Drnef Ajyad (Note 7-3)	**Hotel**	**127,305,000**
Drnef Kudai (Note 7-4)	**Hotel**	**58,995,000**
The Pad (Note 7-5)	**Residential**	**66,227,218**
Total		**979,627,218**

As of 31 December 2022	**Land**	**Buildings**	**Total**
Cost:			
At the beginning of the year	**731,078,622**	**248,548,596**	**979,627,218**
At the end of the year	**731,078,622**	**248,548,596**	**979,627,218**
Accumulated Depreciation:			
Balance At the beginning of the year	**-**	**(18,435,413)**	**(18,435,413)**
Depreciation charge for the year	**-**	**(6,213,715)**	**(6,213,715)**
At the year-end	**-**	**(24,649,128)**	**(24,649,128)**
Reversal of impairment loss:			
Balance At the beginning of the year	**-**	**(161,986,337)**	**(161,986,337)**
Reversal of impairment of investment properties	**-**	**16,060,333**	**16,060,333**
Balance At the year-end	**-**	**(145,926,004)**	**(145,926,004)**
The carrying value on December 31, 2022	**731,078,622**	**77,973,464**	**809,052,086**

7. INVESTMENT PROPERTIES, NET (COUNTINUED)

As of 31 December 2021	Land	Buildings	Total
Cost:			
At the beginning of the year	731,078,622	248,548,596	979,627,218
At the end of the year	731,078,622	248,548,596	979,627,218
Accumulated Depreciation:			
Balance At the beginning of the year	-	(12,221,699)	(12,221,699)
Depreciation charge for the year	-	(6,213,714)	(6,213,714)
At the year-end	-	(18,435,413)	(18,435,413)
Impairment loss:			
Balance At the beginning of the year	-	(48,558,492)	(48,558,492)
impairment of investment properties	-	(113,427,847)	(113,427,847)
Balance At the year-end	-	(161,986,337)	(161,986,337)
The carrying value on December 31, 2021	731,078,622	68,126,846	799,205,467

7-1 Commercial Mall in Riyadh (previously referred to as Souk Sharq): A commercial retail mall in Riyadh that contains 187 stores, the mall consists of 21 buildings working in the field of furniture, furnishings, a café, and others. It is located on the Eastern Ring Road in Riyadh - Al-Jazirah District. The investment property was mortgaged in the name of a local bank against a long-term loan (Note. 14).

7-2 Commercial and administrative building in Jeddah (previously referred to as Tihama): It is currently used for commercial and office activities. It consists of 10 retail stores and 6 office floors. It is located on Al-Andalus Road in Al-Hamra District in Jeddah. The investment property was mortgaged in the name of a local bank against a long-term loan (Note. 14).

7-3 Drnef Ajyad: A four-star hotel. 203 rooms and 11 suites is located on Ajyad Road in Makkah. The investment property was mortgaged in the name of a local bank against a long-term loan (Note. 14).

7-4 Drenf Kudai: A three-star hotel consisting of 75 rooms and 11 suites located in the Kudai area on the Third Ring Road in Makkah, the investment property was mortgaged in the name of a local bank against a long-term loan (Note. 14).

7-5 MEFIC REIT fund owns 30 apartments in The Pad in Dubai.

7-6 The fair value of investment properties as at the date of the report was determined by two independent evaluators (“Amaken Valuation Company”) and (“Taqdeer Real Estate Company”) both evaluators accredited by the Saudi Authority for Accredited Valuers (Taqeem). Except for The Pad property in Dubai where the fair value was determined by reports of valuers (“Valuestart Consultancy”) valuer (1) and (“City Properties”) valuer (2) respectively. Both valuers are approved by the Royal Institution of Chartered Surveyors (RICS).

7-7 The Fund has a policy of charging depreciation on buildings that are more than 40 years old. Depreciation is charged to the depreciable value, I.e., cost minus residual value.

7. INVESTMENT PROPERTIES, NET (COUNTINUED)

7-8 All properties of MEFIC REIT are held in the name of Amar Real Estate Development and Investment Company ("Special Purpose vehicle"). The SPV holds these properties for the beneficial ownership of the Fund and does not have any controlling interest or any stake in these properties.

7-9 The fund manager reviews its investment properties to check for impairment. An impairment loss is made for the amount by which the carrying amount exceeds the recoverable amount of the investment property, being the higher of the assets' fair value less costs to sell and value in use. As of December 31, 2022, and according to the periodic valuation reports submitted by the independent valuers of the Fund, there was a reversal of impairment provision on investment property that was recognized at a value of SR 17.5 million SAR.

8. INTANGIBLE ASSETS - RIGHT OF BENEFIT

A- Includes intangible assets which have a future benefit, cost details, and the accumulated amortization is as follows:

	31 December 2022	31 December 2021
Cost:		
Balance at the beginning of the year	**160,590,000**	160,590,000
As of 31 December,	**160,590,000**	160,590,000
Accumulated Amortization:		
Balance at the beginning of the year	**(46,275,378)**	(32,036,800)
Charge for the year	**(14,238,578)**	(14,238,578)
As of 31 December,	**(60,513,956)**	(46,275,378)
Reversal / (Impairment) of intangible assets:		
Balance at the beginning of the year	**(8,945,240)**	-
Reversal for the year	**8,945,240**	(8,945,240)
As of 31 December,	**-**	(8,945,240)
Net Book Value:		
As of 31 December,	**100,076,044**	105,369,382

B - The Fund acquired the Right of benefits for the properties described below:

Plaza 1: a multi-use building located on a land area of 9.588 square meters. The property owns an area of 12,000 square meters that is leasable, including 51 apartments and 12 exhibitions. The property is located on King Abdulaziz Road, Al Rabie District in Riyadh. Right of benefits of this property expires on 17 July 2026.

Hospitality: a commercial building that includes 9 restaurants and a sorority. It is located on the Northern Ring Road, Al-Nakhil District in Riyadh. Right of benefits for this property expires on March 31, 2040.

Since right of benefits do not represent a large part of the operating life of property, they are recognized as intangible assets. These rights are amortized over the useful lives.

9. THE EFFECT OF NET ASSET VALUE ATTRIBUTABLE TO THE UNITHOLDERS IN THE EVENT THAT INVESTMENT PROPERTIES AND INTANGIBLE ASSETS ARE MEASURED AT FAIR VALUE

According to the Real Estate Investment Funds Regulations issued by the CMA in the Kingdom of Saudi Arabia, the fund manager evaluates the fund's assets with an average of two valuations by independent valuers. As explained in the fund's terms and conditions, the net asset value is disclosed based on market value. However, in accordance with the Fund's accounting policy, investment properties and intangible assets are stated at cost less accumulated depreciation and amortization and impairment, if any, in these financial statements.

The fair value of investment properties and intangible assets is determined by two valuers (“Amaken Valuation Company”) and (“Taqdeer Real Estate Company”). who are valuers accredited by the Saudi Authority for Accredited Valuers (“Taqeem”) for all investment properties except The Pad. In Dubai where the fair value was determined by the reports of the valuers ("Valuestart Consultancy") and ("City Properties"). Both valuers are approved by the Royal Institution of Chartered Surveyors (RICS). The following is the valuation of investment properties and intangible assets as at December 31:

31 December 2022	**Valuation 1**	**Valuation 2**	**Average**
investment properties	**773,359,630**	**844,744,541**	**809,052,086**
Intangible assets - right of benefit	**160,915,000**	**163,250,000**	**162,082,500**
Total	**934,274,630**	**1,007,994,541**	**971,134,586**

31 December 2021	Valuation 1	Valuation 2	Average
investment properties	778,371,734	820,039,206	799,205,467
Intangible assets - right of benefit	102,634,000	117,560,000	110,097,000
Total	881,005,734	937,599,206	909,302,467

Management used the average of the two valuations for the purpose of disclosing fair value of investment properties and intangible assets.

The following is an analysis of the fair value of investment properties and intangible assets versus cost:

	31 December 2022	31 December 2021
Estimated fair value of investment properties and intangible assets based on the average of the two valuations used	**971,134,586**	909,302,467
Less: book value		
- Investment properties	**809,052,086**	799,205,467
- Intangible assets	**100,076,044**	105,369,382
Estimated fair value excess of book value	**62,006,456**	4,727,618
Units in issue (in number)	**73,276,800**	73,276,800
Value per unit relating to excess of estimated fair value	**0.8461**	0,0645

9. THE EFFECT OF NET ASSET VALUE ATTRIBUTABLE TO THE UNITHOLDERS IN THE EVENT THAT INVESTMENT PROPERTIES AND INTANGIBLE ASSETS ARE MEASURED AT FAIR VALUE (CONTINUED)

Net assets attributable to the Unitholders

	31 December 2022	31 December 2021
Net assets attributable to the Unitholders as per the financial statements before fair value adjustment	**7.1595**	7,1227
estimated fair value excess of book value	**0.8461**	0,0645
Net assets attributable to the Unitholders based on fair valuation of investment properties and intangible assets	**8.005**	7,1872

10. RIGHT-OF-USE ASSETS AND NON-PAYABLE LEASE LIABILITIES

a) the movement of right of use assets:

	31 December 2022	31 December 2021
Cost:		
Balance as of 1 January	**118,093,965**	99,057,448
Additions	**-**	19,036,517
Balance as of 31 December	**118,093,965**	118,093,965
Accumulated depreciation:		
Balance as of 1 January	**(28,561,471)**	(18,415,544)
Expense for the year	**(9,447,448)**	(10,145,927)
Balance as of 31 December	**(38,008,919)**	(28,561,471)
Net book value as of December 31	**80,085,046**	89,532,494

b) the movement of lease liabilities:

	31 December 2022	31 December 2021
Balance on 1 January	**107,875,323**	92,415,256
Additions	**-**	19,781,083
Finance cost	**4,210,159**	5,969,197
paid	**(7,299,991)**	(10,290,213)
Balance on 31 December	**104,785,491**	107,875,323

c) The accrual of non-payable lease liabilities at the end of the year is as follows:

	31 December 2022	31 December 2021
One to five years - the non-current portion	**99,257,810**	103,049,933
Less than a year - the current portion	**5,527,681**	4,825,390
Total	**104,785,491**	107,875,323

10. RIGHT-OF-USE ASSETS AND NON-PAYABLE LEASE LIABILITIES (CONTINUED)

d) The following is recognized in the statement the profit or loss:

	31 December 2022	31 December 2021
Finance cost on lease liabilities	**4,210,159**	5,696,197
Depreciation expense	**(9,447,448)**	(10,145,927)

e) The following is recognized in the statement of cash flows

	31 December 2022	31 December 2021
Payment of lease liabilities	**(7,299,991)**	(10,290,213)

11. RENT RECEIVABLES, NET

	31 December 2022	31 December 2021
Rent receivables	**91,064,552**	78,681,871
Allowance for Expected credit losses	**(64,598,974)**	(40,305,417)
	26,465,578	38,376,454

The fund measures allowance for expected credit loss on trade receivables. To determine the expected credit loss, the debt aging matrix is used and compared to experience about debt collectability. These expectations are reviewed based on the debtor's condition, the market condition, and general economic conditions. It considers the debtor's current condition and future expectations.

The expected credit loss table is as follows:

	Trade receivables			
	Past-due days			
31 December 2022	**0 - 6 months**	**6-12 months**	**More than 12 months**	**Total**
Expected credit losses rate	**%27**	**%23**	**%95**	
Management fees and other fees payable in total	**21,091,026**	**10,736,828**	**59,236,698**	**91,064,552**
expected credit losses	**(5,754,815)**	**(2,460,927)**	**(56,383,232)**	**(64,598,974)**
Book value	15,336,211	8,275,901	2,853,466	24,465,578

11. RENT RECEIVABLES, NET (CONTINUED)

	Trade receivables			
	Past-due days			
31 December 2021	0 - 6 months	6-12 months	More than 12 months	Total
Expected credit losses rate	%23,45	%61,07	%58,67	
Management fees and other fees payable in total	17,386,438	13,185,783	48,109,650	78,681,871
expected credit losses	(4,076,480)	(8,051,942)	(28,176,995)	(40,305,417)
Book value	13,309,958	5,133,841	19,932,655	38,376,454

The movement of expected credit losses is as follows:

	31 December 2022	31 December 2021
At the beginning of the year	**(40,305,417)**	(29,120,423)
Charge for the year	**(26,575,114)**	(11,184,994)
At the year-end	**(64,598,974)**	(40,305,417)

12. PREPAYMENTS AND OTHER DEBIT BALANCES

	31 December 2022	31 December 2021
VAT	**7,519,706**	8,524,392
Less: allowance for expected credit losses	**(2,195,824)**	(1,293,788)
	5,323,882	7,230,604

13. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash at banks	**3,220,691**	1,229,649
	3,220,691	1,229,649

14. LONG-TERM BORROWINGS

Amaar Real Estate Company (SPV) has obtained Islamic financing facilities from Al-Riyadh Bank amounting to SR 400,000,000 for the purpose of financing the real estate investments of the Fund. The loan carries a profit rate at SAIBOR plus 2.15%, The loan is payable after 7 years.

The loan balance as of December 31, 2022, amounted to “347,222,486” SAR (December 31, 2021 “352,422,486”) SAR, and the accrued finance cost realized for this loan as of December 31, 2022, amounting to “6,767,119” million SAR (December 31, 2021 “2,800,040” SAR) has been charged to the balance of long-term loans. The loan is secured by mortgaging investment properties of twice the value of the loan (Note 7).

15. ACCOUNTS PAYABLE

	31 December 2022	31 December 2021
Payable to Fahd Ibrahim Saad Al Mousa	**3,000,000**	7,000,000
Fund manager	**20,200,000**	20,200,000
Al-Rukn Al-Mateen (unitholder of Al-Qannas Fund)	**-**	10,000,000
Dividend payable to Al-Rukn Al-Mateen (Unitholder of Al-Qannas Fund)	**-**	1,100,000
	23,200,000	38,300,000

16. UNEARNED RENTAL INCOME

	31 December 2022	31 December 2021
Balance on 1 January	**5,007,735**	5,821,308
Rental income received during the year	**64,013,513**	55,254,106
Rental income earned during the year	**(63,208,848)**	(56,067,679)
Balance on 31 December	**5,812,400**	5,007,735

17. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2022	31 December 2021
Operational expenses payable	**6,098,464**	4,336,289
Management fees payable	**3,326,269**	3,206,163
Professional fees payable	**1,432,561**	1,372,602
Custody fees	**279,753**	67,013
VAT Payable	**404,768**	730,220
other	**263,323**	263,323
	11,805,138	9,975,610

18. ACCRUED FINANCE COST

	31 December 2022	31 December 2021
Balance at the beginning of the year	**2,800,040**	2,495,715
Charge for the year	**21,197,405**	16,842,480
paid during the year	**(17,230,326)**	(16,538,155)
Balance at the year-end	**6,767,119**	2,800,040

19. OPERATIONAL EXPENSES

	31 December 2022	31 December 2021
Investment property management fees	**10,192,217**	10,544,612
Registration and trading fees	**567,622**	595,786
management fees	**1,843,571**	1,833,179
Transactions fees	**-**	158,023
Professional expenses	**360,723**	239,626
Custody fees	**216,830**	-
Other expenses	**246,223**	353,780
	13,427,186	13,725,006

20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

In the course of the Fund's normal business, it conducts related party transactions. The related parties to the fund include the unit holders and the fund manager. Related party transactions are carried out in accordance with the terms and conditions of the fund. All related party transactions are carried out according to agreed terms under a formal agreement.

Transactions with related parties for the year ended 31 December 2022

Related parties	**Nature of relationship**	**Nature of transaction**	**31 December 2022**	31 December 2021
Middle East Financial Investment Company (the “Fund Manager”)	Fund Manager	Management fee	**2,120,107**	2,108,075
		Financing	**-**	20,200,000
Fahad Ibrahim Saad Al Mousa		Operational	**(4,000,000)**	(9,000,000)

Resulting related party balances:

	31 December 2022	31 December 2021
Related parties		
Middle East Financial Investment Company	**-**	2,630,666
(the “Fund Manager”)	**3,326,269**	3,206,163
Fahad Ibrahim Saad Al Mousa	**3,000,000**	7,000,000
A private portfolio managed by the fund manager	**20,200,000**	20,200,000
Al-Rukn Al-Mateen (Unitholder of Al-Qannas Fund)	**-**	10,000,000
Payables - dividends to Al-Rukn Al-Mateen	**-**	1,100,000

21. FINANCIAL RISK MANAGEMENT

The Fund’s activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Fund’s overall risk management program focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on the Fund’s financial performance.

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial instruments recorded in these financial statements principally comprise of cash and cash equivalents, rent receivables, investments carried at FVTPL, management fees payable, finance cost, expenses due to related parties, accrued expenses and other liabilities and long-term borrowings. The specific methods of recognition adopted are disclosed in the individual policy statements associated with each item. Financial assets and liabilities are offset, and net amounts reported in the financial statements, when the Fund has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Market risk

The Fund is subject to the general conditions of the real estate sector in Saudi Arabia, which itself is influenced by a variety of factors such as, but not limited to the overall macroeconomic growth risks in the kingdom, interest rate, demand-supply, availability of financing, investor sentiment, liquidity, legal, and regulatory risks. The Fund's management monitors on a regular basis the fluctuation and changes in the overall economic environment and believes that the impact of such changes is not significant to the Fund.

Price risk

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices resulting from factors other than foreign currency and commission rate movements.

Pricing risk arises primarily from the uncertainty about future prices of financial instruments held by the Fund. The fund manager diversifies the investment portfolio and closely monitors the price movements of its investments in financial instruments. As of the statement of financial position date, the fund owns equity investments.

The effect on NAV (due to change in fair value of investments as of 31st December 2021 and 31December 2022) due to a reasonably possible change in equity indices based on industry concentration, with all other variables held constant is as follows:

Credit risk

The fund is exposed to credit risk, which is represented in the fact that one party causes financial losses to the second party, due to its inability to fulfil its obligations. The Fund is exposed to credit risk in cash and cash equivalents, rentals, and other receivables.

It is the Fund's policy when entering into financial instrument contracts to be with reputable parties. The Fund seeks to limit credit risk by monitoring credit exposures, limiting transactions with certain counterparties and continually assessing the creditworthiness of counterparties.

The following table shows the maximum exposure to credit risk for the content of the statement of financial position:

	31 December 2022	31 December 2021
Cash and cash equivalents	**3,220,691**	1,229,649
Rent receivables, net	**91,064,552**	78,681,871
Other receivables	**7,519,706**	8,524,392

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

An allowance for credit losses is made, which is sufficient at management's discretion to cover potential losses on past-due receivables. On each reporting date, the bank balances are assessed for credit risks as to determine whether they have low risks as they are held with reputable financial institutions having a high local bank credit rating, and there is no default history for any of the bank balances. Therefore, the probability of default PD is based on future factors and any losses resulting from default are negligible. As at the reporting date, there are no past-due payment dates.

When calculating the allowance for expected credit losses on receivables and due from related parties, a provision matrix is used based on historical loss rates over the expected life of the receivables adjusted for forward-looking estimates.

For corporate and individual clients, the fund evaluates the risk control and credit quality of the client by considering his financial position, previous experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with the limits set by the Fund's Board of Directors. Compliance with credit limits by customers is monitored regularly by line management.

Liquidity risk

This is the risk that the Fund will encounter difficulties in obtaining the necessary amounts to fulfill obligations associated with financial liabilities. The fund manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any obligations as they arise, either through new subscriptions, liquidation of the investment portfolio, or by taking short-term borrowings from the fund manager.

31 December 2022	**Less than 1 year**	**More than 1 year**	**Total**
long term borrowings	**-**	**347,222,486**	**347,222,486**
Payables	**3,000,000**	**20,200,000**	**23,200,000**
Lease liabilities	**5,527,673**	**99,257,818**	**104,785,491**
contract obligations	**5,812,400**	**-**	**5,812,400**
Accrued expenses and other liabilities	**11,805,138**	**-**	**11,805,138**
Other payables- finance cost	**6,767,119**	**-**	**6,767,119**
Total liabilities	**32,912,330**	**466,680,304**	**499,592,634**

31 December 2021	**Less than 1 year**	**More than 1 year**	**Total**
long term borrowings	5,200,000	347,222,486	352,422,486
Payables	38,300,000	-	38,300,000
Lease liabilities	4,825,389	103,049,934	107,875,323
contract obligations	5,007,735	-	5,007,735
Transactions fees to the fund manager	2,630,666	-	2,630,666
Accrued expenses and other liabilities	9,975,610	-	9,975,610
Other payables- finance cost	2,800,040	-	2,800,040
Total liabilities	68,739,440	450,272,420	519,011,860

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

Interest rate risk is exposure to various risks associated with the impact of fluctuations in prevailing interest rates on the Fund's financial positions and cash flows.

The Fund's interest rate risk arises mainly from short-term loans and deposits, which are at a fixed rate of interest and are not subject to re-pricing on a regular basis.

Interest rate risk is exposure to various risks associated with the impact of fluctuations in prevailing interest rates on the Fund's financial positions and cash flows.

The Fund's interest rate risk arises mainly from its borrowings, which are at variable interest rates and the sensitivity analysis is as follows:

	Income Statement		**Statement of financial position**	
The balance as of 31 December 2022	**+ 100 points**	**-100 points**	**+100 points**	**- 100 points**
The cost of Islamic financing facilities	**3,539,896**	**(3,539,896)**	**3,539,896**	**(3,539,896)**
cash flow sensitivity (net)	**3,539,896**	**(3,539,896)**	**3,539,896**	**(3,539,896)**

	Income Statement		Statement of financial position	
The balance as of 31 December 2021	+ 100 points	- 100 points	+ 100 points	- 100 points
The cost of Islamic financing facilities	3,552,225	(3,552,225)	3,552,225	(3,552,225)
cash flow sensitivity (net)	3,552,225	(3,552,225)	3,552,225	(3,552,225)

Operational risk

Operational risk is the risk of direct or indirect loss resulting from a variety of causes related to the operations, technology and infrastructure that support the fund's activities, whether internally or externally at the fund service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from legal and regulatory requirements.

The fund's objective is to manage operational risk in order to rebalance limiting financial losses and damage to its reputation while achieving its investment objective of generating returns to Unitholders.

22. FAIR VALUE MEASUREMENT

Fair value estimation

The following table shows the fair value of financial instruments and investment properties disclosed as at the year-end:

	Carrying value	**Level 1**	**Level 2**	**Level 3**
31 December 2022				
Investment properties	**809,052,086**	**-**	**-**	**809,052,086**
Intangible assets – Right of benefit	**100,076,044**	**-**	**-**	**100,076,044**
Total	**909,128,130**	**-**	**-**	**909,128,130**

	Carrying value	Level 1	Level 2	Level 3
31 December 2021				
Investment properties	799,205,467	-	-	799,205,467
Intangible assets – Right of benefit	105,369,382	-	-	105,369,382
Total	904,574,849	-	-	904,574,849

The fair value of financial instruments that are not traded in an active market is determined using valuation methods. These valuation methods maximize the use of observable market data and rely as little as possible on the entity's own estimates. If all significant inputs required to measure the fair value of an instrument are observable, then the instrument is included within Level 2. If one or more significant inputs are not based on observable market data, then the instrument is included within Level 3. Changes in assumptions involved These inputs can affect the reported fair value of items in these financial statements and the level at which items within the fair value hierarchy are disclosed.

There were no transfers between the different levels of the fair value hierarchy during the current or previous year.

For assets not carried at fair value but for which fair value has been disclosed, valuation of investment properties has been performed using discounted cash flow method and income capitalization method based on significant unobservable inputs and accordingly it is included within Level 3 of the fair value hierarchy. The main inputs include:

Discount rates that reflect current market assessments of uncertainty in the amount and timing of cash flows (the rate used by valuers is 8%-11%)

Capitalization rates based on the physical location, size and quality of the properties and taking into account market data on the date of the valuation (the rate used by valuers is 5% - 25%)

Future rental cash flows based on the actual location, type and quality of the properties and supported by the terms of any existing lease or other contracts or external evidence such as current market rents for similar properties.

22. FAIR VALUE MEASUREMENT (CONTINUED)

Estimated vacancy rates based on current and projected future market conditions after the expiration of any existing lease term.

Maintenance costs, including the investments required to maintain the functional performance of the property over its estimated useful life.

Final value given assumptions about maintenance costs, vacancy rates and market rents.

There were no changes in the valuation methods during the year.

23. SEGMENT INFORMATION

The fund manager is responsible for the entire fund's portfolio and considers the business to have one operating segment. Asset allocation decisions are based on a single, integrated investment strategy, and the fund's performance is assessed on an overall basis.

24. DIVIDENDS

- On April 22, 2021, the Fund's Board approved the distribution of profits for the period from July 1, 2020, to December 31, 2020, amounting to 0.15 SAR per unit, totaling 10.9 million SAR, to the Unitholders.
- On October 18, 2021, the Fund's Board approved the distribution of profits for the period from January 1, 2021, to June 30, 2021, amounting to 0.05 SAR per unit, totaling 3.6 million SAR, to the Unitholders.
- On March 31, 2022, the Fund's Board approved the distribution of profits for the period from July 1, 2021, to December 31, 2021, amounting to 0.10 SAR per unit, totaling 7.3 million SAR, to the Unitholders.
- On September 29, 2022, the Fund's Board approved the distribution of profits for the period from January 1, 2022, to June 30, 2022, amounting to 0.05 SAR per unit, totaling 3.6 million SAR, to the Unitholders.

25. LAST VALUATION DAY

The last valuation day of the year was 31 December 2022.

26. RECLASSIFICATION OF COMPARATIVE FIGURES

During the year, the fund made some reclassifications in the comparative financial statements to conform with the current year's presentation.

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund's Board on 8 Ramadan 1444 H (corresponding to 30 March 2023).