Middle East Financial Investment Company

MEFIC REIT FUND

MEFIC REIT Annual Report | December 2023

Asset in which the fund is investing in

Property Name
Commercial mall in Riyadh
Drnef Ajyad In Makkah
Drnef Kudai In Makkah
Commercial tower in Jeddah
The Pad in Dubai
Plaza 1 in Riyadh
Dhiyafa in Riyadh

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

Classification Property	Property Name	Book Value	Percentage%	* Rent Status
Investment properties	Commercial mall in Riyadh	544,292,500	61%	Managed by an Operator
	Drnef Ajyad In Makkah	110,566,000	12%	Non-rented
	Drnef Kudai In Makkah	54,796,003	6%	Non-rented
	Commercial tower in Jeddah	37,018,000	4%	Managed by an Operator
	The Pad in Dubai	60,256,238	7%	Rented
leasehold properties	Plaza 1 in Riyadh	24,857,199	3%	Managed by an Operator
	Dhiyafa in Riyadh	65,708,892	7%	Managed by an Operator
Total		897,494,832		

value of the leased real estate The percentage of the	82%
value of the unleased real estate The percentage of the	18%

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

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

Classification Property	Property Name	Rent (SAR)	Percentage%
Investment properties	Commercial mall in Riyadh	26,593,419	44%
	Drnef Ajyad In Makkah	-	0%
	Drnef Kudai In Makkah	-	0%
	Commercial tower in Jeddah	3,312,173	5%
	The Pad in Dubai	4,013,009	7%
leasehold properties	Plaza 1 in Riyadh	11,386,348	19%
	Dhiyafa in Riyadh	15,218,688	25%
Total		60,523,637	

The percentage of uncollected revenues from total revenues and the ratio of non-cash expenditure from the fund's net profits - 2023

The percentage of uncollected revenues from total revenues	37%
The ratio of non-cash expenditure from the fund's net profits	378%

Occupancy rates and the percentage of rented and non-rented units during 2023			
Property Classification	**Property Name**	**Occupancy Rate**	**Rent Status ***
Investment properties	Commercial mall in Riyadh	84%	Managed by an Operator
	Drnef Ajyad In Makkah	0%	Non-rented
	Drnef Kudai In Makkah	0%	Non-rented
	Commercial tower in Jeddah	81%	Managed by an Operator
	The Pad in Dubai	87%	Rented
leasehold properties	Plaza 1 in Riyadh	98%	Managed by an Operator
	Dhiyafa in Riyadh	100%	Managed by an Operator
Total occupancy rate	71%		
Total vacancy rate	29%		

The net asset value of the fund / unit	2023	2022	2021	2020	2019
Net asset value "NAV" (SAR)	513,157,547	524,630,693	521,932,190	669,689,865	754,253,329
Number of units	73,276,800	73,276,800	73,276,800	73,276,800	73,276,800
NAV per unit (SAR / unit)	7.0030	7.1596	7.1227	9.1392	10.2932
Highest and lowest NAV per unit (SAR / unit)	7.0030 / 7.3367	7.1596 / 7.2285	7.1227 / 9.1056	9.1392 / 9.7896	10.29 / 10.41
Earnings per share "EPS" Profit (Loss) per Unit (SAR / Unit)	(0.16)	0.19	(1.82)	(0.90)	0.38
Dividend per share "DPS" (SAR / unit)	-	0.15	0.20	0.25	*0.3762
Dividend Yield on the initial unit price	0.00%	1.50%	2.00%	2.50%	3.76%
The cumulative dividend yield since the fund's inception	9.76%	9.76%	8.26%	6.26%	3.76%
The percentage of the fund costs to the fund's total assets value	6.05%	3.89%	6.45%	5.72%	4.71%
percentage of borrowed assets in the total assets value	35.29%	34.56%	33.86%	29.65%	22.36%
loan fulfilment and due date	borrowing due date 28 June 2026				

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

MEFIC REIT Performance vs. benchmark performance

	2023	2022	2021	2020	2019
MEFIC REIT performance (SAR/unit)	4.94	4.77	7.22	7.21	7.85
change %	3.56%	-33.93%	0.14%	-8.15%	-3.68%
REIT sector index (benchmark)	3,667.66	3,975.44	4,611.65	4,285.34	4,197.60
Change %	-7.74%	-13.80%	7.61%	2.09%	15.85%
TASI (Main Market Index)	11,967.39	10,478.46	11,281.71	8,689.53	8,389.23
Change %	14.21%	-7.12%	29.83%	3.58%	7.19%

as of 31 Dec of each year
Fund benchmark is the REIT sector index mentioned on Tadawul website - www.saudiexchange.sa

Net profit of the fund	2023	2022	2021	2020	2019
Net profit (loss) (SAR)	(11,473,146)	13,689,377	(133,121,167)	(66,244,264)	27,979,887
Number of issued units (unit)	73,276,800	73,276,800	73,276,800	73,276,800	73,276,800
Net income (loss) per unit (SAR / share) “EPS”	(0.16)	0.19	(1.82)	(0.90)	0.38

Operating performance and returns

Performance Indicators and Return	2023	2022	2021	2020	2019
Net profit (loss)	(11,473,146)	13,689,377	(133,121,167)	(66,244,264)	27,979,887
Total operating income (loss) after deducting all interest and depreciations	(96,373)	23,363,697	(11,067,224)	(1,062,790)	32,112,432
EBITDA	43,282,859	49,781,662	42,342,673	47,060,860	86,828,657
EBIT	3,585,228	27,573,856	11,744,453	16,073,179	52,270,372
Return on Equity (net profit / equity)	-2.24%	2.61%	-26.00%	-9.89%	3.71%
EBITDA / total assets	4.32%	4.86%	4.07%	4.02%	6.42%
EBITDA / equity	8.43%	9.49%	8.11%	7.03%	11.51%
Gross return (net profit / NAV at the beginning of the period)	-2.19%	2.62%	-19.88%	-8.78%	3.71%
Gross return (net income / beginning NAV) for the last three years	-1.71%	1.81%	-17.66%	-9.04%	3.82%
Gross return (net income / beginning NAV) since fund inception			-1.57%		

Revenues performance

Revenues (SAR)	2023	2022	2021	2020	2019
Annual revenues (Rental Income)	60,523,637	63,208,848	56,067,679	65,874,499	95,753,865
Total revenues for 1 year	60,523,637	63,208,848	56,067,679	65,874,499	95,753,865
Total revenues for 3 years	179,800,164	185,151,026	217,696,043	185,162,558	119,288,059
Total revenues since inception	364,962,722	304,439,085	241,230,237	185,162,558	119,288,059

Percentage of Expenses incurred by the fund	2023	2022	2021	2020	2019
Total OPEX and Fund expenses	(17,240,778)	(13,427,186)	(13,725,006)	(14,248,214)	(8,925,207)
Total rental income	60,523,637	63,208,848	56,067,679	65,874,499	95,753,865
"OPEX and Fund Expenses" to total rental income	28.49%	21.24%	24.48%	21.63%	9.32%

MEFIC CAPITAL

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MEFIC REIT

Service , commissions and fees paid by the fund to external parties	2023	2022	2021	2020	2019
Total operating expenses of the properties (OPEX)	14,085,971	10,438,440	10,544,612	9,311,925	7,032,345
Total operating expenses to the total rental income	23.27%	16.51%	18.81%	14.14%	7.34%
Fund expenses					
Fund management fees	1,803,310	1,843,571	1,833,179	2,409,228	360,810
Custodian's fees	250,493	216,830	158,023	172,088	206,192
Other fees	224,113	-	353,780	1,554,605	161,135
Listing Fees	169,323	167,622	184,286	183,845	207,150
Registration fees	400,000	400,000	411,500	420,000	420,000
Legal fees	-	-	-	19,469	210,000
Valuation Fees	242,443	297,723	158,126	81,504	230,450
Sharia audit fees	10,125	8,000	25,000	25,000	13,125
Audit Fees	55,000	55,000	56,500	70,550	84,000
Total fund expenses	3,154,807	2,988,746	3,180,394	4,936,289	1,892,862
The ratio of fund expenses to the total rental income	5.21%	4.73%	5.67%	7.49%	1.98%
Total financing cost	18,794,317	21,197,405	16,842,480	16,426,164	17,095,974

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

Special commissions earned by the fund manager	2023	2022	2021	2020	2019
Fund management fee	1,803,310	1,843,571	1,833,179	2,409,228	360,810
Facility arrangement fee	-	-	-	214,387	-
Transaction fees	-	-	-	815,153	-

Fundamental and non-fundamental changes

- Change in Board membership
- Signing a management and operation contract with "Boudl Hotels and Resorts Group" to manage and operate the Drnef Ajyad and Drnef Kudai hotels
- Start of the soft opening for Drnef Ajyad hotel.

Board of Directors Reports:

- Approval of the annual financial statements as of 31/12/2022 for MEFIC REIT Fund
- Approval of the semi-annual financial statements as of 30/06/2023 for MEFIC REIT Fund
- Approval of the reappointment of the external auditor "PKF – Al Bassam & Co."
- Approval of the appointment of "Boudl Hotels and Resorts Group" to manage and operate the Drnef Ajyad and Drnef Kudai hotels
- Approval of updating the fund's T&C

MEFIC REIT Risk Assessment Report / December 2023

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

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

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

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

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

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

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

Number	Type of risk	Risk Description	Applies	do not apply	Risk evaluation mechanism
		There is also a risk that the fund will be terminated prematurely, and thus investors will not enjoy the privilege of donating the differences in return.			

MEFIC REIT FUND

Traded Real Estate Investment Fund

(Managed by Middle East Financial Investment Company)

Financial Statements for the year Ended 31 December 2023

Together with the Independent Auditor's Report to the Unitholders

PKF Ibrahim Ahmed Al-Bassam & Co. Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS AL MEFIC REIT FUND
RIYADH, SAUDI ARABIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS **(1/4)**

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of MEFIC REIT Fund ("the Fund"), being managed by Middle East Financial Investment Company (the "Fund Manager"), as at 31 December 2023, and the related statements of comprehensive (loss) / income, changes in net assets (equity) attributable to the unitholders and cash flows for the year then ended. On that date, in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia, and other standards and issuances approved by the Saudi Organization for chartered Public Accountants ("SOCPA")

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

- The statement of financial position as at 31 December 2023;
- The statement of comprehensive (Loss) / income for the year then ended;
- The statement of net assets (equity) attributable to the unitholders for the year then ended;
- The statement of cash flows for the year then ended, and;
- The notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS AL MEFIC REIT FUND
RIYADH, SAUDI ARABIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the key audit matter
Valuation of investment properties	
MEFIC REIT Fund owns a portfolio of investment properties comprising of commercial buildings located in the Kingdom of Saudi Arabia and Dubai. Investment properties are held for the purpose of generating rental income, capital growth, or both, or rental returns, are stated at cost less accumulated depreciation and any accumulated impairment losses.	• We obtained two valuation reports from two independent properties valuers "Taqeem" accredited for each investment properties as at 31 December 2023 and confirmed that the valuation approaches are suitable for use in determining the carrying values as at the reporting date;
Investment properties are re-measured for impairment losses whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying value of the asset exceeds its recoverable amount. For assessing the impairment of investment properties, the Fund manager monitors fluctuation of fair value of properties by engaging independent accredited property valuers to perform a certified valuation of the Fund's investment properties on semi-annual basis. We considered this as a key audit matter since the assessment of impairment requires significant judgment by the Fund manager and the potential impact of impairment if any, could be material to the financial statements. Refer to the summary of significant accounting policies in note 5 relating to impairment of investment properties, note 4 which contains the significant accounting judgment, estimates and assumptions relating to impairment and note 7 relating to investment properties	• We assessed the independence of the external valuers and read their terms of engagement with the Fund to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work; • Evaluating the competence, capabilities and objectivity of evaluation experts. • Gain an understanding of the work of evaluators. • Evaluate the suitability of experts' work as audit evidence for relevant representations. • Involved our specialist to assess the key assumptions and estimates, such as discount rate, capitalization rate, annual rental income, operating expenditure and occupancy, used by the properties valuation experts in determining the fair values of the investment properties. • Assessed the recoverable amount, which is higher of fair value or value in use of the related investment properties as per the above-mentioned valuation reports. • We reconciled the average fair value of the investment properties as per note 9 to the external valuers' reports. • Assessing the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS AL MEFIC REIT FUND
RIYADH, SAUDI ARABIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OTHER INFORMATION

Other information consists of the information included in the Fund's 2023 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in the Fund's annual report

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

In related with our audit of the financial statements, our responsibility is to read the other information identified above when doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or whether the other information appears to be materially misstated in any other way. and if we conclude that there is a material misstatement,

In this other information, based on the work we have performed, we are required to report that fact. We have nothing to decide on this matter.

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

Fund's Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund's management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS AL MEFIC REIT FUND
RIYADH, SAUDI ARABIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

As part of an audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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TO THE UNITHOLDERS AL MEFIC REIT FUND
RIYADH, SAUDI ARABIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

For Al-Bassam & Co.

Ahmed Abdul Majeed Mohandis
Certified public accountant
License No. 477
Riyadh: 17 Ramadan 1445H
Corresponding to: 27 March 2024

C.R.1010385804
License 520/11/323
Al-Bassam & Co.
Certified Public Accountants

MEFIC REIT FUND
(Managed by Middle East Financial Investment Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(All amounts in Saudi Riyal unless otherwise stated)

	Note	31 December 2023	31 December 2022
ASSETS			
Investment properties. net	**7**	**806,928,741**	809,052,086
Intangible assets – Right of benefit, net	**8**	**90,566,091**	100,076,044
Right-of-use assets	**10**	**77,274,274**	80,085,046
Rent receivables, net	**11**	**18,892,029**	31,789,460
Cash and cash equivalents	**12**	**8,310,894**	3,220,691
TOTAL ASSETS		**1,001,972,029**	1,024,223,327
LIABILITIES			
borrowings	**13**	**353,566,308**	353,989,605
Lease liabilities under right-of-use assets	**10**	**93,690,670**	104,785,491
Trade payables	**14**	**18,000,000**	23,200,000
Unearned rental income	**15**	**14,909,198**	5,812,400
Accrued expenses and other liabilities	**16**	**8,648,306**	11,805,138
TOTAL LIABILITIES		**488,814,482**	499,592,634
Net assets value (equity) attributable to the Unitholders		**513,157,547**	524,630,693
Units in issue (number)		**73,276,800**	73,276,800
Net assets (equity) attributable to each unit at Book value		**7.0030**	7.1596
Net assets (equity) attributable to each unit at Fair value	**9**	**7.7438**	8.0058

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

STATEMENT OF COMPREHENSIVE (LOSS) / INCOME
For the year ended 31 December 2023
(All amounts in Saudi Riyal unless otherwise stated)

	Note	31 December 2023	31 December 2022
REVENUES			
Rental income	17	60,523,637	63,208,848
Total revenue		60,523,637	63,208,848
OPERATING EXPENSES			
Depreciation of investment properties	7	(6,213,715)	(6,213,715)
Reversal of impairment on investment properties	7	4,090,370	16,060,333
Amortization of intangible assets – Right of benefit	8	(9,509,953)	(14,238,578)
Reversal of intangible assets – Right of benefit	8	-	8,945,240
Depreciation of right-of-use assets	10	(7,693,372)	(9,447,448)
Finance cost of lease liabilities under right-of-use assets	10	(3,681,601)	(4,210,159)
Provision for expected credit losses	11	(20,370,961)	(17,313,638)
Other expenses	18	(15,186,975)	(11,366,785)
Fund management fees	20	(1,803,310)	(1,843,571)
Custodian fees		(250,493)	(216,830)
Total operating expenses		(60,620,010)	(39,845,151)
Operating (loss) / income		(96,373)	23,363,697
Finance Cost	13	(18,794,317)	(21,197,405)
Other income	19	7,417,544	11,523,085
Net (loss) / income for the year		(11,473,146)	13,689,377
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		(11,473,146)	13,689,377

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 2023	31 December 2022
Net assets value (equity) attributable to the Unitholders at beginning of the year		**524,630,693**	521,932,190
Total comprehensive (loss) / income for the year		**(11,473,146)**	13,689,377
Dividends	**22**	**-**	(10,990,874)
Net assets value (equity) attributable to the Unitholders at the end of the year		**513,157,547**	524,630,693

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 CASH FLOWS
For the year ended 31 December 2023
(All amounts in Saudi Riyal unless otherwise stated)

	Note	31 December 2023	31 December 2022
CASH FLOW FROM OPERATING ACTIVITIES			
Net (loss) / income for the year		**(11,473,146)**	13,689,377
Adjustment to reconcile net (loss) / income to net cash generated from operating activities:			
Depreciation of investment properties	7	**6,213,715**	6,213,715
(Reversal) of impairment on investment properties	7	**(4,090,370)**	(16,060,333)
Amortization of intangible assets - right of benefit	8	**9,509,953**	14,238,578
(Reversal) of intangible assets - right of benefit	8	**-**	(8,945,240)
Depreciation of right-of-use assets	10	**7,693,372**	9,447,448
Finance cost of lease liabilities under right-of-use assets	10	**3,681,601**	4,210,159
Provision for expected credit losses	11	**20,370,961**	17,313,638
Finance cost	13	**18,794,317**	21,197,405
Remeasurement of lease	10/19	**(7,409,022)**	-
		43,291,381	61,304,747
Changes in operating assets & liabilities:			
Rent receivables		**(7,473,530)**	(3,496,041)
Trade payables		**(5,200,000)**	(15,100,000)
Unearned rental income		**9,096,798**	804,665
Accrued expenses and other liabilities		**(3,156,832)**	1,829,528
Transactions fees		**-**	(2,630,666)
Net cash generated from operating activities		**36,557,817**	42,712,233
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liabilities	10	**(12,250,000)**	(7,299,991)
Payment for borrowings	13	**-**	(5,200,000)
Finance cost paid	13	**(19,217,614)**	(17,230,326)
Dividends paid	22	**-**	(10,990,874)
Net cash used in financing activities		**(31,467,614)**	(40,721,191)
Net change in cash and cash equivalents		**5,090,203**	1,991,042
Cash and cash equivalents at the beginning of the year		**3,220,691**	1,229,649
Cash and cash equivalents at the end of the year		**8,310,894**	3,220,691

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

1. ORGANIZATION AND ACTIVITY

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

The Fund is listed in Saudi Stock Exchange Market ("Tadawul"), it has the code (4346) and its units are traded according to Capital Market Authority CMA regulations and legislation. The capital of the fund is SAR 732,768,000 divided into 73,276,800 units with a nominal value of 10 SAR per unit. The fund has a term of 99 years, which is extendable at the discretion of the Fund Manager following the approval of CMA.

Trading in the Fund's units began on the Saudi stock Exchange Market on 5 Rabi' al-Awwal 1440 H, corresponding to 13 November 2018, after obtaining the approval of the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia.

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

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

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

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

2. REGULATING AUTHORITY

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

The Minister of Finance, pursuant to Ministerial Resolution No. (29791) dated 9 Jumada al-Awwal 1444 H, corresponding to 3 December 2022, approved the zakat rules for investment funds permitted by the Capital Market Authority (CMA).

The rules are effective from 1 January 2023 and require investment funds to register with the Zakat, Tax and Customs Authority (ZATCA).

The rules also require investment funds to submit a zakat information declaration to (ZATCA) within 120 days of the end of their financial year, including audited financial statements, records of transactions with related parties, and any other data required by (ZATCA). Under the rules, investment funds are not subject to zakat provided that they do not engage in unconditional economic or investment activities in accordance with the terms and conditions approved by the Capital Market Authority (CMA).

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

These financial statements have been prepared based on the historical cost principle, using the accounting accrual basis.

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

- Requiring listed funds to continue using the cost model to measure investment properties (according to IAS 16) and investment properties (according to IAS 40) in the financial statements prepared for financial periods before the year 2022).

- Allow listed funds to choose between the fair value model and the revaluation model to measure investment properties (according to IAS 40) for fiscal periods beginning from the year 2022 or thereafter.

The Fund continued to use the cost model for the year ending 31 December 2022 and for the year ending 31 December 2023.

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. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

4.1 Judgments

Information about the judgments made in applying accounting policies that have the most significant 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. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.1 Judgments (continued)

4.1.1 Going concern

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

4.2 Estimation and Assumptions Uncertainties

4.2.1 Useful lives and residual values of investment properties and intangible assets

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 intangible assets are disclosed in (note 8/7).

4.2.2 Impairment of investment properties and intangible assets

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

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. SIGNIFICANT 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 significant assumptions about future economic conditions and credit behavior.

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

- 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 SIGNIFICANT 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 significant financing component) or financial liability is initially measured at fair value plus transaction costs directly attributable to its acquisition or issue, for an item not at FVTPL. Rental receivables without a significant financing component are initially measured at the transaction price.

Financial assets

Classification of financial assets

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

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

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 SIGNIFICANT 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

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 SIGNIFICANT 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 SIGNIFICANT 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 significant credit obligation of the fund. As the industry usually suggests that this period fairly represents the default scenario for the fund, this refutes the 90-day assumption mentioned in IFRS 9.

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 SIGNIFICANT 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 SIGNIFICANT 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 significant to the fair value measurement, which is directly or indirectly observable.
- Level 3 valuation techniques that are the lowest level input that is significant to the unobservable fair value measurement.

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

On each reporting date, the Fund analyzes the changes in the value of assets and liabilities to be re-measured or re-evaluated in accordance with the Fund's accounting policies. For the purposes of this analysis, the fund verifies the main inputs applied in the latest valuation by matching the information used in calculating the valuation with contracts and other relevant documents. The Fund also compares changes in the fair value of each class of assets and liabilities with relevant external sources to determine whether the change is reasonable. For the purpose of fair value disclosure, for disclosure, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets and liabilities and the hierarchy of levels of fair value measurement mentioned above. Disclosures related to the fair value of financial instruments, which are measured at fair value or for which fair value has been disclosed, are discussed in note (7/8).

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 SIGNIFICANT 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 (7) 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 Intangible assets

Intangible assets are initially recognized at fair value and direct costs and expenses related to the acquisition process, including transaction fees for the fund manager. Subsequently, they are measured at cost less accumulated amortization and impairment charges, if any. Subsequent expenditure is capitalized when it increases the useful life or economic life of the asset, otherwise it is charged as a period expense during the period in which it is incurred, and the fair value of intangible assets is disclosed in Note (8) to these financial statements.

5. IMPORTANT INFORMATION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5-6 Estimated useful lives

Estimated Useful lives of different components of investment properties and intangible assets are as follows:

	Years
Building	40 years
Intangible assets	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 SIGNIFICANT 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 significant 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 SIGNIFICANT 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 SIGNIFICANT 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 SIGNIFICANT 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

The following is a statement of the new standards and amendments to the standards applied for the years beginning on or after January 1, 2023, with early application permitted, but the Fund did not apply them when preparing these financial statements:

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	1 January 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts and its amendments	January 1, 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to definition of accounting estimate	January 1, 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	1 January 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

5. IMPORTANT INFORMATION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5-28 New and amended International Financial Reporting Standards issued but not yet effective

The Fund has not applied the following new IFRSs and amended standards issued but not yet effective:

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 1	Classification of liabilities as current or non-current	January 1, 2024	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	January 1, 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IAS 21	Lack of Exchangeability	January 1, 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

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

(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 2023**	31 December 2022
Commercial mall in Riyadh	Mall	**544,292,500**	563,316,275
Drnef Ajyad *	Hotel	**110,566,000**	102,064,500
The Pad	Residential	**60,256,238**	53,532,811
Drnef Kudai *	Hotel	**54,796,003**	53,965,000
Commercial and administrative building in Jeddah	Mall - Offices	**37,018,000**	36,173,500
		806,928,741	809,052,086

* During the current year, a contract was signed to manage and operate the Drnef Ajyad and Drnef Kudai hotels, and the fund manager expects this to result in future inflows during the coming year.

(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. 13).

Drnef Ajyad: A four-star hotel. 203 rooms and 11 suites is located on Ajyad Road in Makkah. The investment property was mortgaged to Riyadh Bank against a long-term loan (Note. 13).

The Pad: MEFIC REIT fund owns 30 apartments in The Pad in Dubai.

Drenf Kudai: A three-star hotel consisting of 75 rooms and 11 suites located in the Kudai area on the Third Ring Road in Makkah, the investment property was mortgaged to Riyadh bank against a long-term loan (Note. 13).

Commercial and administrative building in Jeddah (previously referred to as Tihama): It is currently used for commercial and office activities. It consists of 10 retail stores and 6 office floors. It is located on Al-Andalus Road in Al-Hamra District in Jeddah. The investment property was mortgaged to Riyadh bank against a long-term loan (Note. 13).

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

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

- The fund manager reviews its investment properties to check for impairment. An impairment loss is made for the amount by which the carrying amount exceeds the recoverable amount of the investment property, being the higher of the assets' fair value less costs to sell and value in use. As at December 31, 2023, and according to the periodic valuation reports submitted by the independent valuers of the Fund, there was a reversal of impairment provision on investment property during the year at a value 4,090,370 SAR (31 December 2022: 16,060,333 SAR).

		As at 31 December 2023	
	Land	**Buildings**	**Total**
Cost:			
At the beginning of the year	**731,078,622**	**248,548,596**	**979,627,218**
At the end of the year	**731,078,622**	**248,548,596**	**979,627,218**
Accumulated Depreciation:			
At the beginning of the year	**-**	**(24,649,128)**	**(24,649,128)**
charged for the year	**-**	**(6,213,715)**	**(6,213,715)**
At the end of the year	**-**	**(30,862,843)**	**(30,862,843)**
Reversal / (loss) of accumulated impairment:			
At the beginning of the year	**-**	**(145,926,004)**	**(145,926,004)**
Reversal of impairment during year	**-**	**4,090,370**	**4,090,370**
At the end of the year	**-**	**(141,835,634)**	**(141,835,634)**
Net carrying value	**731,078,622**	**75,850,119**	**806,928,741**

(All amounts in Saudi Riyal unless otherwise stated)

7. INVESTMENT PROPERTIES, NET (CONTINUED)

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

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

	31 December 2023	31 December 2022
Mortgaged investment properties (Note 13)	**746,672,503**	755,519,275
Unmortgaged investment properties	**60,256,238**	53,532,811
	806,928,741	809,052,086

Market values:

The fair value of investment properties as at the date of the report was determined by two independent Valuers ("WHITE CUBES CO") and ("Tathmen Company") both Valuers accredited by the Saudi Authority for Accredited Valuers (Taqeem).

Valuer 1			**Market values**	
property	**valuation method**	**Discount rate**	**31 December 2023**	31 December 2022
Commercial mall in Riyadh	Income method - discounted cash flow method	7 %	**569,629,000**	578,400,000
Drnef Ajyad	Income method - discounted cash flow method	8 %	**120,600,000**	111,000,000
The Pad	Market method - market comparison method	-	**62,255,475**	57,244,541
Drnef Kudai	Income method - discounted cash flow method	8 %	**63,500,000**	62,000,000
Commercial and administrative building in JeddH	Income method - discounted cash flow method	10 %	**37,800,000**	36,100,000
			853,784,475	844,744,541

(All amounts in Saudi Riyal unless otherwise stated)

7. INVESTMENT PROPERTIES, NET (CONTINUED)

Valuer 2			Market values	
property	**valuation method**	**Discount rate**	**31 December 2023**	31 December 2022
Commercial mall in Riyadh	Income method - discounted cash flow method	9 %	**518,956,000**	548,232,550
Drnef Ajyad	Income method (residual value)	-	**100,532,000**	93,129,000
The Pad	Market method (comparative transactions method) Income method (income capitalization)	-	**58,257,000**	49,821,080
Drnef Kudai	Income method (residual value)	-	**50,005,000**	45,930,000
Commercial and administrative building in JeddH	Income method - discounted cash flow method	11 %	**36,236,000**	36,247,000
			763,986,000	773,359,630

8. INTANGIBLE ASSETS - RIGHT OF BENEFIT, NET

	31 December 2023	31 December 2022
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	**(60,513,956)**	(46,275,378)
Charged for the year	**(9,509,953)**	(14,238,578)
Balance at the end of the year	**(70,023,909)**	(60,513,956)
Reversal / (loss) of impairment:		
Balance at the beginning of the year	**-**	(8,945,240)
Reversal / (loss) of impairment during year	**-**	8,945,240
Balance at the end of the year	**-**	-
Net carrying value	**90,566,091**	100,076,044

The Fund acquired the Right of benefits for the properties described 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.

(All amounts in Saudi Riyal unless otherwise stated)

8. INTANGIBLE ASSETS - RIGHT OF BENEFIT, NET (CONTINUED)

Plaza 1: a multi-use building located on a land area of 9.588 square meters. The property owns an area of 12,000 square meters that is leasable, including 51 apartments and 12 exhibitions. The property is located on King Abdulaziz Road, Al Rabie District in Riyadh. Right of benefits of this property expires on 24 Safar 1450 corresponding to 16 July 2028.

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

Market values:

The fair value of investment properties as at the date of the report was determined by two independent valuers ("WHITE CUBES CO") and ("Tathmen Company") both valuers accredited by the Saudi Authority for Accredited Valuers (Taqeem).

Valuer 1			Market values	
property	**valuation method**	**Discount rate**	**31 December 2023**	31 December 2022
Dhiyafa	Income method - discounted cash flow method	8 %	**128,390,000**	129,600,000
Plaza 1	Income method - discounted cash flow method	8 %	**30,660,000**	33,650,000
			159,050,000	163,250,000

Valuer 2			Market values	
property	**valuation method**	**Discount rate**	**31 December 2023**	31 December 2022
Dhiyafa	Income method - discounted cash flow method	8.5 %	**107,172,000**	127,207,000
Plaza 1	Income method - discounted cash flow method	8.5 %	**19,563,000**	33,708,000
			126,735,000	160,915,000

(All amounts in Saudi Riyal unless otherwise stated)

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

According to the Real Estate Investment Funds Regulations issued by the CMA in the Kingdom of Saudi Arabia, the fund manager evaluates the fund's assets with an average of two valuations by 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 intangible assets are stated at cost less accumulated depreciation and amortization and impairment, if any, in these financial statements.

The valuation of investment properties and intangible assets is as follows:

31 December 2023	**Valuation 1**	**Valuation 2**	**Average**
investment properties, net (Note 7)	**853,784,475**	**763,986,000**	**808,885,238**
Intangible assets - right of benefit, net (Note 8)	**159,050,000**	**126,735,000**	**142,892,500**
Total	**1,012,834,475**	**890,721,000**	**951,777,738**

31 December 2022	Valuation 1	Valuation 2	Average
investment properties, net (Note 7)	844,744,541	773,359,630	809,052,086
Intangible assets - right of benefit, net (Note 8)	163,250,000	160,915,000	162,082,500
Total	1,007,994,541	934,274,630	971,134,586

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

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

	31 December 2023	31 December 2022
Estimated fair value of investment properties and intangible assets based on the average of the two valuations used	**951,777,738**	971,134,586
Less: carrying value		
- Investment properties, net (Note 7)	**(806,928,741)**	(809,052,086)
- Intangible assets- right of benefit, net (Note 8)	**(90,566,091)**	(100,076,044)
Estimated fair value excess of carrying value	**54,282,906**	62,006,456
Units in issue (in number)	**73,276,800**	73,276,800
Excess unit share of estimated fair value	**0.7408**	0.8462

Net assets attributable to the unitholders

	31 December 2023	31 December 2022
Net assets value attributable to the unitholders as per the financial statements before fair value adjustment	**513,157,547**	524,630,693
estimated fair value excess of carrying value	**54,282,906**	62,006,456
Net assets value attributable to the Unitholders based on fair value of investment properties and intangible assets	**567,440,453**	586,637,149

(All amounts in Saudi Riyal unless otherwise stated)

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

Net asset value per unit:

	31 December 2023	31 December 2022
Carrying value of assets per unit as per the financial statements before fair value adjustment	**7.0030**	7.1596
Additional value per unit based on fair value	**0.7408**	0.8462
Market value of assets per unit	**7.7438**	8.0058

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

Right of use assets:

	31 December 2023	31 December 2022
Cost:		
Balance at the beginning of the year	**118,093,965**	118,093,965
Remeasurement of lease (Note 19)*	**(3,597,608)**	-
Balance at the end of the year	**114,496,357**	118,093,965
Accumulated depreciation:		
Balance at the beginning of the year	**(38,008,919)**	(28,561,471)
Remeasurement of lease (Note 19)*	**8,480,208**	-
Charged for the year	**(7,693,372)**	(9,447,448)
Balance at the end of the year	**(37,222,083)**	(38,008,919)
Net carrying value	**77,274,274**	80,085,046

Lease liabilities under right of use assets

	31 December 2023	31 December 2022
Balance at the beginning of the year	**104,785,491**	107,875,323
Remeasurement of lease (Note 19)*	**(2,526,422)**	-
Finance cost	**3,681,601**	4,210,159
Paid during year	**(12,250,000)**	(7,299,991)
Net carrying value	**93,690,670**	104,785,491

*As at 31 December 2023, the Fund's management remeasured the variable payments of an asset and liability of one of its lease contracts that directly relate to changes in the relevant facts and circumstances resulting from a change in indicators or rates previously used to estimate market price. Through which an economic incentive is created for the lessee to exercise the extension option or not.

(All amounts in Saudi Riyal unless otherwise stated)

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

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

	31 December 2023	31 December 2022
Less than a year - the current portion	**9,500,000**	5,527,681
One to five years - the non-current portion	**84,190,670**	99,257,810
	93,690,670	104,785,491

11. RENT RECEIVABLES, NET

	31 December 2023	31 December 2022
Rent receivables	**98,175,833**	90,702,303
Provision for expected credit losses	**(79,283,804)**	(58,912,843)
	18,892,029	31,789,460

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

	31 December 2023	31 December 2022
Balance at the beginning of the year	**58,912,843**	41,599,205
Charged for the year	**20,370,961**	17,313,638
Balance at the end of the year	**79,283,804**	58,912,843

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

The expected credit loss table is as follows:

	Rent receivables Past-due days			
31 December 2023	**Less than 6 months**	**More than 6 months and less than a year**	**More than a year**	**Total**
Expected credit losses rate	**45٪**	**69٪**	**89٪**	**81٪**
Rent receivables	**14,337,983**	**8,083,878**	**75,753,972**	**98,175,833**
Provision for expected credit losses	**(6,478,755)**	**(5,547,428)**	**(67,257,621)**	**(79,283,804)**
Net carrying value	**7,859,228**	**2,536,450**	**8,496,351**	**18,892,029**

(All amounts in Saudi Riyal unless otherwise stated)

11. RENT RECEIVABLES, NET (CONTINUED)

31 December 2022	Rent receivables Past-due days Less than 6 months	More than 6 months and less than a year	More than a year	Total
Expected credit losses rate	24٪	19٪	94٪	65٪
Rent receivables	23,597,594	13,243,396	53,861,313	90,702,303
expected credit losses	(5,754,815)	(2,460,927)	(50,697,101)	(58,912,843)
Net carrying value	17,842,779	10,782,469	3,164,212	31,789,460

12. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Murabha	**6,508,522**	-
Cash at banks	**1,802,372**	3,220,691
	8,310,894	3,220,691

13. BORROWINGS

Amaar Real Estate Company (SPV) has obtained Islamic financing facilities from Al-Riyadh Bank amounting to SAR 400,000,000 for the purpose of financing the investment properties of the Fund. The loan carries a profit rate at SAIBOR plus 2.15%, the loan is due for repayment on 13 Muharram1448 H, corresponding to 28 June 2026.

The balance of loans as at 31 December 2023 amounted to SAR 347,222,486 (31 December 2022: SAR 347,222,486), and the value of the financing costs due for this loan as at 31 December 2023 amounted to SAR 6,343,822 (31 December 2022: SAR 6,767,119).

The loans are guaranteed by a promissory note amounting to SAR 693,200,000, and also by a mortgage on some investment properties amounting to SAR 746,672,503 as at 31 December 2023 (31 December 2022: SAR 755,519,275), (Note 7).

The following is a statement of the movement in the loan balance during the year:

	31 December 2023	31 December 2022
Balance at the beginning of the year	**353,989,605**	355,222,526
Financing costs during the year	**18,794,317**	21,197,405
Paid during the year	**(19,217,614)**	(22,430,326)
Balance at the end of the year	**353,566,308**	353,989,605

(All amounts in Saudi Riyal unless otherwise stated)

14- TRADE PAYABLES

	31 December 2023	31 December 2022
Middle East Financial Investment Company ("Fund manager") (Note 20)	**18,000,000**	20,200,000
Fahad Ibrahim Saad Al Moussa	**-**	3,000,000
	18,000,000	23,200,000

15. UNEARNED RENTAL INCOME

	31 December 2023	31 December 2022
Commercial mall in Riyadh	**6,369,545**	2,483,188
Dhiyafa	**3,591,920**	1,400,322
Plaza 1 - Commercial	**1,817,461**	708,543
Commercial and administrative building in Jeddah	**1,117,632**	435,713
The Pad	**1,032,701**	402,602
Plaza 1 - Residential	**979,939**	382,032
	14,909,198	5,812,400

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2023	31 December 2022
Accrued operating expenses	**3,740,679**	5,476,481
Management fees payable (Note 20)	**3,171,765**	3,326,269
payable customers	**1,249,386**	1,562,873
Custody fees payable	**265,466**	279,753
Professional fees payable	**186,937**	491,671
VAT Payable	**34,073**	404,768
other	**-**	263,323
	8,648,306	11,805,138

17. RENTAL INCOME

	31 December 2023	31 December 2022
Commercial mall in Riyadh	**26,593,419**	29,803,711
Dhiyafa	**15,218,688**	14,405,236
Plaza 1 - Commercial	**6,571,389**	5,618,354
Plaza 1 - Residential	**4,814,959**	4,806,993
The Pad	**4,013,009**	4,995,183
Commercial and administrative building in Jeddah	**3,312,173**	3,579,371
	60,523,637	63,208,848

(All amounts in Saudi Riyal unless otherwise stated)

18. OTHER EXPENSES

	31 December 2023	31 December 2022
Collection commission	**3,234,220**	3,451,200
property management fees	**3,114,000**	3,114,000
Processing fees for operating Makkah hotels	**2,773,271**	-
Electricity expense	**951,731**	595,916
Guarding and security	**916,800**	876,500
Water expense	**903,526**	671,685
Maintenance and repair	**607,345**	609,034
Registration and listing fees	**569,323**	567,622
Professional fees	**531,681**	360,723
Commission for signing a contract	**419,057**	584,082
Cleaning expenses	**320,600**	289,800
Other expenses	**845,421**	246,223
	15,186,975	11,366,785

19. OTHER INCOME

	31 December 2023	31 December 2022
Remeasurement of lease (Note 10)	**7,409,022**	-
Murabha income	**8,522**	-
Al-Rukn Al-Mateen (Unitholder of Al-Qannas Fund)	**-**	10,000,000
Distributions to Al-Rukn Al-Mateen (Unitholder of Al-Qannas Fund)	**-**	1,100,000
Other	**-**	423,085
	7,417,544	11,523,085

20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Transactions with related parties for the year ended 31 December 2022

Related parties	**Nature of relationship**	**Nature of transaction**	**31 December 2023 Debit / (Credit)**	31 December 2022 Debit / (Credit)
Middle East Financial Investment Company (the "Fund Manager")	Fund Manager	Management fee	**(2,073,806)**	(2,120,107)

(All amounts in Saudi Riyal unless otherwise stated)

20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

Resulting related party balances:

	31 December 2023 Debit / (Credit)	31 December 2022 Debit / (Credit)
Middle East Financial Investment Company (the "Fund Manager") (Note 14)	**(18,000,000)**	(20,200,000)
Middle East Financial Investment Company (the "Fund Manager") (1Note 16)	**(3,171,765)**	(3,326,269)

21. CONTINGENT LIABILITIES AND COMMITMENTS

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

22. DIVIDENDS

- On 29 Rabi' al-Awwal 1444 H, corresponding to 29 September 2022, the Fund's Board of directors approved on dividends in the amount of 0.05 SAR per unit, with a total of 3.7 million SAR, to the unitholders, and the distribution was made on 22 Rabi al-Thani 1444 H, corresponding to 16 November 2022.

- On 28 Shaaban 1443 H, corresponding to 31 March 2022, the Fund's Board of Directors approved on dividends in the amount of 0.10 SAR per unit, with a total of 7.3 million SAR, to unit unitholders, and the distribution was made on 7 Shawwal 1443 H, corresponding to 8 May, 2022.

23. 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 significant to the Fund.

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

	31 December 2023	31 December 2022
Rent receivables, net (Note 11)	**18,892,029**	31,789,460
Cash and cash equivalents (Note 12)	**8,310,894**	3,220,691
	27,202,923	35,010,151

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.

(All amounts in Saudi Riyal unless otherwise stated)

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

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 2023	**carrying value**	**Less than 1 year**	**More than 1 year**
Borrowings (Note 13)	**353,566,308**	**6,343,822**	**347,222,486**
Lease liabilities under right-of-use assets (Note 10)	**93,690,670**	**9,500,000**	**84,190,670**
Trade Payables (Note 14)	**18,000,000**	**18,000,000**	**-**
Accrued expenses and other liabilities (Note 16)	**8,648,306**	**8,648,306**	**-**
	473,905,284	**42,492,128**	**431,413,156**

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

31 December 2022	carrying value	Less than 1 year	More than 1 year
Borrowings (Note 13)	353,989,605	6,767,119	347,222,486
Lease liabilities under right-of-use assets (Note 10)	104,785,491	5,527,681	99,257,810
Trade Payables (Note 14)	23,200,000	23,200,000	-
Accrued expenses and other liabilities (Note 16)	11,805,138	11,805,138	-
	493,780,234	47,299,938	446,480,296

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.

(All amounts in Saudi Riyal unless otherwise stated)

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

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 2023	31 December 2022
Loans with variable interest rates (note 13)	**353,566,308**	353,989,605

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 2023	**Income Statement SAR**		**Statement of financial position SAR**	
	+ 100 points	**-100 points**	**+100 points**	**- 100 points**
Cost of Islamic financing facilities	**3,535,663**	**(3,535,663)**	**3,535,663**	**(3,535,663)**
cash flow sensitivity (net)	**3,535,663**	**(3,535,663)**	**3,535,663**	**(3,535,663)**

31 December 2022	Income Statement SAR		Statement of financial position SAR	
	+ 100 points	- 100 points	+ 100 points	- 100 points
Cost of Islamic financing facilities	3,539,896	(3,539,896)	3,539,896	(3,539,896)
cash flow sensitivity (net)	3,539,896	(3,539,896)	3,539,896	(3,539,896)

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)

23. 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 2023	31 December 2022
borrowings (Note 13)	**353,566,308**	353,989,605
Less:		
Cash and cash equivalents (Note 12)	**(8,310,894)**	(3,220,691)
Net debt	**345,255,414**	350,768,914
Net assets value (equity) attributable to the unit holders	**513,157,547**	524,630,693
Ratio of net debt to the net assets value (equity) attributable to the unitholders	**67%**	67%

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.

24. 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 2023				
Investment properties, net (Note 7)	**806,928,741**	**-**	**-**	**806,928,741**
Intangible assets – Right of benefit, net (Note 8)	**90,566,091**	**-**	**-**	**90,566,091**
	897,494,832	**-**	**-**	**897,494,832**

	Carrying value	Level 1	Level 2	Level 3
31 December 2022				
Investment properties, net (Note 7)	809,052,086	-	-	809,052,086
Intangible assets – Right of benefit, net (Note 8)	100,076,044	-	-	100,076,044
	909,128,130	-	-	909,128,130

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 significant inputs required to measure the fair value of an instrument are observable, then the instrument is included within Level 2. If one or more significant inputs are not based on observable market data, then the instrument is included within Level 3. Changes in assumptions involved these inputs can affect the reported fair value of items in these financial statements and the level at which items within the fair value hierarchy are disclosed.

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

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

Discount rates that reflect current market assessments of uncertainty in the amount and timing of cash flows (the rate used by valuers is 7%-11%)

Capitalization rates based on the physical location, size and quality of the properties and taking into account market data on the date of the valuation (the rate used by valuers is 5% - 8.5%)

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

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

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

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

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

(All amounts in Saudi Riyal unless otherwise stated)

25- MATURITY ANALYSIS OF ASSETS AND LIABILITIES

	Note	Less than 1 year	More than 1 year	31 December 2023
ASSETS				
Investment properties, net	**7**	**-**	**806,928,741**	**806,928,741**
Intangible assets – Right of benefit, net	**8**	**-**	**90,566,091**	**90,566,091**
Right of use assets, net	**10**	**-**	**77,274,274**	**77,274,274**
Rent receivables, net	**11**	**18,892,029**	**-**	**18,892,029**
Cash and cash equivalent	**12**	**8,310,894**	**-**	**8,310,894**
Total assets		**27,202,923**	**974,769,106**	**1,001,972,029**
LIABILITIES				
Loans	**13**	**6,343,822**	**347,222,486**	**353,566,308**
Lease liabilities under right-of-use assets	**10**	**9,500,000**	**84,190,670**	**93,690,670**
Trade payables	**14**	**18,000,000**	**-**	**18,000,000**
Unearned rental income	**15**	**14,909,198**	**-**	**14,909,198**
Accrued expenses and other liabilities	**16**	**8,648,306**	**-**	**8,648,306**
Total liabilities		**57,401,326**	**431,413,156**	**488,814,482**

	Note	Less than 1 year	More than 1 year	31 December 2022
ASSETS				
Investment properties, net	7	-	809,052,086	809,052,086
Intangible assets – Right of benefit, net	8	-	100,076,044	100,076,044
Right of use assets, net	10	-	80,085,046	80,085,046
Rent receivables, net	11	31,789,460	-	31,789,460
Cash and cash equivalent	12	3,220,691	-	3,220,691
Total assets		35,010,151	989,213,176	1,024,223,327
LIABILITIES				
Loans	13	6,767,119	347,222,486	353,989,605
Lease liabilities under right-of-use assets	10	5,527,681	99,257,810	104,785,491
Trade payables	14	23,200,000	-	23,200,000
Unearned rental income	15	5,812,400	-	5,812,400
Accrued expenses and other liabilities	16	11,805,138	-	11,805,138
Total liabilities		53,112,338	446,480,296	499,592,634

As at 31 December 2023, the Fund’s current liabilities exceeded current assets by 30,198,403 SAR (31 December, 2022: 18,102,187 SAR), which is mainly due to trade payables and unearned rental income amounting to 32,909,198 SAR (31 December, 2022: 29,012,400 SAR) Despite the deficit in the Fund’s working capital, the Fund has an operating cash flow of 36,557,817 SAR (31 December, 2022: 42,712,233 SAR), which is an indication of the Fund’s ability to meet its obligations when they fall due. The Fund Manager also monitors cash management. It extensively analyzed liquidity risks and was confident of its ability to close the gap. Accordingly, the attached financial statements were prepared on the basis of the going concern.

(All amounts in Saudi Riyal unless otherwise stated)

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. RECLASSIFICATION OF COMPARATIVE FIGURES

The following is the reclassification of the balances for the fiscal year ending on 31 December 2022, as follows:

Item name	Note	Balance before adjustment Debit / (Credit)	Reclassification Debit / (Credit)	Balance after adjustment Debit / (Credit)
(1) STATEMENT OF FINANCIAL POSITION				
Rent receivables, net	11	26,465,578	5,323,882	31,789,460
Prepaid expenses and other assets, net		5,323,882	(5,323,882)	-
Loans	13	(347,222,486)	(6,767,119)	(353,989,605)
Accrued financing costs		(6,767,119)	6,767,119	-
(2) STATEMENT OF COMPREHENSIVE INCOME				
Provision for expected credit losses	11	26,575,114	(9,261,476)	17,313,638
Reversal of provision for expected credit losses		(9,261,476)	9,261,476	-
Other expenses	18	13,427,186	(2,060,401)	11,366,785
Fund management fees	20	-	1,843,571	1,843,571
Custodian fees		-	216,830	216,830

28. LAST VALUATION DAY

The last evaluation day of the year was 18 Jumada al-Akhir 1445 H, corresponding to 31 December 2023.

29. SUBSEQUENT EVENTS

On 20 Rajab 1445 H, corresponding to 1 February 2024, the Fund's Board of Directors approved on dividends in the amount of 0.8 SAR per unit, with a total of 5.9 million SAR, to unitholders. The distribution was made on 26 Shaaban 1445 H, corresponding to 7 March 2024.

30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ending 31 December 2023 were approved by the Board of Directors on 17 Ramadhan 1445 H, corresponding to 27 march 2024.