MEFIC REIT FUND

Traded Real Estate Investment Fund

(Managed by Middle East Financial Investment Company)

Financial Statements for the year Ended 31 December 2025

Together with the Independent Auditor's Report to the Unitholders

PKF Al-Bassam
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE UNITEHOLDERS AL MEFIC REIT FUND
A REAL ESTATE INVESTMENT TRADED FUND
(MANAGED BY MIDDLE EAST FINANCIAL INVESTEMENT COMPANY)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MEFIC REIT Fund (the "Fund"), managed by Middle East Financial Investment Company (the "Fund Manager") as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

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

- The statement of financial position as at 31 December 2025;
- The statement of profit or loss and other comprehensive income for the year then ended;
- The statement of changes equity for the year then ended;
- The statement of cash flows for the year then ended; and
- Notes to financial statements, comprising material accounting policy information and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with the International Standards on Auditing 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 from the Fund in accordance with the International Code of Ethics for Professional Accountants 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 ethical 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.

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INDEPENDENT AUDITOR'S REPORT

TO THE UNITEHOLDERS AL MEFIC REIT FUND
A REAL ESTATE INVESTMENT TRADED FUND
(MANAGED BY MIDDLE EAST FINANCIAL INVESTEMENT COMPANY)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Investment Properties and Hotels	
MEFIC REIT Fund owns a portfolio of investment properties consisting of commercial buildings classified as investment properties, and hotels classified as property and equipment (collectively referred to as real estate and hotel investments) located in the Kingdom of Saudi Arabia. Investment Properties and hotels are held for the purpose of capital appreciation or generating rental income, and are presented at cost less accumulated depreciation and any accumulated impairment losses. Investment Properties and hotels are remeasured to assess any impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized in the amount by which the asset's carrying amount exceeds its recoverable amount. To assess the impairment of Investment Properties and hotels, the Fund Manager monitors fluctuations in the fair value of the properties by engaging certified independent real estate valuers ("Valuers") to perform a formal valuation of the Fund's Investment properties on semi-annual basis. This has been considered a key audit matter due to the significant professional judgment required by the Fund Manager in assessing impairment, and because the potential impact of any impairment loss, if identified, could be material to the financial statements.	We have carried out the following audit procedures: • Obtained an understanding of the valuation methodology adopted by the Fund Manager in estimating the impairment of the investment properties and the hotels; • Obtained two valuation reports for each investment property from Taqeem-certified, independent real estate valuers as of 31 December 2025, and verified that the valuation methods used were appropriate for determining the carrying values as of the report date; • Assessed the independence of the external valuers, their professional qualifications, competence, and experience, and confirmed that they are accredited by Taqeem. We also reviewed the terms of their engagement with the Fund to identify whether any matters existed that could influence the assumptions or limit the scope of their work; • Involved our specialists to assess the key assumptions and estimates used by the real estate valuation experts in determining the fair value of Investment properties; • Performed procedures to confirm the accuracy of the information provided to the external valuers by the Fund Manager; • Assessed the recoverable amount, which is the higher of the fair value or value in use of the related Investment properties and hotels,

INDEPENDENT AUDITOR'S REPORT

TO THE UNITEHOLDERS AL MEFIC REIT FUND
A REAL ESTATE INVESTMENT TRADED FUND
(MANAGED BY MIDDLE EAST FINANCIAL INVESTEMENT COMPANY)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Investment Properties and Hotels	
Please refer to the Summary of Important Information of Significant Accounting Policies in Note 5 related to the impairment of real estate investments, as well as Note 4, which includes significant accounting estimates, judgments, and assumptions related to impairment, in addition to Notes 7 and 8 pertaining to Investment Properties and hotels.	in accordance with the valuation reports mentioned above, and concluded that the recoverable amount was lower than their carrying amount; • Reconciled the average fair value of the Investment properties and hotels, as disclosed in Note 10, with the reports issued by the external valuers.; and • Evaluated the adequacy of the fair value presentation and disclosures in the financial statements.

OTHER INFORMATION

Other information consists of the information included in the Fund's 2025 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE FUND MANAGER AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable provisions of the Real Estate Investment Funds Regulations issued by Capital Market Authority, the Fund's Terms and Conditions

INDEPENDENT AUDITOR'S REPORT

TO THE UNITEHOLDERS AL MEFIC REIT FUND
A REAL ESTATE INVESTMENT TRADED FUND
(MANAGED BY MIDDLE EAST FINANCIAL INVESTEMENT COMPANY)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS (CONTINUED)

and for such internal control as the Fund Manager 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 Manager 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.

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 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 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITEHOLDERS AL MEFIC REIT FUND
A REAL ESTATE INVESTMENT TRADED FUND
(MANAGED BY MIDDLE EAST FINANCIAL INVESTEMENT COMPANY)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

PKF Al-Bassam
Chartered Accountants

Abdulellah Al Bassam
Certified Public Accountant
License No. 703
Riyadh, Kingdom of Saudi Arabia
12 Shawwal 1447H
Corresponding to: 31 March 2026

شركة بي كي اف البسام
محاسبون ومراجعون قانونيون
C. R. 1010385804
PKF Al Bassam
chartered accountants

MEFIC REIT FUND
(Managed by Middle East Financial Investment Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2025
(All amounts in Saudi Riyal unless otherwise stated)

	Note	**31 December 2025**	31 December 2024 (Restated - Note 28)
ASSETS			
Investment properties. net	7	**538,767,000**	584,493,000
Property and equipment, net	8	**169,093,385**	170,266,819
Right of benefit, net	9	**71,546,185**	81,056,138
Right-of-use assets	11	**61,887,530**	69,580,902
Investments at fair value through profit or loss	12	**63,852,000**	63,852,000
Rent receivables, net	13	**23,862,562**	19,846,058
Other debit balances		**333,652**	1,311,519
Cash and cash equivalents	14	**419,178**	166,156
TOTAL ASSETS		**929,761,492**	990,572,592
LIABILITIES			
Borrowings	15	**311,705,885**	352,494,342
Lease liabilities under right-of-use assets	11	**74,050,279**	84,265,037
Trade payables	16	**14,208,022**	18,539,798
Unearned rental income	17	**7,791,070**	14,854,527
Accrued expenses and other liabilities	18	**6,236,764**	5,006,245
TOTAL LIABILITIES		**413,992,020**	475,159,949
Net assets value (equity) attributable to the Unitholders		**515,769,472**	515,412,643
Units in issue (number)		**73,276,800**	73,276,800
Net assets (equity) attributable to each unit at Book value		**7.04**	7.03
Net assets (equity) attributable to each unit at Fair value	10	**7.82**	7.90

The accompanying notes (1) to (30) form an integral part of these financial statements.

MEFIC REIT FUND
(Managed by Middle East Financial Investment Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2025
(All amounts in Saudi Riyal unless otherwise stated)

	Note	**31 December 2025**	31 December 2024 (Restated - Note 28)
REVENUES			
Rental and hotel revenues	19	**61,032,652**	64,513,442
Other income	21	**7,840,727**	4,397,030
Gain on disposal of investment properties	7	**1,560,410**	4,396,106
Total revenue		**70,433,789**	73,306,578
Depreciation of investment properties	7	**(2,447,904)**	(3,693,325)
Depreciation of property and equipment	8	**(2,255,074)**	(2,255,074)
(Impairment) / Reversal of investment properties	7	**(4,838,506)**	6,075,481
Reversal of impairment on property and equipment	8	**1,081,640**	7,159,890
Amortization of right-of-use assets	9	**(9,509,953)**	(9,509,953)
Depreciation of right-of-use assets	11	**(7,693,372)**	(7,693,372)
Finance costs on lease liabilities	11	**(3,027,156)**	(3,472,866)
Other expenses	20	**(13,864,736)**	(16,869,002)
Fund management fees	22	**(1,811,534)**	(1,810,280)
Custodian fees		**(150,000)**	(284,790)
Total operating expenses		**(44,516,595)**	(32,353,291)
		25,917,194	40,953,287
Finance Cost	15	**(25,560,365)**	(32,835,393)
Net income for the year		**356,829**	8,117,894
Other comprehensive income		-	-
Total comprehensive income for the year		**356,829**	8,117,894

The accompanying notes (1) to (30) form an integral part of these financial statements.

(All amounts in Saudi Riyal unless otherwise stated)

	Note	31 December 2025	31 December 2024
Net assets value (equity) attributable to the Unitholders at beginning of the year		**515,412,643**	513,157,547
Total comprehensive income for the year		**356,829**	8,117,894
Dividends	**24**	**-**	(5,862,798)
Net assets value (equity) attributable to the Unitholders at the end of the year		**515,769,472**	515,412,643

(All amounts in Saudi Riyal unless otherwise stated)

	Note	31 December 2025	31 December 2024 (Restated - Note 28)
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year		**356,829**	8,117,894
Adjustment to reconcile net income to net cash generated from operating activities:			
Depreciation of investment properties	7	**2,447,904**	3,693,325
Depreciation of property and equipment	8	**2,255,074**	2,255,074
(impairment) / Reversal of investment properties	7	**4,838,506**	(6,075,481)
Reversal of impairment on property and equipment	8	**(1,081,640)**	(7,159,890)
Amortization of right-of-use assets	9	**9,509,953**	9,509,953
Depreciation of right-of-use assets	11	**7,693,372**	7,693,372
Finance costs	15	**25,560,365**	32,835,393
Finance costs on lease liabilities	11	**3,027,156**	3,472,866
Gain on sale of investment properties	21	**(1,560,410)**	(4,396,106)
Remeasurement of lease liabilities	11	**(3,741,914)**	(3,398,499)
		49,305,195	46,547,901
Changes in operating assets & liabilities:			
Rent receivables		**(4,016,504)**	(954,029)
Other debit balances		**9,77,867**	(1,311,519)
Due to related parties and others		**(4,331,776)**	539,798
Unearned rental income		**(7,063,457)**	(54,671)
Accrued expenses and other liabilities		**1,230,519**	(3,642,061)
Net cash generated from operating activities		**36,101,844**	41,125,419
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from investment properties	8	**40,000,000**	-
Net cash generated from investing activities		**40,000,000**	-
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liabilities	11	**(9,500,000)**	(9,500,000)
Payment for borrowings	15	**400,000,000**	-
Payment of finance costs	15	**(25,560,365)**	(33,907,359)
Dividends paid	24	**-**	(5,862,798)
Net cash used in financing activities		**(75,848,822)**	(49,270,157)
Net change in cash and cash equivalents		**253,022**	(8,144,738)
Cash and cash equivalents at the beginning of the year	14	**166,156**	8,310,894
Cash and cash equivalents at the end of the year	14	**419,178**	166,156

The accompanying notes (1) to (30) form an integral part of these financial statements.

1. ORGANIZATION AND ACTIVITY

1. Organization and Activities

Mefic REIT Fund (the "Fund") is a Shariah-compliant closed-ended publicly traded real estate investment fund established in the Kingdom of Saudi Arabia in accordance with the Real Estate Investment Funds Regulations.

The Fund is listed on the Saudi Stock Exchange ("Tadawul") under ticker symbol (4346). Its units are traded in accordance with the rules and regulations of the Capital Market Authority. The Fund's capital amounts to SAR 732,768,000, divided into 73,276,800 units with a nominal value of SAR 10 per unit. The Fund's term is 99 years, extendable upon the request of the Fund Manager and subject to the approval of the Capital Market Authority.

Trading of the Fund's units on the Saudi Stock Exchange commenced on 5 Rabi' Al-Awwal 1440H, corresponding to 13 November 2018, following the approval of the Capital Market Authority in the Kingdom of Saudi Arabia.

The Fund's primary investment objective is to provide regular income to unitholders through investment in income-generating real estate assets located in the Kingdom of Saudi Arabia and the Gulf Cooperation Council (GCC) countries.

In general, the Fund seeks to acquire or invest in income-generating real estate assets including hospitality, commercial, administrative (office towers), logistics, residential, and mixed-use properties.

The Fund is managed by Middle East Financial Investment Company (the "Fund Manager"), a Saudi closed joint stock company registered under Commercial Registration No. 1010237038 and licensed as a capital market institution by the Capital Market Authority under license No. 37-06029.

The Fund's financial year starts on 1 January and ends on 31 December of each year in accordance with the Fund's terms and conditions.

2. Regulatory Framework

The Fund operates in accordance with the Real Estate Investment Funds Regulations issued by the Capital Market Authority, which set out the requirements to be followed by real estate investment funds and publicly traded real estate investment funds operating in 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"). To comply with the relevant executive regulations issued by the Capital Market Authority and the terms and conditions of the fund.

3.2 Basis of measurement

The financial statements have been prepared under the historical cost convention, using the accrual basis of accounting, except for investments measured at fair value through profit or loss.

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 Riyal ("SAR") which is the Fund's functional and presentation currency, Figures are rounded to the nearest Saudi Riyal unless otherwise stated.

4. MATERIAL 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 MATERIAL accounting judgements and estimates applied in the preparation of these financial statements are as follows:

4.1 Judgments

Information about the judgments made in applying accounting policies that have the most MATERIAL effect on the amounts recognized in the financial statements. The provisions have been applied in cases of determining whether an arrangement contains a lease and classification of leases.

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

4.1 Judgments (continued)

4.1.1 Going concern

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

As at 31 December 2025, the Fund's current liabilities exceeded its current assets by SAR 13,120,464 (31 December 2024: SAR 26,576,837), primarily due to trade payables and unearned rental income amounting to SAR 21,999,092 (31 December 2024: SAR 33,394,325). Despite the Fund's working capital deficit, it generated operating cash flows of SAR 36,101,844 (31 December 2024: SAR 41,123,417), which indicates its ability to meet its obligations as they fall due. In addition, the Fund Manager closely monitors cash management and liquidity risk and is confident in its ability to bridge the gap. Accordingly, the accompanying financial statements have been prepared on a going concern basis.

4.2 Estimation and Assumptions Uncertainties

4.2.1 Useful lives and residual values of investment properties and Right of benefit

The fund manager 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 and /or amortization expenses, if any, are adjusted in current and future periods. The estimated useful lives of the investment properties and Right of benefitare disclosed in (note 9/7).

4.2.2 Impairment of investment properties and Right of benefit

The Fund manager assesses whether there are any indicators of impairment for all investment properties and Right of benefitat 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.
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.
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 manager fund 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 comprehensive income.

4.2.3 Lease discount rate

The Fund uses estimates to determine the additional borrowing rate in calculating the present value of the minimum lease payments. As well as the expected duration if there are extension options.

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

4.2 Estimation and Assumptions Uncertainties (continued)

4.2.4 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 MATERIAL assumptions about future economic conditions and credit behavior.

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

- 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.

5. IMPORTANT INFORMATION OF MATERIAL ACCOUNTING POLICIES

5-1 Financial instruments

Initial recognition and measurement

Rental 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 rental receivables without a MATERIAL 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. Rental receivables without a MATERIAL financing component are initially measured at the transaction price.

Financial assets

<u>Classification of financial assets</u>

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:

1) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
2) 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.

5. IMPORTANT INFORMATION OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5-1 Financial instruments (continued)

Financial assets (continued)
A financial asset shall be measured at FVOCI if both of the following conditions are met:

1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
2) 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.

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

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 comprehensive income. Any gain or loss on derecognition is recognized in the statement of comprehensive income

These assets are subsequently measured at fair value at each reporting period, with changes in fair value recognized directly in the statement of comprehensive income under profit or loss. No amortisation is calculated using the effective interest method for this category of assets, as they are continuously measured at fair value.

Interest income (if any), foreign exchange gains and losses, and changes in fair value are recognized in profit or loss within the statement of comprehensive income. Upon derecognition of a financial asset, any gain or loss arising from disposal or settlement is also recognized in the statement of comprehensive income.

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 other party under a ‘pass-through’ arrangement, and either:
1) The Fund has transferred substantially all the risks and rewards of the asset, or
2) The Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

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:

5. IMPORTANT INFORMATION OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5-1 Financial instruments (continued)

Financial assets (continued)

ECL assessment (Continued):

Financial assets measured at amortized cost;

Expected loss rates are based on rental 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 rental 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.

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.

5. IMPORTANT INFORMATION OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5-1 Financial instruments (continued)

Financial assets (continued)

ECL assessment (Continued):

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 MATERIAL 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.

The carrying amount of the asset is reduced using the above form and the loss is recognized in the statement of comprehensive income. Rental 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 comprehensive income.

Defined provision

A defined provision is recognized on the basis of one customer to another customer at each reporting date The fund establishes a specific provision against rental 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, net of direct transactions costs. The fund’s financial liabilities mainly include borrowings, lease liabilities under right-of-use assets, trade payables, Unearned rental income, accrued expenses and other liabilities after initial recognition, loans 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.

5. IMPORTANT INFORMATION OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5-1 Financial instruments (continued)

Financial liabilities (Continued)

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.

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 comprehensive income.

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 comprehensive income.

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.

5. IMPORTANT INFORMATION OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

The Fund uses valuation methods that are appropriate under the circumstances and for which sufficient data are available to measure fair value, maximize the use of observable inputs and reduce the use of unobservable inputs.

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 MATERIAL to the fair value measurement, which is directly or indirectly observable.
- Level 3 valuation techniques that are the lowest level input that is MATERIAL 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 MATERIAL 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 (7/8).

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. IMPORTANT INFORMATION OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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, the fair value of investment properties is disclosed in Note (10) to these financial statements.

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 the statement of comprehensive income.

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.

The carrying 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.

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.

5-5 Usufruct Rights

Usufruct rights are initially recognized at fair value, along with 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, if any. Subsequent expenditures are capitalized when they increase the utility or economic life of the asset; otherwise, they are charged as an expense in the period in which they are incurred. The fair value of usufruct rights is disclosed in Note (8) to these financial statements.

5. IMPORTANT INFORMATION OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5-6 Estimated useful lives

Estimated Useful lives of different components of investment properties and Right of benefitare as follows:

	Years
Building	40 years
Right of benefit	40 years or the lease period, whichever is less

5-7 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.

5-8 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.

5-9 Lease liabilities under right-of-use assets

At lease inception, the Fund recognizes lease liabilities measured at the present value of lease payments made over the term of the lease. Lease payments include fixed payments (including actual fixed payments) less any lease incentive receivables, variable lease payments based on an index or rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Fund and payments of lease termination penalties if the lease reflects the exercise by the Fund of a termination option. Variable lease payments, which are not based on a specific index or rate, are recognized as an expense in the year in which the event or condition triggers the payment.

When calculating the present value of lease payments, the Fund uses the notional borrowing rate at the commencement of the lease if the interest rate implicit in the lease cannot be readily determined. After the lease commencement date, the amount of the lease liability is added to reflect accruing interest and reduced based on the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or change in the lease term; whether it is a change in the actual fixed lease payments or a change in the purchase valuation of the asset subject to the contract.

5-10 Rental Receivables

Rental 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 rental receivables is normally measured at an amount equal to the expected lifetime loss.

5. IMPORTANT INFORMATION OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5-11 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.

5-12 Loans

Borrowings are recognized at fair value (as proceeds received), net of transaction costs incurred, if any. Subsequent to initial recognition, long-term loans measured at amortized cost using the effective interest rate method, and any difference between the proceeds (net of transaction costs) and redemption value is recognized in the statement of comprehensive income 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, in this case, the fees are deferred until the facilities are withdrawn, and the fees are capitalized in advance payments for liquidity services to the extent that there is no evidence that part or all of the facility is likely to be withdrawn, and they are amortized over the term of the relevant facility.

Loans are derecognized in the statement of financial position when the obligation is settled, canceled or expires. The difference between the carrying amount of financial liabilities that have been extinguished or transferred to another party and the consideration paid, including non-cash assets transferred or liabilities assumed, is recognized in the statement of comprehensive income under other income or financing costs.

5-13 Cost of borrowing

General and specific borrowings directly related to the purchase, construction or production of assets eligible for capitalization are capitalized during the time period required to complete and prepare the asset for its intended use or sale, as appropriate. Eligible assets are assets that necessarily take a MATERIAL period of time to become ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings until spent on qualifying assets is deducted from borrowing costs eligible for capitalization.

Other borrowing costs are recognized as expenses in the year in which they are incurred in the statement of comprehensive income.

5-14 Contract assets

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

5-15 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.

5-16 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. IMPORTANT INFORMATION OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5-17 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

5-18 Zakat

According to the rules of the Zakat, Tax and Customs Authority regarding investment funds, the fund is not subject to zakat provided that it does not participate in economic or investment activities that are not stipulated in accordance with the terms and conditions approved by the Capital Market Authority.

The Fund must submit an annual zakat information return to the Zakat and Tax and Customs Authority (“ZATCA”). The fund manager has registered the fund and will submit the annual zakat information declaration to the Authority.

5-19 Value added tax

Expenses and assets are recognized after deducting the value added tax amount, except for:

• When the VAT incurred in connection with the purchase of assets or services is not recoverable from the tax authorities, in which case the VAT is recognized as part of the cost of purchasing the assets or as part of the item expense, where applicable, and/or
• When showing rental receivables and trade payables, including the value added tax amount

The net amount of VAT recoverable from/or due to the tax authorities is included either as part of prepaid expenses and other assets or accrued expenses and other liabilities in the statement of financial position.

5-20 Revenue recognition

The Fund's revenues consist mainly of operating lease revenues.

Rental income from leasing investment properties as a lessor

When the Fund acts as a lessor, it determines at the inception of the lease whether each lease is a finance lease or an operating lease.

To classify each lease, the Fund performs a comprehensive assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If so, the lease is a finance lease, and if not, it is an operating lease. As part of this assessment, the Fund takes into account indicators such as whether the lease covers the greater part of the economic life of the asset. The Fund has estimated that all of its leases are operating leases

Properties leased under operating lease contracts are included within investment properties in the statement of financial position. Rental income from operating leases is recognized on a straight-line basis over the term of the lease. When the Fund provides incentives to tenants, the cost of the incentives is recognized over the lease term, on a straight-line basis, as a reduction in rental income.

Rental income

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

5. IMPORTANT INFORMATION OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5-21 Other expenses

Expenses include legal, accounting, audit and other fees and are recognized in the statement of comprehensive income for the period in which they are incurred on an accrual basis.

5-22 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.

5-23 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.

5-24 Potential liabilities

All potential liabilities arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not entirely within the control of the Fund, or all current liabilities arising from past events, but which are not confirmed for the following reasons:

1) Non-compliance, or
2) The amount of the obligation cannot be measured with sufficient reliability; They must all be evaluated at the date of each statement of financial position and disclosed in the fund’s financial statements as potential liabilities.

5-25 Sector reports

Operational sector

The operating sector is one of the components of the Fund that carries out activities from which it may generate revenues and incur expenses, including revenues and expenses related to transactions with any of the Fund’s other sectors. All sector results are evaluated periodically by operational decision makers to make decisions until decisions are made and performance is evaluated. Sector-specific resources and financial information are available separately.

Segment results that are reported to operating decision makers include items directly attributable to the segment as well as those that can be allocated on an appropriate basis. Head office expenses, research and development costs, related assets/liabilities, and zakat assets and liabilities.

In the Kingdom of Saudi Arabia, the Fund has one operating sector (leasing).

Geographic sector

A geographical sector is a group of assets, operations or facilities that engage in profitable activities in a particular economic environment that are subject to risks and returns different from those operating in other economic environments.
The Fund has geographical sectors in (the Kingdom of Saudi Arabia - the United Arab Emirates).

(All amounts in Saudi Riyal unless otherwise stated)

5. IMPORTANT INFORMATION OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

5-26 Transactions and balances in foreign currencies

Transactions in foreign currencies are converted into Saudi Riyals using the exchange rate prevailing on the date of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions and from remeasuring monetary items denominated in foreign currency at the exchange rates prevailing at the end of the year are recognized in the statement of comprehensive income.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value, which are translated using the exchange rates at the date on which the fair value was determined.

5-27 New standards issued that have not yet been applied

a) International Financial Reporting Standards IFRS Interpretations Committee interpretations and new amendments thereto applied by the Fund The following amendments to accounting standards interpretations and amendments became effective for annual reporting periods beginning on or after 1 January 2025 The Fund Manager has assessed that these amendments do not have a material impact on the Fund's financial statements

Amendments to IAS 21 - Lack of Exchangeability

b) International Financial Reporting Standards IFRS Interpretations Committee interpretations and new amendments thereto issued but not yet effective The following are the new standards amendments and changes to existing standards issued by the International Accounting Standards Board but not yet effective The Fund intends to apply these standards when they become effective

Amendments to standard	Description	Effective for annual years beginning on or after
Amendments to International Financial Reporting Standard 9 and International Financial Reporting Standard 7	Classification and Measurement of Financial Instruments	1 January 2026
International Financial Reporting Standards – Volume 11	Annual Improvements to International Financial Reporting Standards	January 1, 2026
Amendments to International Financial Reporting Standard 10 and International Accounting Standard 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date deferred indefinitely
International Financial Reporting Standard 19	Reduced Disclosures for Subsidiaries	January 1, 2027
International Accounting Standard 21	Translation to a Presentation Currency of a Hyperinflationary Economy	1 January 2027
International Financial Reporting Standard 18 Presentation and Disclosure in Financial Statements	Replaces International Accounting Standard 1 and introduces new requirements for classifying income and expenses into specified categories and for the disclosure of management-defined performance measures	1 January 2027

Management is currently assessing the potential impact of the above-mentioned standards and amendments on the Fund's financial statements.

(All amounts in Saudi Riyal unless otherwise stated)

6. MANAGEMENT FEES, AND OTHER FEES

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

6-1 Subscription fees
The subscription fee is 2% of the subscription amount, paid in advance once, and the fees will not be calculated until after the allocation. These fees are deducted and paid to the fund manager.

6-2 Management fees
The Fund pays the Fund Manager a management fee equal to 0.35% of the Fund's net assets value, paid every half year.

6-3 Financing structuring fees
The Fund pays the Fund Manager a financing structuring fee equal to 1% of the amount withdrawn under any bank facilities for the Fund.

6-4 Custody fees
The Fund pays the custodian a custody fee equal to 0.025% annually of the Fund's net assets value.

6-5 Transactions fees
The Fund pays the Fund Manager a transaction fee of 1% of the purchase or sale price of each real estate asset purchased or sold from the Fund in exchange for the Fund Manager conducting the necessary investigation, negotiating the terms of the sale and purchase, and completing the process. The fees are payable after the completion of the purchase or the sale of each real estate asset, it is applied to the fund's initial assets.

6-6 Performance fees
The fund manager is entitled to a performance fee of 5% of the value of the positive difference between the selling price of any property owned by the fund and its purchase price. If the fund manager decides to distribute the proceeds from the sale of any of the fund's assets, the performance fees will be calculated and deducted as an allocation before distributing the sale proceeds. If the money is reinvested in the fund, the fund manager will not be paid performance fees and there will be no performance fees if any asset is sold for the value of its purchase. Or less.

7. INVESTMENT PROPERTIES, NET

The Fund owns the following investment properties:

		Net carrying value as of	
Property	**Property nature**	**31 December 2025**	31 December 2024
Commercial mall in Riyadh	Mall	**538,767,000**	545,950,000
Commercial and administrative building in Jaddah	Mall – Offices	**-**	38,543,000
		538,767,000	584,493,000

On 24 July 2025 the Fund sold the properties of a commercial and administrative building in Jeddah for an amount of SAR 40,000,000 and realized a capital gain from the sale amounting to SAR 1,560,410.

(All amounts in Saudi Riyal unless otherwise stated)

7. INVESTMENT PROPERTIES, NET (CONTINUED)

Commercial Mall in Riyadh (previously referred to as Souq Sharq): A commercial retail mall in Riyadh that contains 187 stores, the mall consists of 21 buildings working in the field of furniture, furnishings, 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.15).

- The Fund has a policy of depreciating buildings over 40 years. Depreciation is charged on the depreciable amount, which is the cost less the residual value.
- All MIFC REIT Fund properties are held in the name of Amar Real Estate Development and Investment Company ("Special Purpose Company"). The Special Purpose Company holds these properties for the beneficial ownership of the Fund and does not have any controlling ownership rights or interest in these properties.
- The Fund Manager reviews the Fund's investment properties for impairment. Impairment losses are recognized for the amount by which the carrying amount of the investment properties exceeds their recoverable amount, which is the higher of fair value less costs to sell and value in use. As of 31 December 2025, and according to the periodic valuation reports provided by the Fund's independent valuers, there was a reversal of impairment losses on investment properties during the year amounting to SAR 4,838,506 (31 December 2024: impairment loss of SAR 6,075,481).

	As at 31 December 2025		
	Land	**Buildings**	**Total**
Cost:			
At the beginning of the year	**625,047,488**	**102,052,512**	**727,100,000**
Disposals during the year	**(37,177,236)**	**(8,272,764)**	**(45,450,000)**
At the end of the year	**587,870,252**	**93,779,748**	**681,650,000**
Accumulated Depreciation:			
At the beginning of the year	**-**	**(15,945,706)**	**(15,945,706)**
charged for the year	**-**	**(2,447,904)**	**(2,447,904)**
Disposals during the year	**-**	**1,396,029**	**1,396,029**
At the end of the year	**-**	**(16,997,581)**	**(16,997,581)**
Reversal / (loss) of accumulated impairment:			
At the beginning of the year	**(110,614,204)**	**(16,047,090)**	**(126,661,294)**
Reversal of impairment during year	**(4,172,836)**	**(665,670)**	**(4,838,506)**
Disposals during the year	**4,841,968**	**772,413**	**5,614,381**
At the end of the year	**(109,945,072)**	**(15,940,347)**	**(125,885,419)**
Net carrying value	**477,925,180**	**60,841,820**	**538,767,000**

(All amounts in Saudi Riyal unless otherwise stated)

7. INVESTMENT PROPERTIES, NET (CONTINUED)

	As at 31 December 2024		
	Land	Buildings	Total
Cost:			
At the beginning of the year	634,981,571	158,345,647	793,327,218
Disposals during the year		(66,227,218)	(66,227,218)
At the end of the year	634,981,571	92,118,429	727,100,000
Accumulated Depreciation:			
At the beginning of the year	-	(19,023,705)	(19,023,705)
charged for the year	-	(3,693,325)	(3,693,325)
Disposals during the year	-	6,771,324	6,771,324
At the end of the year	-	(15,945,706)	(15,945,706)
Reversal / (loss) of accumulated impairment:			
At the beginning of the year	(115,919,964)	(16,816,811)	(132,736,775)
Reversal of impairment during year	5,305,761	769,720	6,075,481
At the end of the year	(110,614,204)	(16,047,090)	(126,661,294)
Net carrying value	524,367,367	60,125,633	584,493,000

The value of mortgaged and unmortgaged investment properties is as follows:

	31 December 2025	31 December 2024
Mortgaged investment properties (Note 15)	**538,767,000**	584,493,000
Unmortgaged investment properties	**-**	-
	538,767,000	584,493,000

Market values Disclosure

The fair value of the investment properties as at the reporting date was determined by two independent valuers ("White Cubes Professional Consulting Company") and ("Saudi Company for Asset Valuation and Professional Consulting"), both of whom are accredited by the Saudi Authority for Accredited Valuers (Taqeem). The valuation was classified as Level 3.

Valuer 1			**Market values**	
Property	**valuation method**	**Discount rate**	**31 December 2025**	31 December 2024
Commercial mall in Riyadh	Income method - discounted cash flow method	9.5 %	**555,500,000**	570,000,000
Commercial and administrative building in Jeddah	Income method - discounted cash flow method	9.5 %	-	-
			555,500,000	570,000,000

Valuer 2			**Market values**	
Property	**valuation method**	**Discount rate**	**31 December 2025**	31 December 2024
Commercial mall in Riyadh	Income method - discounted cash flow method	9 %	**522,034,000**	521,900,000
Commercial and administrative building in Jeddah	Income method - discounted cash flow method	9 %	-	38,086,000
			522,034,000	559,986,000

(All amounts in Saudi Riyal unless otherwise stated)

8- Property and Equipment, Net

The Fund owns the following property and equipment:

Property	Nature of Property	Discount Rate	31 December 2025	31 December 2024
Derenf Ajyad	Hotel	-	**115,897,000**	116,270,625
Derenf Kadi	Hotel	-	**53,196,385**	53,996,194
			169,093,385	170,266,819

Derenf Ajyad: A four-star hotel consisting of 203 rooms and 11 suites, located on Ajyad Road in Makkah. The investment property is pledged to Riyad Bank against a long-term loan (Note 15).

Derenf Kadi: A three-star hotel consisting of 75 rooms and 11 suites, located in the Kadi area on the Third Ring Road in Makkah. The investment property is pledged to Riyad Bank against a long-term loan (Note 15).

		As at 31 December 2025	
	Land	**Buildings**	**Total**
Cost:			
At the beginning of the year	**96,097,051**	**90,202,949**	**186,300,000**
Disposals during the year	-	-	-
At the end of the year	**96,097,051**	**90,202,949**	**186,300,000**
Accumulated Depreciation:			
At the beginning of the year	-	**(14,094,212)**	**(14,094,212)**
charged for the year	-	**(2,255,074)**	**(2,255,074)**
At the end of the year	-	**(16,349,286)**	**(16,349,286)**
Reversal / (loss) of accumulated impairment:			
At the beginning of the year	-	**(1,938,969)**	**(1,938,969)**
Reversal of impairment during year	-	**1,081,640**	**1,081,640**
Disposals during the year	-	-	-
At the end of the year	-	**(857,329)**	**(857,329)**
Net carrying value	**96,097,051**	**72,996,334**	**169,093,385**

		As at 31 December 2024	
	Land	Buildings	Total
Cost:			
At the beginning of the year	96,097,051	90,202,949	186,300,000
At the end of the year	96,097,051	90,202,949	186,300,000
Accumulated Depreciation:			
At the beginning of the year	-	(11,839,138)	(11,839,138)
charged for the year	-	(2,255,074)	(2,255,074)
At the end of the year	-	(14,094,212)	(14,094,212)
Reversal / (loss) of accumulated impairment:			
At the beginning of the year	-	(9,098,859)	(9,098,859)
Reversal of impairment during year	-	7,159,890	7,159,890
At the end of the year	-	(1,938,969)	(1,938,969)
Net carrying value	96,097,051	74,169,768	170,266,819

(All amounts in Saudi Riyal unless otherwise stated)

8- Property and Equipment, Net (COUNTINUED)

The value of mortgaged and unmortgaged investment properties is as follows:

	31 December 2025	31 December 2024
Mortgaged Property and Equipment (Note 15)	**169,093,385**	170,266,819
Unmortgaged Property and Equipment	**-**	-
	169,093,385	170,266,819

Market Values:
The fair value of the investment properties as at the reporting date was determined by two independent valuers ("White Cubes Professional Consulting Company") and ("Saudi Company for Asset Valuation and Professional Consulting"), both accredited by the Saudi Authority for Accredited Valuers (Taqeem). The valuation was classified as Level 3.

Valuer 1			**Market values**	
Property	**valuation method**	**Discount rate**	**31 December 2025**	31 December 2024
Derenf Ajyad	Income method - discounted cash flow method	8%	**120,000,000**	123,000,000
Derenf Kadi	Income method - discounted cash flow method	8%	**61,100,000**	66,000,000
			181,100,000	189,000,000

Valuer 2		**Market values**	
Property	**valuation method**	**31 December 2025**	31 December 2024
Derenf Ajyad	Income Approach (Residual Value)	**111,794,000**	109,541,250
Derenf Kadi	Income Approach (Residual Value)	**54,480,000**	53,360,000
		166,274,000	162,901,250

(All amounts in Saudi Riyal unless otherwise stated)

9. RIGHT OF BENEFIT, NET

	31 December 2025	31 December 2024
Cost:		
Balance at the beginning of the year	**160,590,000**	160,590,000
Balance at the end of the year	**160,590,000**	160,590,000
Accumulated Amortization:		
Balance at the beginning of the year	**(79,533,862)**	(70,023,909)
Charged for the year	**(9,509,953)**	(9,509,953)
Balance at the end of the year	**(89,043,815)**	(79,533,862)
Net carrying value	**71,546,185**	81,056,138

The Fund acquired the usufruct rights for the properties detailed below:

Dhiyafa: 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 18 Rabi' al-Awwal 1462 H corresponding to 31 March 2040.

Plaza 1: A multi-use building situated on a 9,588 square meter plot, with 12,000 square meters of leasable area including 51 residential apartments and 12 commercial units. The property is located on King Abdul Aziz Road, Al Rabie district, Riyadh. The usufruct rights for this property expire on 3 Safar 1448H, corresponding to 17 July 2026. If the Fund complies with all contract terms during the period, the usufruct may be extended for an additional two years, with income shared between the Fund and the owner.

Since the usufruct rights do not represent a MATERIAL portion of the operational life of the properties, they are recognized as usufruct rights. These rights are amortized over the remaining useful lives.

(All amounts in Saudi Riyal unless otherwise stated)

9. RIGHT OF BENEFIT, NET (COUNTINUED)

Market values Disclosure:

The fair value of the investment properties as at the reporting date was determined by two independent valuers ("White Cubes Professional Consulting Company") and ("Saudi Company for Asset Valuation and Professional Consulting"), both accredited by the Saudi Authority for Accredited Valuers (Taqeem). The valuation was classified as Level 3 according to the hierarchy.

Valuer 1			**Market values**	
property	**valuation method**	**Discount rate**	**31 December 2025**	31 December 2024
Dhiyafa	Income method - discounted cash flow method	9.5 %	**119,115,000**	131,500,000
Plaza 1	Income method - discounted cash flow method	9.5 %	**21,990,000**	31,000,000
			141,105,000	162,500,000

Valuer 2			**Market values**	
property	**valuation method**	**Discoun t rate**	**31 December 2025**	31 December 2024
Dhiyafa	Income method - discounted cash flow method	8.5 %	**95,953,000**	101,491,000
Plaza 1	Income method - discounted cash flow method	8.5 %	**11,332,000**	14,299,000
			107,285,000	115,790,000

(All amounts in Saudi Riyal unless otherwise stated)

10.THE EFFECT OF NET ASSET VALUE ATTRIBUTABLE TO THE UNITHOLDERS IN THE EVENT THAT INVESTMENT PROPERTIES AND RIGHT OF BENEFITARE 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 two 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 Right of benefitare stated at cost less accumulated depreciation and amortization and impairment, if any, in these financial statements.

The valuation of investment properties and Right of benefitis as follows:

31 December 2025	**Valuation 1**	**Valuation 2**	**Average**
investment properties, net (Note 7)	**555,500,000**	**522,034,000**	**538,767,000**
Right of benefit- right of benefit, net (Note 8)	**181,100,000**	**166,274,000**	**173,687,000**
Right of benefit,net (Note9)	**141,105,000**	**107,285,000**	**124,195,000**
Total	**877,705,000**	**795,593,000**	**836,649,000**

31 December 2024	Valuation 1	Valuation 2	Average
investment properties, net (Note 7)	609,000,000	559,986,000	584,493,000
Right of benefit- right of benefit, net (Note 8)	189,000,000	162,901,250	175,950,625
Right of benefit,net (Note9)	162,500,000	115,790,000	139,145,000
Total	960,500,000	838,677,250	899,588,625

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

The following is an analysis of the fair value of investment properties and Right of benefitagainst cost:

	31 December 2025	31 December 2024
Estimated fair value of investment properties and Right of benefitbased on the average of the two valuations used	**836,649,000**	899,588,625
Less: carrying value		
- Investment properties, net (Note 7)	**538,767,000**	584,493,000
- Property and Equipment, Net (Note 8)	**169,093,385**	170,266,819
- Right of benefit, net (Note 9)	**71,546,185**	81,056,138
Estimated fair value excess of carrying value	**57,242,430**	63,772,668
Units in issue (in number)	**73,276,800**	73,276,800
Excess unit share of estimated fair value	**0.78**	0.87

Net assets attributable to the unitholders

	31 December 2025	31 December 2024
Net assets value attributable to the unitholders as per the financial statements before fair value adjustment	**515,769,472**	515,412,643
estimated fair value excess of carrying value	**57,242,430**	63,772,668
Net assets value attributable to the Unitholders based on fair value of investment properties and Right of benefit	**573,011,902**	579,185,311

(All amounts in Saudi Riyal unless otherwise stated)

10. THE EFFECT OF NET ASSET VALUE ATTRIBUTABLE TO THE UNITHOLDERS IN THE EVENT THAT INVESTMENT PROPERTIES AND RIGHT OF BENEFITARE MEASURED AT FAIR VALUE (CONTINUED)

Net asset value per unit:

	31 December 2025	31 December 2024
Carrying value of assets per unit as per the financial statements before fair value adjustment	**7.04**	7.03
Additional value per unit based on fair value	**0.78**	0.87
Market value of assets per unit	**7.82**	7.90

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES UNDER RIGHT OF USE ASSETS

Right of use assets:

	31 December 2025	31 December 2024
Cost:		
Balance at the beginning of the year	**114,496,357**	114,496,357
Balance at the end of the year	**114,496,357**	114,496,357
Accumulated depreciation:		
Balance at the beginning of the year	**(44,915,455)**	(37,222,083)
Charged for the year	**(7,693,372)**	(7,693,372)
Balance at the end of the year	**(44,915,455)**	(37,222,083)
Net carrying value	**61,887,530**	69,580,902

Lease liabilities under right of use assets

	31 December 2025	31 December 2024
Balance at the beginning of the year	**84,265,037**	93,690,670
Remeasurement of lease (Note 21)	**(3,741,914)**	(3,398,499)
Finance cost charged to statement of profit or losses	**3,027,156**	3,472,866
Paid during year	**(9,500,000)**	(9,500,000)
Net carrying value	**74,050,279**	84,265,037

*On December 31, 2025, the Fund's management remeasured the variable payments for a lease liability based on a percentage of the associated revenue Management believes that the calculation and the assumptions are made appropriately, according to future expected revenue generated from the related property.

The accrual of lease liabilities under right of use assets are as follows:

	31 December 2025	31 December 2024
Less than a year - The current portion	**9,500,000**	9,500,000
More than one year - The non-current portion	**64,550,279**	74,765,037
	74,050,279	84,265,037

(All amounts in Saudi Riyal unless otherwise stated)

12. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2025	31 December 2024
Investments at Fair Value Through Profit or Loss	**63,852,000**	63,852,000
	63,852,000	63,852,000

These investments represent preferred shares issued by Downtown Bay Developments Limited (Cayman). Amar Real Estate Development and Investment Company (a special purpose company established to hold the Fund's assets) acquired these shares at a purchase price of SAR 1.06 per share at the investment date. These shares carry contractual rights including periodic coupons of 6% per annum payable on a semi-annual basis, in addition to an extra preferential return of 1% of the nominal value, with the nominal value payable upon exercising the redemption right in accordance with the contractual terms.

As at 31 December 2025, management appointed an independent accredited valuer to perform an independent fair value assessment of these preferred shares. The valuer applied the discounted cash flow (DCF) methodology to measure the present value of the expected contractual future cash flows, which include semi-annual coupons, the preferential return and the expected nominal value at redemption, including the accrued and unpaid coupon as at year end. The valuation indicated an immaterial increase in fair value compared to the recorded carrying value; however, management decided not to recognize this increase in the financial statements as at 31 December 2025.

This financial instrument has been classified within Level 3 of the fair value hierarchy in accordance with IFRS 13 Fair Value Measurement. This classification reflects a high level of estimation uncertainty, as the valuation relies on key assumptions including the timing of redemption, which was estimated to occur four years after the issuance date, in addition to applying a probabilistic approach to distribute redemption probabilities within the redemption window extending until December 2029. The valuer also applied a discount rate of 7.7%.

(All amounts in Saudi Riyal unless otherwise stated)

13. RENT RECEIVABLES, NET

	31 December 2025	31 December 2024
Rent receivables	**89,892,329**	88,467,135
Provision for expected credit losses	**(66,029,767)**	(68,621,077)
	23,862,562	19,846,058

The movement on the provision for expected credit losses is as follows:

	31 December 2025	31 December 2024
Balance at the beginning of the year	**68,621,077**	79,283,804
Charged for the year	**(2,591,310)**	(10,662,727)
Balance at the end of the year	**68,621,077**	79,283,804

The Fund measures the expected credit loss allowance for rental receivables. To determine the expected credit loss, an aging matrix is used and compared with the historical collection experience of receivables. These estimates are adjusted based on the debtor's condition, market conditions, and general economic circumstances. The current status of the debtor and forward-looking expectations are also taken into consideration.

The expected credit loss table is as follows:

	Rent receivables Past-due days			
31 December 2025	**Less than 6 months**	**More than 6 months and less than a year**	**More than a year**	**Total**
Expected credit losses rate	**2.69%**	**7.91%**	**91.60%**	
Rent receivables	**11,041,191**	**7,765,055**	**71,086,082**	**89,892,328**
Provision for expected credit losses	**(297,008)**	**(614,488)**	**(65,118,271)**	**(66,029,767)**
Net carrying value	**10,744,183**	**7,150,567**	**5,967,811**	**,862,56123**

	Rent receivables Past-due days			
31 December 2024	Less than 6 months	More than 6 months and less than a year	More than a year	Total
Expected credit losses rate	4.99%	10.27%	95.55%	
Rent receivables	12,304,367	5,588,257	70,574,511	88,467,135
expected credit losses	(614,488)	(573,906)	(67,432,683)	(68,621,077)
Net carrying value	11,689,879	5,014,351	3,141,828	19,846,058

(All amounts in Saudi Riyal unless otherwise stated)

14. CASH AND CASH EQUIVALENTS

	31 December 2025	31 December 2024
Cash at banks	**419,178**	166,156
	419,178	166,156

15. BORROWINGS

Amaar Real Estate Company (SPV) has secured Islamic financing facilities from SAB Bank totaling SAR 400,000,000 to finance the investment properties of the Fund. The loan carries a profit rate of SAIBOR 3 months plus 2%.

As at 31 December 2025, the outstanding balance of the loan amounted to SAR 311,705,885 (31 December 2024: SAR 352,494,342). In addition, the finance costs accrued on this loan as at 31 December 2025 amounted to SAR 3,971,725 (compared to SAR 4,994,342.36 as at 31 December 2024).

The following statement outlines the movement in the loan balance throughout the year.

	31 December 2025	31 December 2024
Balance at the beginning of the year	**352,494,342**	353,566,308
Collected during the year	**-**	347,500,000
Financing costs during the year	**25,560,365**	32,835,393
Paid during the year	**(66,348,822)**	(381,407,359)
Balance at the end of the year	**311,705,885**	352,494,342

16- TRADE PAYABLES

	31 December 2025	31 December 2024
Middle East Financial Investment Company ("Fund manager") (Note 21)	**14,208,022**	17,197,628
Fahad Ibrahim bin Saad Al-Mousa	-	1,342,170
	14,208,022	18,539,798

17. UNEARNED RENTAL INCOME

	31 December 2025	31 December 2024
Commercial mall in Riyadh	**4,656,709**	**6,437,572**
Dhiyafa	**1,887,883**	**4,579,070**
Plaza 1 – Commercial	**1,033,945**	**1,573,855**
Commercial and administrative buildings in Jedda	**-**	**950,717**
Plaza 1 – Residential	**212,533**	**1,313,313**
	7,791,070	**14,854,527**

(All amounts in Saudi Riyal unless otherwise stated)

18. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2025	31 December 2024
Accrued operating expenses	**2,204,243**	1,277,854
Management fees payable (Note 22)	**962,444**	2,605,872
payable customers	**915,518**	-
Custody fees payable	**28,750**	407,725
Professional fees payable	**103,234**	155,936
VAT Payable	**1,259,401**	-
Other	**763,174**	558,858
	6,236,764	5,006,245

19. RENTAL INCOME AND HOTELS REVENUES

	31 December 2025	31 December 2024
Commercial mall in Riyadh	**30,217,874**	29,860,256
Darnf Ajiad	**4,349,278**	3,899,935
Darnf Kadi	**1,173,913**	421,457
Dhiyafa	**12,254,391**	14,533,501
Plaza 1 – Commercial	**5,675,171**	5,818,707
Plaza 1 – Residential	**4,879,246**	5,248,419
The Pad	**-**	1,609,560
Commercial and administrative building in Jeddah	**2,482,779**	3,121,607
	61,032,652	64,513,442

	31 December 2025	31 December 2024
Rental income from investment properties and usufruct rights excluding hotels	**55,509,461**	60,192,050
Revenue from contracts with customers		
Revenue from hotel operations	**5,523,191**	4,321,392
	61,032,652	64,513,442

*No single customer accounts for more than 15% of the Fund's total revenues

(All amounts in Saudi Riyal unless otherwise stated)

20. OTHER EXPENSES

	31 December 2025	31 December 2024
Collection commission	**1,425,513**	2,552,529
property management fees	**1,441,128**	2,078,000
Processing fees for operating Makkah hotels	**-**	2,363,732
Electricity expense	**534,614**	911,056
Guarding and security	**927,600**	1,079,585
Water expense	**515,773**	875,093
Maintenance and repair	**905,461**	442,677
Registration and listing fees	**489,877**	515,068
Professional fees	**1,244,086**	640,682
Commission for signing a contract	**39,726**	338,947
Cleaning expenses	**827,677**	725,140
Accommodation expense	**3,686,107**	2,696,339
Other expenses	**1,827,174**	1,650,154
	13,864,736	16,869,002

21. OTHER INCOME

	31 December 2025	31 December 2024
Remeasurement of lease contract (Note 11)	**3,741,914**	3,398,499
Dividends from Investments at Fair Value Through Profit or Loss	**3,756,000**	-
Write-off of Balances No Longer in Use	**314,600**	-
Other	**28,213**	998,531
	7,840,727	4,397,030

(All amounts in Saudi Riyal unless otherwise stated)

22. 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 2024

Related parties	**Nature of relationship**	**Nature of transaction**	**31 December 2025 Debit / (Credit)**	31 December 2024 Debit / (Credit)
Middle East Financial Investment Company	Fund Manager	Management fee	**(1,811,534)**	(1,810,280)
Middle East Financial Investment Company	Fund Manager	Paid from Fund Management Fees	**(3,454,962)**	(2,376,173)
Middle East Financial Investment Company	Fund Manager	Proceeds from Loan	**9,207,476**	3,665,934
Middle East Financial Investment Company	Fund Manager	Payments for Loan	**(13,539,252)**	(3,126,136)

Balances Arising with Related Parties:

	31 December 2025 Debit / (Credit	**31 December 2024 Debit / (Credit**
Middle East Financial Investment Company (“Fund Manager”) (Note 16)	**(14,208,022)**	(17,197,628)
Middle East Financial Investment Company (“Fund Manager”) (Note 18)	**(962,444)**	(2,605,872)

23. CONTINGENT LIABILITIES AND COMMITMENTS

The Fund does not have any contingent liabilities or commitments at the reporting date.

24. DIVIDENDS

- The Fund’s Board of Directors approved no dividend distribution (31 December 2024: on 20 Rajab 1445H, corresponding to 1 February 2024, at SAR 0.8 per unit, totaling SAR 5.9 million, which was distributed on 26 Sha’ban 1445H, corresponding to 7 March 2024) to the unit holders.

25. FINANCIAL RISK MANAGEMENT

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

Financial instruments recorded in these financial statements principally comprise of rent receivables, cash and cash equivalents, Lease liabilities under right-of-use assets, trade payables, unearned rental income, accrued expenses and other liabilities. 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 the kingdom of Saudi Arabia, which itself is influenced by a variety of factors such as, but not limited to the 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 MATERIAL 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 fund is not subject to price risk.

Foreign currency risks

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates. Foreign currency risk arises when future commercial transactions, assets and liabilities are recognized in a currency other than the Saudi riyal. The Fund's management believes that it is not exposed to foreign currency risks because the bulk of the Fund's transactions are in Saudi Riyals. Management monitors the risks of fluctuations in exchange rates closely and on an ongoing basis, and based on its experience and market reactions, management does not believe it is necessary to hedge against foreign currency risks as most foreign currency risks are relatively limited in the medium term.

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 rental receivables and cash and cash equivalents.

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:

(All amounts in Saudi Riyal unless otherwise stated)

25. FINANCIAL RISK MANAGEMENT (COUNTINUED)

CREDIT RISK (COUNTINUED)

	31 December 2025	31 December 2024
Rent receivables, net (Note 13)	**23,862,562**	19,846,058
Cash and cash equivalents (Note 14)	**419,178**	166,156
	24,281,740	20,012,214

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 rent receivables, a provision matrix is used based on historical loss rates over the expected life of the rent 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 2025	**Un discounted value**	**Less than 1 year**	**More than 1 year**	**Carrying Amount**
Borrowings (Note 13)	**311,705,885**	**-**	**311,705,885**	**311,705,885**
Lease liabilities under right-of-use assets (Note 10)	**74,050,279**	**64,550,279**	**9,500,000**	**74,050,279**
Trade Payables (Note 14)	**14,208,022**	**14,208,022**	**-**	**14,208,022**
Accrued expenses and other liabilities (Note 17)	**6,236,764**	**6,236,764**	**-**	**6,236,764**
	406,200,950	**84,995,065**	**321,205,885**	**406,200,950**

*Trade payables represent an obligation to the fund manager. These amounts are payable upon request by the fund manager.

31 December 2024	Un discounted value	Less than 1 year	More than 1 year	Carrying Amount
Borrowings (Note 13)	352,494,342	-	352,494,342	352,494,342
Lease liabilities under right-of-use assets (Note 10)	84,265,037	9,500,000	74,765,037	84,265,037
Trade Payables (Note 14)	18,539,798	18,539,798	-	18,539,798
Accrued expenses and other liabilities (Note 17)	6,236,764	6,236,764	-	6,236,764
	461,535,941	34,276,562	427,259,379	461,535,941

(All amounts in Saudi Riyal unless otherwise stated)

25. FINANCIAL RISK MANAGEMENT (COUNTINUED)

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 is exposed to interest rate risk on its interest-bearing assets and liabilities, which mainly represent bank facilities and loans. Management limits interest rate risk by monitoring interest rate changes. Management monitors changes in interest rates and believes that the cash flow risks and interest rate risks on the fair value of the Fund are immaterial.

The Fund’s rental receivables and trade payables, which are stated at amortized cost, are not subject to interest rate risk as defined in IFRS7 as the book value or future cash flows do not change due to changes in market interest rates. Therefore, the Fund is not exposed to fair value interest rate risk.

The Fund's exposure to the risk of changes in interest rates is as follows:

	31 December 2025	31 December 2024
Loans with variable interest rates (note 15)	**311,705,885**	352,494,342

Sensitivity analysis

The following table shows the sensitivity of income to reasonably possible changes in interest rates. With other variables constant, there is no direct impact on the statement of changes in the net assets (equity) attributable to unitholders of the Fund:

31 December 2025	**Income Statement SAR**		**Statement of financial position SAR**	
	+ 100 points	**-100 Points**	**+100 points**	**- 100 points**
Cost of Islamic financing facilities	**3,075,000**	**3,075,000**	**3,075,000**	**3,075,000**
cash flow sensitivity (net)	**(3,075,000)**	**(3,075,000)**	**(3,075,000)**	**(3,075,000)**

31 December 2024	Income Statement SAR		Statement of financial position SAR	
	+ 100 points	- 100 Points	+ 100 points	- 100 points
Cost of Islamic financing facilities	3,524,943	(3,524,943)	3,524,943	(3,524,943)
cash flow sensitivity (net)	3,524,943	(3,524,943)	3,524,943	(3,524,943)

Capital risk management

It is the policy of the Board of Directors to maintain a sufficient and strong capital base to maintain the confidence of unitholders, creditors and the market and to sustain the future development of the business. The Board of Directors monitors the return on capital employed and the level of dividends to ordinary shareholders and monitors its capital base using the ratio of net debt to equity. Net debt is calculated as borrowings less cash and cash equivalents.

(All amounts in Saudi Riyal unless otherwise stated)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital Risk Management (Continued)

Below is the ratio of net debt to the assets value (equity) attributable to the unitholders of the Fund

	31 December 2025	31 December 2024
borrowings (Note 15)	**311,705,885**	352,494,342
Less:		
Cash and cash equivalents (Note 14)	**(419,178)**	(166,156)
Net debt	**311,286,707**	352,328,186
Net assets value (equity) attributable to the unit holders	**515,769,472**	515,412,643
Ratio of net debt to the net assets value (equity) attributable to the unitholders	**60%**	68%

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.

26. FAIR VALUE MEASUREMENT

Fair value estimation

The following table shows the fair value of financial instruments and investment properties disclosed:

	Carrying value	**Level 1**	**Level 2**	**Level 3**
31 December 2025				
Investment properties, net (Note 7)	**538,767,000**	**-**	**-**	**538,767,000**
Property and Equipment, Net (Note 8)	**169,093,385**	**-**	**-**	**169,093,385**
Right of benefit, net (Note 9)	**71,546,185**	**-**	**-**	**71,546,185**
Investments at Fair Value Through Profit or Loss (Note 12)	**63,852,000**	**-**	**-**	**63,852,000**
	843,258,570	**-**	**-**	**843,258,570**

	Carrying value	Level 1	Level 2	Level 3
31 December 2024				
Investment properties, net (Note 7)	584,493,000	-	-	584,493,000
Property and Equipment, Net (Note 8)	170,266,819	-	-	170,266,819
Right of benefit, net (Note 8)	81,056,138	-	-	81,056,138
Investments at Fair Value Through Profit or Loss (Note 12)	63,852,000	-	-	63,852,000
	899,667,957	-	-	899,667,957

24. FAIR VALUE MEASUREMENT (CONTINUED)

Fair value estimation (continued)

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 MATERIAL inputs required to measure the fair value of an instrument are observable, then the instrument is included within Level 2. If one or more MATERIAL 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 MATERIAL unobservable inputs and accordingly it is included within Level 3 of the fair value hierarchy. The main inputs include:

No changes were made to the valuation methods during the year.

26. 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.

27. LAST VALUATION DAY

The last valuation date of the year was 11 Shawal 1447H, corresponding to 31 December 2025.

28. COMPARATIVE FIGURES

Management has reassessed the classification of certain properties that were previously presented entirely as investment properties. This property is used for dual purposes: part of it operates as a hotel managed by the Fund, while the other part is held as showrooms and offices for rental purposes. In accordance with the Property, Plant and Equipment standard and the Investment Properties standard, the portion used by the Fund has been reclassified from investment properties to property and equipment, reflecting the substance and nature of its use. This reclassification constitutes a correction of an error in prior periods, ensuring that the financial statements are aligned with the relevant accounting standards.

Management concluded that this adjustment is not material to the overall financial statements. The reclassification has been applied retrospectively to ensure consistency and comparability

(All amounts in Saudi Riyal unless otherwise stated)

28. COMPARATIVE FIGURES (COUNTINUED)

Item	Before Adjustment	Adjustment	After Adjustment
Statement of Financial Position			
Investment Properties, Net	754,759,819	(170,266,819)	584,493,000
Property and Equipment, Net	-	170,266,819	170,266,819
Statement of Comprehensive Income			
Depreciation of Investment Properties	(5,948,399)	2,255,074	(3,693,325)
Depreciation of Property and Equipment	-	(2,255,074)	(2,255,074)
Reversal/ (Impairment) on Investment Properties	13,235,371	(7,159,890)	6,075,481
Reversal of Impairment on Property and Equipment	-	7,159,890	7,159,890
Cash Flow Statement			
Depreciation of Investment Properties	5,948,399	(2,255,074)	3,693,325
Depreciation of Property and Equipment	-	2,255,074	2,255,074
Reversal/ (Impairment) on Investment Properties	(13,235,371)	7,159,890	(6,075,481)
Reversal of Impairment on Property and Equipment	-	(7,159,890)	(7,159,890)

These adjustments did not result in any impact on net profit, total comprehensive income, total assets, total liabilities, or net assets attributable to unit holders for that year, as the effect was limited to reclassification only.

29. SUBSEQUENT EVENTS

Management believes that there were no MATERIAL subsequent events after 31 December 2025 up to the date of approval of the financial statements that could have a material impact on the financial statements as at 31 December 2025.

30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2025 were approved by the Board of Directors on 12 Shawwal 1447H, corresponding to 31 March 2026.