Middle East Financial Investment Company

MEFIC REIT FUND

MEFIC REIT Annual Report | December 2021

MEFIC CAPITAL

ميفك ريت
MEFIC REIT

Asset in which the fund is investing in

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

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

Classification Property	Property Name	Book Value	Percentage%	* Rent Status
Investment properties	Commercial mall in Riyadh	564,395,000	62.4%	Managed by an Operator
	Drnef Ajyad In Makkah	98,780,000	10.9%	Non-rented
	Drnef Kudai In Makkah	49,210,000	5.4%	Non-rented
	Commercial tower in Jeddah	37,100,000	4.1%	Managed by an Operator
	The Pad in Dubai	49,720,470	5.5%	Leased to Master tenant
leasehold properties	Plaza 1 in Riyadh	29,930,000	3.3%	Managed by an Operator
	Dhiyafa in Riyadh	75,439,382	8.3%	Managed by an Operator
Total		904,574,852	100.0%	

value of the leased real estate The percentage of the	83.6%
value of the unleased real estate The percentage of the	16.4%

* 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	24,847,335	44%
	Drnef Ajyad In Makkah	0	0%
	Drnef Kudai In Makkah	0	0%
	Commercial tower in Jeddah	3,964,095	7%
	The Pad in Dubai	3,480,152	6%
leasehold properties	Plaza 1 in Riyadh	10,175,927	18%
	Dhiyafa in Riyadh	13,600,170	24%
Total		56,067,678	100%

The percentage of uncollected revenues from total revenues and the ratio of non-cash expenditure from the fund's net profits - 2021

The percentage of uncollected revenues from total revenues	54%
The ratio of non-cash expenditure from the fund's net profits	125%

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Occupancy rates and the percentage of rented and non-rented units during 2021

Property Classification	Property Name	Occupancy Rate	Rent Status *
Investment properties	Commercial mall in Riyadh	88%	Managed by an Operator
	Drnef Ajyad In Makkah	0%	Non-rented
	Drnef Kudai In Makkah	0%	Non-rented
	Commercial tower in Jeddah	82%	Managed by an Operator
	The Pad in Dubai	100%	Leased to Master tenant
leasehold properties	Plaza 1 in Riyadh	70%	Managed by an Operator
	Dhiyafa in Riyadh	88%	Managed by an Operator

Total occupancy rate	67%
Total vacancy rate	33%

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

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

as of 31 Dec of each year

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

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

Operating performance and returns

Performance Indicators and Return	2021	2020	2019	2018
Net profit (loss)	-133,121,167	-66,244,264	27,979,888	21,073,041
Total operating income (loss) after deducting all interest and depreciations	-11,067,224	-1,062,790	32,112,432	6,127,328
EBITDA	42,342,673	47,060,860	86,828,657	17,397,811
EBIT	11,744,452.87	16,073,179	52,270,372	11,453,705

Return on Equity (net profit / equity)	-26%	-9.89%	3.71%
EBITDA / total assets	4.07%	4.02%	6.42%
EBITDA / equity	8.11%	7.03%	11.51%
Gross return (net profit / NAV at the beginning of the period)	-19.88%	-8.78%	3.71%
Gross return (net income / beginning NAV) for the last three years		-22.73%	
Gross return (net income / beginning NAV) since fund inception		-20.51%	

Revenues performance

Revenues (SAR)	2021	2020	2019	2018
Annual revenues (Rental Income)	56,067,679	65,874,499	95,753,865	23,534,194
Total revenues for 1 year	56,067,679			
Total revenues for 3 years	217,696,043			
Total revenues since inception	241,230,237			

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

Service , commissions and fees paid by the fund to external parties	2021	2020	2019
Total operating expenses of the properties (OPEX)	10,877,161	9,311,920	7,180,713
Total operating expenses to the total rental income	**19.4%**	**14.14%**	**7%**
Fund expenses			
Fund management fees	1833178.806	2,409,228	360,810
Custodian's fees	158022.94	172,088	206,192
Other fees	20231	525,063	12,767
Listing Fees	185285.68	183,845	207,150
Registration fees	411500	420,000	420,000
Legal fees	0	19,469	210,000
Valuation Fees	158125.6	81,504	230,450
Sharia audit fees	25000	25,000	13,125
Audit Fees	56500	70,550	84,000
Total fund expenses	2,847,844	3,906,748	1,744,495
The ratio of fund expenses to the total rental income	**5.08%**	**5.93%**	**2%**
Total financing cost	**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	2021	2020	2019
Fund management fee	1,833,179	2,409,228	360,810
Facility arrangement fee	0	214,390	0
Transaction fees	0	815,156	0

Fundamental and non-fundamental changes

- The appointment of Edara Company as the property & Facility manager of Plaza 1 and Dhiyafa buildings
- The appointment of the external auditor "Talal Abu-Ghazaleh & Co."
- Distributing of cash dividend of SAR 0.15 per unit for the second half of 2020 and distributing cash dividend of SAR 0.05 per unit for the first half of 2021

Board of Directors Reports:

- Approval of the annual financial statements as of 31/12/2020 for MEFIC REIT Fund
- Approval of the semi-annual financial statements as of 30/06/2021 for MEFIC REIT Fund
- Approval of the appointment of the external auditor "Talal Abu-Ghazaleh & Co".
- Approval of the distribution of cash dividend of SAR 0.15 per unit for the second half of 2020
- Approval of the distribution of cash dividend of SAR 0.05 per unit for the first half of 2021
- Approval of the appointment of Edara Company as the property & Facility manager of Plaza 1 and Dhiyafa buildings
- Approval of updating the fund' T&C
- Approval of changing one or all of the valuators of the fund

- Approval of the discussion for the renting or operating offers for Makkah hotels or the offers for " SWAP choices"
- Approval of the reports of service providers for MEFIC REIT, the record of complaints against the fund, the fund's risks, and the policy for dealing with them.

MEFIC REIT Risk Assessment Report / December 2021

- 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.

Number	Type of risk	Risk Description	Applies	do not apply	Risk evaluation mechanism
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.		✓	
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	✓		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

Number	Type of risk	Risk Description	Applies	do not apply	Risk evaluation mechanism
		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.			
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 valuations in the real estate sector in general, which may negatively affect the unit's trading price or return on investment.	✓		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.
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.

Number	Type of risk	Risk Description	Applies	do not apply	Risk evaluation mechanism
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
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	✓		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.

Number	Type of risk	Risk Description	Applies	do not apply	Risk evaluation mechanism
		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.			
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.		✓	
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.	✓		The fund manager does not provide guarantees, except for those mentioned in the terms and conditions.

Number	Type of risk	Risk Description	Applies	do not apply	Risk evaluation mechanism
		Based on the foregoing, the fund may never be able to achieve any return on its assets.			
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.
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	✓		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.

Number	Type of risk	Risk Description	Applies	do not apply	Risk evaluation mechanism
		whom the Saudi riyal is not the base currency are exposed to exchange rate fluctuations.			
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. 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.	✓		The fund manager has sufficient financial solvency to enable him to fulfill his obligations towards the fund's clients.

MEFIC REIT Fund
(Managed by Middle East Financial Investment Company)
Kingdom of Saudi Arabia

Financial Statements
For the Year Ended 31 December 2021
And Independent Auditor's Report

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Independent Auditor's Report

The Unitholders of
MEFIC REIT Fund
(Managed by Middle East Financial Investment Company)
Riyadh - Kingdom of Saudi Arabia

Opinion:
We have audited the financial statements of **MEFIC REIT Fund (the Fund) – A Closed Real Estate Investment Fund – Private Placement (Managed by Middle East Financial Investment Company)** which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the Kingdom of Saudi Arabia and other pronouncements and Standards endorsed by the Saudi Organization of Chartered and Professional Accountants (SOCPA).

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

Key audit matters
Key audit matters are those matters that, in our professional judgment, where of most significance in our audit of the financial statements for the year ended 31 December 2021. These matters were addressed in the context of our audit of the financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

Key audit matter	**How the matter was addressed in our audit**
Revenue recognition	
Revenue comprise of rental income from investments properties	Our procedures included:
Revenue recognition is considered a key audit matter as the timing and amount of revenue recognized in a financial period can have a material effect on the financial performance	• Review of revenue recognition accounting policy. • Substantive tests of transactions on a sample basis. • Testing revenue cut-off at the period end and an analytical review of revenue
Refer to note (3) for accounting policy.	
Valuation of investment properties	**How the matter was addressed in our audit**
Investments properties comprise a portfolio of five investment properties and two intangible assets, in Kingdom of Saudi Arabia and United Arab Emirates. These investments are stated at cost less accumulated depreciation/amortization and impairments if any. For assessing the impairments of investments properties, the Fund's management monitors volatility of fair value of properties by engaging independent certified property valuators to perform a formal valuation of the Fund's investments properties as at the reporting date. We considered this as a key audit matter given the significant of the valuation on the financial statements.	Our procedures included: • Ensuring initial recognition and subsequent measurement of investment properties as per IFRS. • Performing impairment test to assess recoverable amounts of investment properties and determining impairment charge if any. • An assessment of the appropriateness of the valuation technique used to value the investments.
Refer to note (3) for accounting policy and note 5 and 6 for relevant disclosure.	

Other information:
Management is responsible for the other information. The other information in the annual report comprises Fund Managers' report to Unitholders but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements:
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS as adopted in the Kingdom of Saudi Arabia and other pronouncements and Standards endorsed by the Saudi Organization of Chartered and Professional Accountants (SOCPA) and in accordance with requirements of Real Estate Investment Funds (REITs) Regulation issued by the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia and the instructions of the Real Estate investment traded Funds and terms and conditions of the Funds and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with Governance (Fund board of directors) are responsible for overseeing the Fund financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtaining sufficient appropriate audit evidence regarding the financial information of the establishments or business activities within the group, to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and performing the group audit and we remain solely responsible for our opinion in the audit.

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 statements that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Other of Matter:
The financial statements of **MEFIC REIT Fund (the Fund) – A Closed Real Estate Investment Fund – Private Placement (Managed by Middle East Financial Investment Company)** for the year ended 31 December 2020 have been audited by another auditor who has issued an unmodified opinion on the financial statements dated 31 March 2021.

For Talal Abu-Ghazaleh & Co.

Abdulqadir A. Al-Wohaib
Certified Public Accountant
(License No. 48)

27 Shaban 1443H.
30 March 2022G

محاسبون قانونيون
P.R. 81 ص.ب ٨١
Public Accountants
Talal Abu-Ghazaleh & Co.

MEFIC REIT Fund
Managed by Middle East Financial Investment Company
Riyadh - Kingdom of Saudi Arabia
Statement of Financial Position
As of 31 December 2021 **Exhibit A**

	Note	31 December 2021 SR.	31 December 2020 SR.
Assets			
Investment properties	(7)	**799,205,467**	918,847,029
Intangible assets – right of benefit	(8)	**105,369,382**	128,553,200
Right-of-use assets	(9)	**89,532,494**	80,641,904
Accounts receivable	(10)	**38,376,454**	31,237,558
Prepaid expenses and other receivables	(11)	**7,230,604**	6,513,560
Cash and cash equivalents	(12)	**1,229,649**	5,305,593
Total Assets		**1,040,944,050**	1,171,098,844
Liabilities			
Sharia-Compliant long term financing	(13)	**352,422,486**	347,222,486
Accounts payables	(14)	**38,300,000**	47,300,000
Lease liabilities	(15)	**107,875,323**	92,415,256
Contracts liabilities	(16)	**5,007,735**	5,821,308
Fund Manager transaction fees	(6)	**2,630,666**	2,630,666
Accrued expenses and other liabilities	(17)	**9,975,610**	3,523,548
Finance charges payable	(13)	**2,800,040**	2,495,715
Total Liabilities		**519,011,860**	501,408,979
Net Assets (equity) attributable to Unitholders		**521,932,190**	669,689,865
Units in issue (numbers)		**73,276,800**	73,276,800
Net assets attributable to each unit		**7,1227**	9,1392

The Accompanying Notes from (1) to (30) Constitute an Integral Part of These Financial Statements

MEFIC REIT Fund
Managed by Middle East Financial Investment Company
Riyadh - Kingdom of Saudi Arabia
Statement of Comprehensive Income
For the Year Ended 31 December 2021 **Exhibit B**

	Note	31 December 2021 SR.	31 December 2020 SR.
Income			
Rental revenues		56,067,679	65,874,499
Total revenue		56,067,679	65,874,499
Expenses			
Finance cost		(16,842,480)	(16,426,164)
Amortization of intangible assets right of benefit	(8/a)	(14,238,578)	(15,224,299)
Depreciation of investment properties	(7)	(6,213,715)	(6,213,715)
Depreciation of right of use assets	(9)	(10,145,927)	(9,549,667)
Financing cost on lease liabilities	(15)	(5,969,197)	(5,275,230)
Operating expenses	(18)	(13,725,006)	(14,248,214)
Total expenses		(67,134,903)	(66,937,289)
Operating (loss)		(11,067,224)	(1,062,790)
Other Non-Operating Income / (Losses)			
Expected credit losses for accounts receivable	(10/c)	(9,891,206)	(27,250,803)
Expected credit losses reversal for account receivable		3,412,006	--
Impairment losses of prepaid expenses and other receivable	(11)	(1,293,788)	(660,273)
Impairment of investment properties	(7)	(116,088,458)	(37,550,829)
Impairment reversal of investment properties	(7)	2,660,611	--
Impairment of intangible assets-right of benefit	(8/a)	(8,945,240)	--
Other income, net	(19)	8,092,132	280,431
Net (loss) for the year		(133,121,167)	(66,244,264)
Other comprehensive income for the year		--	--
Total comprehensive (loss) for the year		(133,121,167)	(66,244,264)

The Accompanying Notes from (1) to (30) Constitute an Integral Part of These Financial Statements

MEFIC REIT Fund
Managed by Middle East Financial Investment Company
Riyadh - Kingdom of Saudi Arabia
Statement of Changes in net Assets Attributable to Unitholders
For the Year Ended 31 December 2021 **Exhibit C**

	31 December 2021	31 December 2020
	SR.	SR.
Net asset value (equity) attributable to the unit holders at the beginning of the year	**669,689,865**	754,253,329
Total comprehensive (loss) for the year	**(133,121,167)**	(66,244,264)
Dividends – Note (21)	**(14,636,508)**	(18,319,200)
Net assets value as of 31 December	**521,932,190**	669,689,865

Unit Movements		
Number of Units on 31 December	**73,276,800**	73,276,800

- There were no further unit issued by the Fund.

The Accompanying Notes from (1) to (30) Constitute an Integral Part of These Financial Statements

MEFIC REIT Fund
Managed by Middle East Financial Investment Company
Riyadh - Kingdom of Saudi Arabia
Statement of Cash Flows
For the Year Ended 31 December 2021 **Exhibit D**

	31 December 2021 SR.	31 December 2020 SR.
Cash Flow from Operating Activities		
(Loss) for the year	**(133,121,167)**	(66,244,264)
Adjustments for non-cash income		
Depreciation of investment properties	**6,213,715**	6,213,715
Impairment losses of intangible assets – right of benefits	**14,238,578**	15,224,299
Amortization of right of benefit	**10,145,927**	9,549,667
Finance cost	**16,842,480**	16,426,164
Finance cost on lease liabilities	**5,969,197**	5,275,230
Expected credit losses reversal for accounts receivable	**9,891,206**	27,250,803
Impairment losses in prepaid expenses and other receivables	**1,293,788**	660,273
Recovering impairment losses of accounts receivable	**(3,412,006)**	--
Loss of impairment in the value of investment properties	**116,088,458**	37,550,829
Recovery of losses impairment in the value of investment properties	**(2,660,611)**	--
Impairment losses in the value of intangible assets - right of benefits	**8,945,240**	--
Loss on transfer of property	**--**	4,565,431
	50,434,805	56,472,147
Changes in Operating Assets and Liabilities		
Accounts receivable	**(15,898,642)**	(10,576,849)
Prepaid expenses and other receivables	**(717,044)**	(5,359,553)
Accounts payables	**(9,000,000)**	(10,500,000)
Contracts liabilities	**(813,573)**	(21,838,710)
Fund transaction fees	**--**	(9,316,219)
Accrued expenses and other liabilities	**9,026,883**	438,570
Cash Generated from / (used in) Operations	**33,032,429**	(680,614)
Finance cost paid	**(17,381,652)**	(16,759,350)
Net cash from / (used in) operating activities	**15,650,777**	(17,439,964)
Cash Flows from Investing Activities		
Adjustment related to rent transfer	**--**	(223,727)
Net cash (used in) investing activities	**--**	(223,727)
Cash Flow from Financing Activities		
Dividends paid	**(14,636,508)**	(18,319,200)
Payment of lease liabilities during the year	**(10,290,213)**	(5,900,000)
Proceeds from long-term financing during the year	**5,200,000**	44,900,000
Net cash (used in) / from financing activities	**(19,726,721)**	20,680,800
Net (decrease) / increase in cash and cash equivalents	**(4,075,944)**	3,017,109
Cash and cash equivalents at beginning of the year	**5,305,593**	2,288,484
Cash and Cash Equivalents at End of the year – Exhibit A	**1,229,649**	5,305,593
Additional Information on Non-Cash Activities		
Increased lease liabilities as a result of adjusting the lease term	**19,781,083**	--

The Accompanying Notes from (1) to (30) Constitute an Integral Part of These Financial Statements

1- Formation and Nature of Business:

MEFIC REIT Fund (the "**Fund**") is a close-ended real estate Shariah compliant exchange traded investment fund established and managed by Middle East Financial Investment Company (the "Fund Manager") A Saudi closed joint stock company with commercial registration number 1010237038 and authorized by CMA under license number 06029-37.

The Fund is listed in Saudi Stock Exchange Market ("Tadawul") and the units of the REIT are traded under its laws and regulations. The capital of the fund is SR.732,768,000 divided to into 73,276,800 units of 10 SR each. The fund has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of CMA.

The Fund's primary investment objective is to provide its investors with regular income by investing in income generating real estate properties in Saudi Arabia and Arabian Gulf Countries.

A brief summary of investment properties and rights of benefits acquired during the year are as follows:

Investment properties:

Commercial Mall Riyadh (Previously referred to as Souq Sharq): Commercial Mall Riyadh comprises a retail plaza with 187 shops. There are 21 buildings in this property. The property is occupied by furniture showrooms, coffee shop and others. The property is located in Eastern Ring Road in Al-Jazira district in Riyadh, Kingdom of Saudi Arabia.

Commercial Tower Jeddah (Previously referred to as Tihama): Commercial Tower in Jeddah comprises 10 showrooms and office area. It constitutes 6 floors. The property is located in Al-Andalus Road, Al Hamra District, Jeddah.

Drnef Ajyad: A four-star hotel located in Ajyad Road, Makkah Mukarramah. It has 203 rooms and 11 suites.
Drnef Kuddai: A three-stars hotel located in Al-Kudai District of Makkah on the third ring road. The hotel features 75 rooms in addition to 11 suites.

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

Right of benefits

Plaza 1: Plaza 1 is a mixed use development spreading over a land area of 9,588 sq meters. The project has a leasable area of 12,000 sq meters including 51 apartments and 12 showrooms. It is located on King Abdul Aziz Road, Al-Rabiea District, Riyadh. The right of benefit of this property will end on 17 July 2026.

Dhiyapah: Dhiyapah is a commercial retail property including 9 restaurants and ladies gym & spa. It is located on the Northern Ring Road in Al-Nakheel District, Riyadh. The right of benefit of this property will end on 1 April 2035.

Regulatory Framework:

The Fund is governed by Real Estate Investment Traded Funds Instructions as published by CMA up to 13 Safar 1440H (corresponding to 22 October 2018G) and by the Investment Funds Regulations as amended by CMA up to 16 Sha`ban 1437H (corresponding to 23 May 2016G) detailing requirements for private investment funds operating in the Kingdom of Saudi Arabia.

2- Basis of Preparation:

2/1 Statement of compliance:

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (SOCPA), and in accordance with the requirements of the Real Estate Investment Funds (REITs) Regulation issued by the Capital Market Authority (CMA) and the Fund's Terms and Conditions, so far as they relate to the preparation and presentation of the financial statements of the Fund.

2/2 Basis of measurement and Functional and presentation currency:

These financial statements have been prepared under the historical cost convention, using the accrual basis of accounting and under going concern principal. The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

Where these financial statements are presented in Saudi riyals, which is the functional currency and presentation currency of the fund.

2/3 Major Accounting Estimates, Assumptions and Judgments:

The preparation of financial statements requires management to use judgments, estimates and assumptions that affect the amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of potential liabilities. Uncertainty about these assumptions and estimates may lead to results that require material adjustments to the carrying amounts of assets or liabilities that affect future periods. The uncertainty of key assumptions regarding the future and other key sources of estimation at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period is described below. In its assumptions and estimates, the Fund relied on the indicators available when preparing the financial statements. Also, the current cases and assumptions are subject to development in the future, as they may arise as a result of market changes or situations resulting outside the control of the Fund. Such changes are reflected on the assumptions when they occur.

Impairment of non-financial assets:

The carrying amounts of non-financial assets are reviewed at the end of each financial reporting date or periodically to determine whether there is any indication of impairment of assets, if any, the recoverable amount of the asset is estimated.

An impairment loss is recognized if the carrying amount of the asset or cash-generating unit exceeds its recoverable amount. The recoverable amount, or cash-generating unit, is the greater of its value in use or the fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The fair value less selling cost is based on observable market prices. If there are no observable market prices, then the estimated prices for similar assets are used, but if there are no estimated prices for similar assets available, then discounted future cash flow calculations are used.

The residual value and useful life of the investment properties:

The fund management determines the estimated residual value and the useful lives of the investment properties to calculate depreciation, if any. These estimates are determined after considering the expected usage of the assets or actual obsolescence. Management reviews the residual value and useful lives annually and future depreciation expense will be adjusted when management believes that the useful lives differ from previous estimates.

Going Concern:

The Fund's management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the necessary resources to continue operating in the future. Furthermore, management is not aware of any material uncertainties that may cast doubt on the Fund's ability to continue as a going concern. Therefore, these financial statements have been prepared on the going concern basis.

Expected credit losses:

Measuring the allowance for expected credit losses for financial assets measured at amortized cost requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

There are a number of important judgments that are also required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining the criteria for a significant increase in credit risk.
- Selection of appropriate models and assumptions for measuring expected credit losses.
- Create a relative number and weight of future scenarios for each type of product/market and the associated expected credit losses and
- Create a group of similar financial assets for the purposes of measuring expected credit losses.

3- Major Accounting Policies:

Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity or financial liabilities or equity instrument of another entity.

Financial assets include:

- Cash
- A contractual right to receive a financial asset from another entity (receivables)
- A contractual right to exchange financial instruments with another entity under favorable conditions of entity.
- A non-derivative contract where the entity is or may be required to receive a variable number of entity's own equity instruments.

Classification and Initial Recognition:

An entity classifies its financial assets in the following measurement categories:

- Financial assets that are subsequently measured at fair value (either through profit or loss of income (FVTPL) or other comprehensive income (FVTOCI)
- Financial assets measured at amortized cost.

Classification is based on the business model used in the entity for managing financial assets and contractual terms of cash flows.

For assets measured at fair value, gains or losses are recognized either in the statement of income or other comprehensive income. For investment in debt instruments, it depends on the business model of this investment. For investment in equity instruments, it depends on whether the entity has made an irrevocable choice at the time of initial recognition of equity instruments at FVTOCI. The entity reclassifies debt instruments only when its business model changes to manage those assets.

At initial recognition, an entity measures its financial assets (not classified as fair value through statement of income) at fair value plus transaction costs directly attributable to the acquisition of financial assets. In the case of financial assets classified as at FVTPL, transaction costs are recognized in the statement of income.

Interest income

Income is recognized for all financial instruments measured at amortized cost using the effective interest rate, which is the rate that exactly discounts expected future cash flows over the life of the financial instruments or for shorter periods, or, where appropriate, to their actual value.

When the loan and receivables are impaired, the Group reduces the carrying amount to its recoverable amount, which represents the estimated future cash flow discounted at the instrument's original effective interest rate, and continues to amortize the discount as interest income Interest income on impaired financial assets is recognized using the effective interest rate.

Dividend income

Income from distributions of financial instruments is recognized in profit or loss when the group becomes entitled to the distribution and it is expected that the group will control the benefits associated with the distribution and can be measured reliably.

Subsequent Measurement of Financial Assets:

Equity Instruments:

- All equity investments are to be measured at fair value and if the entity's management decides to present fair value gains or losses on equity investments within other comprehensive income, thengainsl(losses) on fair values cannot be reclassified subsequently in the statement of income. Dividend from the investment are recognized as income when the entity's right to receive payments is established.
- Impairment losses and reversal of impairment losses on equity investments measured at FVTOCI are not treated separately from other changes in fair value.
- Changes in the fair value of financial assets at (FVTPL) are recognized in consolidated income statement as gains or (losses) as appropriate.

Debt Instruments:
Subsequent measurement for debt instruments is based on the entity's business model for asset management and cash flow characteristics of assets. There are three measurement categories and the entity classifies debt instruments by:

- Amortized cost:
  Financial assets held for contractual cash flows represent the original investment and related interest thereon and are measured at amortized cost. Gains or losses on debt instruments at amortized cost that are not part of a hedging relationship are recognized in profit or loss when it is derecognized or impaired.
  Interest income from financial assets is recognized using the effective interest rate method.
- Fair value through other comprehensive income (FVTOCI):
  Financial assets held for contractual cash flows and for sale, where cash flows represent the investment asset and interest thereon and are measured at FVTOCI.
  Changes in fair value are recognized through other comprehensive income except for the recognition of gains or losses relating to impairment, interest income and foreign exchange gains / losses in the statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred from equity to income statement, recognized as other gains or losses and interest income from financial assets and treated as financial interest using the effective interest rate method.
- Fair value through profit or loss (FVTPL):
  Assets that do not meet amortized cost or FVTOCI are measured at fair value through statement of income. Gains or losses arising from subsequent measurement of investment in debt instruments are recognized at fair value through statement of income that is not part of a hedging relationship within the statement of income. They are recognized as net gains or losses in the period in which they arise. Interest income from these financial assets is recognized as financial interest.

Effective Interest Method:
The effective interest method is a method for calculating the amortized cost of a debt instrument and allocating interest revenue over the relevant period. The effective interest rate is the rate that discounts future cash payments received through the life expectancy of the debt instrument or, if appropriate, in the shorter period to carrying amount at initial recognition.

Value Impairment:

- The entity assesses expected future credit losses for financial assets at amortized cost and FVTOCI. The impairment methodology applied depends on whether there is a significant increase in credit risk.
- For trade receivables only, the entity applies the "simplified approach" permitted by IFRS 9, which requires the recognition of lifetime expected losses in initial recognition of receivables.

Financial Liabilities:
Financial liabilities include:

- A contractual obligation to deliver cash or another financial asset to another entity.
- A contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavorable to the entity.
- A non-derivative contract where the entity is obliged to provide a variable number of entity's own equity instruments.

Initial Recognition:
Financial liabilities are recognized initially at fair value. The financial liabilities of the entity include trade payables, other payables and long-term loans from the government at a lower market rate

Subsequent Measurement:
The entity classifies all financial liabilities after initial recognition at amortized cost.

Offsetting Financial Instruments:
Financial assets and liabilities shall be offset and the net amount presented in the statement of financial position only when there is a current enforceable right to settle the amounts recognized and when there is an intention to settle on a net basis or to liquidate assets and settle liabilities simultaneously.

Disposal of Financial Assets and Liabilities:

- An entity derecognizes a financial asset only when the contractual rights to cash flows from the asset expire or when it transfers the financial asset and all the risks and rewards of ownership thereof to another party. If an entity neither transfers nor retains all risks and rewards of ownership and continues to control the asset, the entity recognizes its share held in the asset and the liability for the amounts it may pay. If an entity retains substantially all risks and rewards of ownership of the financial asset, the entity continues to recognize the financial asset and recognize the associated liability.
- On derecognition of a financial asset measured at amortized cost, the difference between the carrying amount of the asset and the amount of the consideration received and receivable is recognized in the statement of income. In addition, upon derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously recognized in the revaluation reserve is reclassified to profit or loss. Upon derecognition of an investment in equity instruments that the Company has chosen to recognize initially by measuring at (FVTOCI), the cumulative gain or loss recognized in the investment revaluation reserve is not classified as profit or loss, but are converted to retained earnings.
- Financial liabilities are derecognized only when the liabilities are discharged, canceled, expired or invalidated. The difference between the carrying amounts of the financial liabilities and the amounts paid and required, including any non-monetary assets transferred or liabilities recognized in the statement of income, is recognized.

Cash and cash equivalents:

Cash and cash equivalents comprise cash in hand, cash at banks and short-term deposits with original maturities of three months or less (if any).

Trade receivables and other debit balances:

Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortized cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

Trade payables and other credit balances:

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortized cost using the effective interest method.

Foreign Currency Translation:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the period are translated using the exchange rates on that date. Foreign currency exchange gains and losses resulting from the settlements of such transactions and from retranslation of monetary items at period-end exchange rates are recognized in profit or loss.

Investment properties:

Real estate held for capital development and/or to benefit from its rentals. Investment properties are stated at cost less accumulated depreciation, if any, and any impairment losses, if any. Depreciation is calculated using the straight-line method, if any. The cost is depreciated, deducting the residual value of the real estate investment over the useful life or the term of the fund, if any.

The residual values and useful lives are subject to review and adjustment when necessary if the carrying amount of the asset exceeds its recoverable amount. In this case, it must be recorded directly at its recoverable value. Capital gains arising from disposal, net of disposal, are included in the statement of comprehensive loss if it arises as a result of the asset's selling value exceeding its book value. It is netted in the statement of comprehensive loss.

Revenue recognition:

Rent income from investment properties are recognized when the right to receive income is established. Income from intangible assets is also recognized on the same basis i.e. right to receive is established as per rights of benefits acquired.

Intangible assets right-of-benefits:
Intangible assets are initially recognized – right-of-benefits at fair value and direct costs and expenses related to the acquisition, including transaction fees for the fund manager, which are subsequently measured at cost, less accumulated amortization and impairment expenses, if any. Subsequent expenses are capitalized when they lead to an increase in the usefulness or economic life of the asset. Otherwise, it is charged as a period expense during the period in which it is due.

Amortization is charged to the statement of comprehensive income on a straight line basis over the estimated useful life of each item separately.

Right-to-use assets:
Right-to-use assets include the initial measurement of the corresponding lease liability, lease payments made on or before the inception day, minus any lease incentives received and any initial direct costs subsequently measured minus accumulated depreciation and impairment losses.

When the entity incurs a commitment to the costs of dismantling and removing a leased asset, restoring the site on which it is located, or restoring the asset to the required condition under the terms of the lease contract, the provision is recognized and measured in accordance with IAS (37) and to the extent that the costs relate to the right-of-use assets, the costs are included in related right-of-use assets, unless these costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the contract term or the useful life of the specified asset.

If the lease contract transfers ownership of the underlying asset or right-of-use cost reflects that the entity expects to exercise the purchase option, then the related use value is depreciated over the useful life of the underlying asset. Depreciation starts on the date of commencement of the lease agreement.

Right-to-use assets are presented as a separate component in the statement of financial position.

The entity applies IAS (36) to determine whether the right to use value has decreased and calculates any impairment loss identified as described in the "property and equipment" policy.

As a practical expedient, IFRS (16) allows a lessee not to separate the non-leased components, and instead any lease contract and associated non-lease components are counted as a single arrangement. The entity did not use this practical expedient. For contracts that contain a leasing component and one or more leasing or non-leasing components, the entity allocates consideration in the contract to each leasing component based on the independent relative price of the leasing component and the total sum of the single price of the non-leasing components.

Lease Liabilities:
Upon initiation of the lease, the Company recognizes rental liabilities measured at the present value of lease payments made over the term of the lease. The lease payments include fixed payments (including those actual fixed payments) minus any rent incentives receivable and variable rental payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. Lease payments also include the price of exercising a reasonably assured purchase option that the company exercises and payments of fines to terminate the lease contract if the lease reflects the company's exercise of the termination option. Variable rents payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggers those payments occurs. When calculating the present value of the lease payments, the company uses the incremental borrowing rate at the commencement of the lease if the interest rate implicit in the lease cannot be determined easily. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset. The lease payments are distributed between the principal amount and the financing cost. The finance cost is charged to the profit or loss over the lease period in order to find a constant periodic rate of interest on the remaining balance of the liability each year.

The Group as Lessor:
Leases are classified as finance leases when the terms of the contract transfer all risks and rewards of ownership to the lessee. The other types of leasing contracts are classified as operating leases. The contracts are classified upon commencement of the lease contract.

Operating leases contracts:
The rental income from the operating lease is recognized on a consistent basis and evenly over the period of the related contract. The initial direct costs incurred by the entity when negotiating and preparing the contract are added to the value in which the leased asset appears in the statement of financial position, and they are recognized as expenses during the contract period in the same way that is adopted for lease income.

Finance leases contracts:
Amounts payable from lessees under a finance lease contract are recorded as receivables with the value of the entity's net investment in the financial lease contract. The financial lease contract income is recognized based on a pattern that reflects constant periodic rates of return on the entity's net investment related to the lease.

The initial direct costs incurred by the entity related to the negotiation and preparation of the contract are included in the calculation of the amounts receivable from the financial lease contracts and reduce the amount of income recognized consistently and specifically during the term of the contract.

Impairment in the value of non-current assets:
Real estate 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 carrying amount of the asset exceeds its recoverable amount which is higher than the fair value of the asset less cost to sell or value in use. When the impairment loss subsequently reverses, the carrying amount of the property is increased to the estimated recoverable amount, but the increased carrying amount shall not exceed the carrying amount that would have been determined. No impairment loss was recognized for the asset or cash-generating unit in previous years. The reversal of the impairment loss is recognized as direct income in the statement of comprehensive loss.

Investment Transactions:
Investment transactions are recognized on the basis of the transaction date.

Management fees and other expenses:
Management fees and other expenses are charged at rates within the limits mentioned in the fund's terms and conditions. Management fees are calculated on a daily basis and paid on a monthly basis.

Estimated Zakat:
Zakat is a liability of unit holders and therefore no provision for this obligation is included in these financial statements.

Net asset value:
The net assets of each unit disclosed in the financial statements is calculated by dividing its net assets by the number of units at the end of the period.

Proceeds Distribution:
The distribution of the proceeds from the sale of the investment will be in accordance with the structure of the investment and the fund and the terms and conditions of the fund.

Related Parties:
Related parties are identified by the Company's branch in accordance with the definition in international standard no. 24 "Related parties disclosures". A related party transaction is a transfer of resources, services or obligation between the Company's branch and a related party regardless of whether a price is charged. Terms and conditions of these transactions are approved by the Company's branch management.

4- Standards and Interpretations issued that became effective:

The Company has adopted all the applicable new and revised International Financial Reporting Standards and interpretations that are relevant to its operations and effective for the period beginning on or after 1 January 2021. These amendments had no impact on the financial statements of the Company.

Standard number or interpretation	Description	Effective date
Amendments to IFRS 16 Covid-19-related Rent Concessions.	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Main Changes: – Permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021); – Require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment.	June 1, 2020 / April 1, 2021
Interest Rate Benchmark Reform Phase 2 Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39.	In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7 IFRS 4 and IFRS 16 to address the issues that arise during the reform' of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs: – When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. – The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.	January 1, 2021

5- Standards and Interpretations issued but not yet effective

The Company has not early adopted any of the following new and revised standards:

IFRS (17) Insurance Contracts.	IFRS (17) was issued in May 2017 as replacement for IFRS (4) Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period. IFRS (17) requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts	January 1, 2023 (deferred from January 1, 2021).
Amendments to IAS (16) Property, Plant and Equipment	The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	01 January 2022
Reference to the Conceptual Framework (Amendments to IFRS3).	Minor amendments were made to IFRS 3 to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments also confirm that contingent assets should not be recognized at the acquisition date.	01 January 2022
Onerous Contracts – Cost of fulfilling a Contract (Amendments to IAS 37)	The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	01 January 2022
IFRS Standards 2018-2020	Annual Improvements to IFRS 9, IFRS 16, IFRS 1 and IAS 41.	01 January 2022
Classification of Liabilities as Current or No-Current Amendments to IAS (1)	The amendments to Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date . The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.	01 January 2023 (deferred from 10 January 2022)

Disclosure of Accounting Policies (Amendments to IAS 1 AND IFRS Practice Statement 2)	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, International Accounting Standards Board (IASB) has also developed guidance and examples to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement 2. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement (2). The amendments are to be applied prospectively	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	On February 12, 2021, the International Accounting Standards Board (IASB) published "Definition of Accounting Estimates ". The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single transaction (Amendments to IAS 12 Income Taxs)	The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and affected entities would be requiring recognition of additional deferred tax assets and liabilities. That means the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	1 January 2023
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)	The Amendment permits entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.	1 January 2023
IFRS 10 and IAS 28 amendments. Sale of contribution between an investor and its associate or joint venture.	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	Indefinite effective date/early adoption permitted.

* Management anticipates that the adoption of the above standards and interpretations in future periods will have no material impact on the financial statements of the Company.

6- **Management Fee and Other Charges:**

The Fund Manager charges the following fee as per the terms and conditions of the Fund:

Subscription fee

The Fund Manager charges each investor a subscription fee of a percentage not exceeding 2% of the subscribed amount to cover administration costs and is netted off against proceeds from issuance of units.

Management fee

Management fee at the rate of 0.35% per annum of the net assets value of the Fund. The Fund Manager will not charge management fee for the first year of trading.

Transaction fee

The Fund Manager charges the fund a transactions fee equal to 1% of net purchase or selling price for the investment properties.

Loan arrangement fee

The Fund Manager charges the fund a loan arrangement fee equal to 1% of withdrawn amounts of the loan.

7- Investment in Properties:

The details of cost, accumulated depreciation are as follows:

	Cost net of previous impairment						
As of 31 December 2021	**Land**	**Buildings**	**Total**	**Accumulated depreciation**	**Impairment during the year**	**Impairment reversal during the year**	**Net book Value**
Properties	SR.	SR.	SR.	SR.	SR.	SR.	SR.
Drnef Ajyad	69,094,413	45,871,524	114,965,937	(4,729,611)	(11,456,328)	--	98,779,998
Drnef Kuddai	27,002,638	27,463,987	54,466,625	(2,599,379)	(2,657,246)	--	49,210,000
Tihama	37,177,236	6,133,044	43,310,280	(672,162)	(5,538,119)	--	37,099,999
Souq Sharq	587,870,252	80,581,115	668,451,367	(7,619,605)	(96,436,763)	--	564,394,999
The PAD	9,934,082	39,940,434	49,874,516	(2,814,656)	--	2,660,611	49,720,471
Balance at 31/12/2021	**731,078,621**	**199,990,104**	**931,068,725**	**(18,435,413)**	**(116,088,456)**	**2,660,611**	**799,205,467**
As of 31 December 2020							
Properties							
Drnef Ajyad	69,094,413	58,210,587	127,305,000	(3,274,347)	(12,339,062)	--	111,691,591
Drnef Kuddai	27,002,638	31,992,362	58,995,000	(1,799,570)	(4,528,375)	--	52,667,055
Tihama	37,177,236	8,272,764	45,450,000	(465,343)	(2,139,719)	--	42,844,938
Souq Sharq	587,870,252	93,779,748	681,650,000	(5,275,110)	(13,198,633)	--	663,176,257
The PAD	9,934,082	45,285,475	55,219,557	(1,407,329)	(5,345,040)	--	48,467,188
Balance at 31/12/2020	**731,078,621**	**237,540,936**	**968,619,557**	**(12,221,699)**	**(37,550,829)**	**--**	**918,847,029**

Fair value of investment properties:
The fair values of investment properties, except for the PAD property, were determined by two independents valuers, Amaken Valuation Company (Valuer 1) and Taqdeer Company for Real Estate (Valuer 2), as at the reporting date and are presented below. Both of these valuers are members of the Saudi Authority of Accredited Valuers (Taqeem).

As of 31 December 2021	**Net book value**	**Valuer 1**	**Valuer 2**
Properties	**SR.**	**SR.**	**SR.**
Drnef Ajyad	98,779,998	103,800,000	93,760,000
Drnef Kuddai	49,210,000	51,900,000	46,520,000
Tihama	37,099,999	38,200,000	36,000,000
Souq Sharq	564,394,999	580,000,000	548,790,000
The PAD*	49,720,471	46,139,206	53,301,734
Balance at 31/12/2021	**799,205,467**	**820,039,206**	**778,371,734**

As of 31 December 2020	**Net book value**	**Valuer 1**	**Valuer 2**
Properties	**SR.**	**SR.**	**SR.**
Drnef Ajyad	111,691,591	114,000,000	112,293,715
Drnef Kuddai	52,667,055	54,186,300	52,747,428
Tihama	42,844,938	40,603,515	45,500,000
Souq Sharq	663,176,257	674,000,000	657,041,500
The PAD*	48,467,188	52,072,535	47,676,497
Balance at 31/12/2020	**918,847,029**	**934,862,350**	**915,259,140**

*The PAD property is situated in Dubai and the above stated fair values were determined by two valuers, ValuStrat Management Consultancies and City Properties respectively. Both of these valuers are members of Royal Institution of Chartered Surveyors (RICS).

The fair value figures shown above are for disclosure purpose only and are also used to determine impairment, as stated above.

8- Intangible Assets Assets-Right of Benefit::

The intangible assets that have a future benefit, the cost details and the amortization pool are as follows:

Right of benefit As at 31 December 2021	Cost	Accumulated amortization	Impairment	31 December 2021
	SR.	SR.	SR.	SR.
Plaza 1	66,660,000	(27,784,760)	(8,945,240)	29,930,000
Dhiyapha	93,930,000	(18,490,618)	--	75,439,382
Balance as at 31/12/2021	**160,590,000**	**(46,275,378)**	**(8,945,240)**	105,369,382

Right of benefit As at 31 December 2020	Cost	Accumulated amortization	31 December 2021
	SR.	SR.	SR.
Plaza 1	66,660,000	(19,235,603)	47,424,397
Dhiyapha	93,930,000	(12,801,197)	81,128,803
Balance as at 31/12/2020	**160,590,000**	**(32,036,800)**	128,553,200

The Fund acquired the rental rights for the properties described above (the right of benefit), as the acquired rights do not represent a large part of the operating life of the properties, they were recognized as intangible assets. These rights are amortized over the remaining lives. The following are the expiry dates of the benefits rights:
Plaza 1: 17 July 2026
Dhiyapha: 01 April 2035

Fair value of the intangible assets:

The fair value of intangible assets as a business opportunity were determined by two independent valuers Amaken Valuation Company (Valuer 1) and Taqdeer Company for Real Estate (Valuer 2) as at the reporting date and are given below. Bothe of these valuers are members of the Saudi Authoity of Accredited Valuers (Taqeem).

	As at 31 December 2021		
Intangible assets	**Book value**	**Valuer 1**	**Valuer 2**
	SR.	SR.	SR.
Plaza 1	29,930,000	30,000,000	29,860,000
Dhiyapha	75,439,382	87,560,000	72,774,000
Total	**105,369,382**	**117,560,000**	**102,634,000**

	As at 31 December 2020		
Intangible assets	**Book value**	**Valuer 1**	**Valuer 2**
	SR.	SR.	SR.
Plaza 1	47,424,397	53,400,000	45,170,560
Dhiyapha	81,128,803	90,000,000	93,528,440
Total	**128,553,200**	**143,400,000**	**138,699,000**

9- Right of use Assets:

The details of right of use assets, cost and accumulated depreciation are as follows:

	31 December 2021	31 December 2020
Cost	SR.	SR.
Balance at 01 January 2021	**99,057,448**	128,491,729
Adjustment of the lease term	**19,036,517**	--
Decrease in right of use assets as a result of lease reassessment	--	(2,478,373)
Transferred to the Fund Manager – Note (13)	--	(26,955,908)
Balance at 31 December 2021	118,093,965	99,057,448
Accumulated Depreciation:		
Balance at 01 January 2021	**18,415,544**	10,781,860
Depreciation for the year	**10,145,927**	9,541,667
Transferred to the Fund Manager – Note (13)	--	(1,915,983)
Balance at 31 December 2021	28,561,471	18,407,544
Right of use assets, net – Exhibit A	89,532,494	80,649,904

10- Accounts Receivable:

a) The details of this item are as follows:

	31 December 2021	31 December 2020
	SR.	SR.
Rent receivable	**68,543,480**	51,513,378
Other receivable –b	**4,230,010**	4,230,010
Acquisition gain receivables	**5,908,381**	5,908,381
Less: Provision for expected credit losses	**(40,305,417)**	(30,414,211)
Total – Exhibit A	**38,376,454**	31,237,558

b) During the previous year, Design and Built, a master tenant for a property (Dhiyapha) proposed to cancel the master tenancy agreement with the Fund on 14 March 2020. The Fund agreed to cancel the master tenancy agreement and as a result, rents received in advance by Design and Built from tenants before cancelation of master tenancy agreement are treated as other receivable from Design and Built.

c) Movement in allowance for expected credit losses is as follows:

	31 December 2021	31 December 2020
	SR.	SR.
Balance at the beginning of the year	**30,414,211**	3,163,408
Increase in expected credit losses during the year	**9,891,206**	27,250,803
Balance at the end of the year	**40,305,417**	30,414,211

d) The Fund measures the expected credit loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

	Accounts receivable Months past due			
	0-6 Months	**6-12 Months**	**More than 12 months**	**Total**
31 December 2021				
Expected Credit loss rate	23.45%	61.07%	58.67%	
Total accounts receivable	17,386,438	13,185,783	48,109,650	78,681,871
Expected credit losses	(4,076,480)	(8,051,942)	(28,176,995)	(40,305,417)
Book value of accounts receivable	**13,309,958**	**5,133,841**	**19,932,655**	**38,376,454**

	Accounts receivable Months past due			
	0-6 Months	**6-12 Months**	**More than 12 months**	**Total**
31 December 2020				
Expected Credit loss rate	17.79%	38.84%	73.68%	
Total accounts receivable	16,565,168	16,514,175	28,572,426	61,651,796
Expected credit losses	(2,947,114)	(6,414,838)	(21,052,259)	(30,414,211)
Book value of accounts receivable	**13,618,054**	**10,099,337**	**7,520,167**	**31,237,558**

11- Prepaid Expenses and Other Debit Balances:

The details of this item are as follows:

	31 December 2021	31 December 2020
	SR.	SR.
VAT Receivable	**8,524,392**	6,913,360
Other receivable	--	260,473
Less: Provision for expected credit losses	**(1,293,788)**	(660,273)
Total – Exhibit A	**7,230,604**	6,513,560

12- Cash and Cash Equivalents:

The details of this item are as follows:

	31 December 2021	31 December 2020
	SR.	SR.
Cash held with custodian	50,986	50,986
Cash with a special purpose company	1,178,663	5,254,607
Total – Exhibit A	1,229,649	5,305,593

13- Sharia-Compliant Long-Term Financing:

The SPV of the fund AMAR Real Estate Development Company has obtained an Islamic financing facility with Al-Riyadh Bank amounting to SR 400,000,000 for the purpose of financing the real estate investments of the Fund. The loan carries a profit rate at SAIBOR plus 2.15%. The effective profit rate during the period was 4.77% to 4.89%. The loan is repayable after 7 years.

On 16 February 2020, the second installment of the loan amounting to SR.44,900,000 was received. The fees for arranging the loan in 2021 amounted to zero (SR 471,450 in 2020G) and were charged during 2020 as a period expense.

During 2021, the Fund obtained a temporary loan of 5,200,000 Saudi riyals without interest from a private portfolio managed by the Middle East Financial Investment Company for the purpose of using the loan to finance the payment of the bank's dues until part of the rents are collected. The loan is due to be repaid within one year.

The loan balance as on 31 December 2021 is 352.42 million Saudi riyals (31 December 2020: 347.22 million Saudi riyals) and the payable amounts to the financing costs achieved for this loan as on31 December 2021 are 2.8 million Saudi riyals (31 December 2020 the amount of 2.5 million Saudi riyals). The loan is secured by a mortgage of investment properties of twice the value of the loan.

14- Accounts Payable:

The details of this item are as follows:

	Note	31 December 2021	31 December 2020
		SR.	SR.
Payable to Fahad Ibrahim Saad Al Moussa*	(21)	7,000,000	16,000,000
Higher Education Fund - DPM managed by the Fund Manager	(21)	20,200,000	20,200,000
Al-Rukn Al-Mateen (Unitholder of Al-Qannas Fund)	(21)	10,000,000	1,000,000
Dividend payable to Al-Rukn Al-Mateen (Unitholder of Al-Qannas Fund)	(21)	1,100,000	1,100,000
Total – Exhibit A		38,300,000	47,300,000

* During the previous year, Fahad Ibrahim Saad Almoussa, a master tenant for the investment properties Drnef Ajyad and Drnef Kuddai proposed to cancel the master tenancy agreement with the Fund on 1 March 2020 and agree to pay a penalty of SR 8.9 million. The Fund agreed to cancel the master tenancy agreement and as a result, the Fund is obliged to repay the unused advance received in prior year amounting to SR 12 million. The Fund also agreed to reimburse the amount of VAT amounting to SR 9 million paid by master tenant to GAZT in respect of initial sale of properties in 2018. SR 5 million was paid during previous the year and paid 9 million during the current year.

15- Lease Liabilities:

The details of this item are as follows:

	31 December 2021	31 December 2020
	SR.	SR.
Balance as at 1 January	92,415,256	121,253,695
Finance cost changed to the year	5,969,197	5,275,230
Payment made	(10,290,213)	(5,900,000)
Increase in lease liability as a result of lease reassessment	19,781,083	--
Decrease in lease liability as a result of lease reassessment	--	(2,478,373)
Transferred to the Fund Manager – Note (12)	--	(25,511,569)
Lease transfer adjustment	--	(223,727)
Balance at end of the period / year	107,875,323	92,415,256

16- Contracts Liabilities:

The details of this item are as follows:

	31 December 2021	31 December 2020
	SR.	SR.
Unearned rent revenue in the beginning of the year	5,831,308	27,660,018
Recognized in rental income during the year	(16,825,662)	(28,825,915)
Advanced received during the year	16,002,089	18,987,205
Transferred to accrued expenses	--	(12,000,000)
Balance at the end of the year – Exhibit A	5,007,735	5,821,308

Contract liabilities represent advances received from customers.

17- Accrued Expenses and Other Liabilities:

The details of this item are as follows:

	31 December 2021	31 December 2020
	SR.	SR.
Operational expenses payable	4,336,289	1,753,896
Legal fees	1,237,941	203,633
Valuation expenses	37,360	44,920
Custody fee	67,013	23,888
Audit fee	23,863	51,000
Management fee payable	3,206,163	1,098,008
Shariah fee	73,438	44,688
VAT payable	730,220	40,192
Others	263,323	263,323
Total – Exhibit A	9,975,610	3,523,548

18- Operating Expenses:

The details of this item are as follows:

	31 December 2021	31 December 2020
	SR.	SR.
Operating expenses for Plaza 1	2,237,705	3,145,954
Operating expenses for Souq Sharq	5,245,750	4,418,462
Operating expenses for Dhiyapha	1,852,933	677,307
Operating expenses for Drnef	358,319	675,000
Operating expenses for Tihama	737,603	395,202
Operating expense for the PAD	112,302	--
Management fees	1,833,179	2,409,228
Transactions fee	158,023	815,153
Listing and registration fee	595,786	603,845
Facility arrangement fee	--	214,387
Custody fees	--	172,088
Valuation expenses	158,126	81,504
Audit fees	56,500	70,550
Legal fees	--	19,469
Shariah fee	25,000	25,000
Other expense	353,780	525,065
Total – Exhibit B	13,725,006	14,248,214

19- Other Income:

The details of this item are as follows:

	31 December 2021 SR.	31 December 2020 SR.
Loss on transfer of real estate investment	--	(4,565,431)
Amounts collected from previously written off debts	8,035,767	3,379,030
Transactions gains from termination of ease contracts	--	1,450,835
Other	56,365	15,997
Total – Exhibit B	8,092,132	280,431

20- Contingencies and Commitments:

In previous years, Al-Rukn Al-Mateen Trading Company filed a case against the Fund Manager seeking certain damages and charges associated with the cancellation of their contract for Project 1 (disputed liability). This is pending a court decision. As per external legal advice, the ultimate outcome of this case will be in favor of the Fund.

21- Transactions and Balances with Related Parties:

In the ordinary course of its activities, the Fund transacts business with its related parties. Related parties of the Fund include the Unitholders, the Fund Manager and other funds managed by the Fund manager. Related party transactions are in accordance with the terms and conditions of the Fund. All transactions with related parties are carried out based on mutually agreed prices under formal agreement.

a) The transactions with related parties are as follows:

	Nature of transaction	Transaction amount 31 December 2021 SR.	Transaction amount 31 December 2020 SR.
Middle East Financial Investment Company	Purchase of units	--	(80,800)
Fund 2 (Fund managed by the Fund Manager) –b	Sale of units	--	3,223,629
Higher Education Fund (Unitholder of Souq Sharq Fund)	Payment share of the capital	--	(10,000,000)
Nasser Al-Dosseri – Al Gannas Fund (private portfolio managed by the fund manager)	Payment share of the capital	--	(16,500,000)
	Management fees	--	(2,409,228)
Middle East Financial Investment Company (the "Fund Manager") 2	Facility arrangement fees	--	(214,387)
Due to Fahd Ibrahim Saad Al-Mousa		(9,000,000)	(5,000,000)
Middle East Financial Investment Company	Management fees	2,108,075	1,098,008

b) The Middle East Financial Investment Company Fund 2 (a fund by the fund manager) bought and sold units in the MEFIC REIT Fund from the Saudi Stock Market (Tadawul). On 31 December 2019, the fund owns 471,440 units of the MEFIC REIT Fund, which constitutes (0.64%) of the total number of units of the MEFIC REIT Fund. The market value of MEFIC REIT units as of the reporting date is SR.7,21.

The following are the balance with the related parties:

	Nature of balances	Transaction amount 31 December 2021 SR.	Transaction amount 31 December 2020 SR.
Middle East Financial Investment Company (Fund Manager)	Transaction fee payable	2,630,666	2,630,666
	Management fee	3,206,163	1,098,008
Fahad Ibrahim Saad Al Mousa	Rental payments	7,000,000	16,000,000
Higher Education Fund – DPM managed by the Fund Manager	Unpaid principal	20,200,000	20,200,000
Al-Rukn Al-Mateen (Unitholder of Al-Qannas Fund)	Unpaid principal	10,000,000	10,000,000
Dividend payable to Al-Rukn Al-Mateen (Unitholder of Al-Qannas Fund)	Unpaid principal	1,100,000	1,100,000

22- Dividends:

As on 22 April 2021, the Fund announced a dividend of SR.0.15 per unit, and a total liability in this regard was recorded at SR.10.97 million, and the distribution was made on 5 June 2021.

As on 18 October 2021, the Fund announced dividends of SR.0.05 per unit, and a total liability in this regard was recorded at SR.3.67 million, and the distribution was made on 11 November 2021.

23- Financial Risk Management:

The Fund's activities expose it to a variety of financial risks namely; credit risk, liquidity risk and market risk (including commission rate risk, currency risk and price risk). The Fund's overall risk management policies focuses on the predictability of financial market and seeks to minimize potential adverse effect on the Fund's financial performance. Overall, risks arising from the Fund`s financial assets and liabilities are limited. The Fund Manager consistently manages its exposure to financial risk in the manner describe in notes below.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and cause other party to incur a financial loss. The Fund is exposed to credit risk on accounts receivable and bank balances. Bank balance is maintained with reputed local bank and custodian in the Kingdom of Saudi Arabia. The receivables are from customers having satisfactory credit worthiness. The Fund seeks to limit its credit risk with respect to its counterparties by setting credit limits for individual counterparties and by monitoring outstanding receivables.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's total credit risk with respect of financial asset is dispersed customers with respect to receivables and with local reputed bank in Kingdom of Saudi Arabia.

Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in generating funds to meet commitments associated with financial liabilities. The Fund Manager monitors the liquidity requirements on a regular basis and takes necessary actions to ensure that sufficient funds are available to meet any liabilities as they fall due under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. The following are the contractual maturities of financial liabilities as at the reporting date:

	Carrying amount	On demand or less than six months	Six to Twelve months	Over one year
Financial liabilities at amortized cost	**SR.**	**SR.**	**SR.**	**SR.**
Sharia Compliant long-term financing	**352,422,486**	--	**5,200,000**	347,222,486
Accounts payable	**38,300,000**	**38,300,000**	--	--
Fund Manager transaction fee	**2,630,666**	**2,630,666**	--	--
Accounts payable – management fees	**3,206,163**	**3,206,163**	--	--
Finance charges payable	**2,800,040**	**2,800,040**	--	--
As at 31 December 2021	**399,359,355**	**46,936,869**	**5,200,000**	**347,222,486**

	Carrying amount	On demand or less than six months	Six to Twelve months	Over one year
Financial liabilities at amortized cost	**SR.**	**SR.**	**SR.**	**SR.**
Sharia Compliant long-term financing	347,222,486	8,489,590	8,489,590	330,243,306
Accounts payable	47,300,000	47,300,000	--	--
Fund Manager transaction fee	2,630,666	2,630,666	--	--
Accounts payable – management fees	1,098,008	1,098,008	--	--
Finance charges payable	2,495,715	2,495,715	--	--
As at 31 December 2020	400,746,875	62,013,979	8,489,590	330,243,306

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and price risk.

Commission rate risk
Commission rate risk arises from the possibility that changes in commission rates will affect the value of or future cash flow of financial instruments. The Fund has no commission bearing financial assets however they have variable commission bearing financial liabilities as disclosed in relevant notes to the financial statements. The effect of change in commission rate on the financial liabilities is not assessed to be material.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The fund's functional and presentation currency is Saudi Riyal, with some transactions with UAE Dirham which has a stable exchange rate to Saudi Riyal. The Fund is not consequently exposed to any currency risk.

Price risk
Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund`s financial assets and liabilities are not affected by changes in market prices.

Financial Assets and Financial Liabilities:

	2021	2020
	SR.	SR.
Financial asset at amortized cost:		
Accounts receivables	**38,376,454**	31,237,558
Cash and cash equivalents	**1,229,649**	5,305,593
Total	**39,606,103**	36,543,151
Financial assets at fair value through profit or loss		
Sharia Compliant long-term financing	**352,422,486**	347,222,486
Accounts payable	**38,300,000**	47,300,000
Lease liabilities	**107,875,323**	92,415,256
Fund Manager transaction fee	**2,630,666**	2,630,666
Accrued expenses and other liabilities	**9,975,610**	3,523,548
Finance charges payable	**2,800,040**	2,495,715
Total financial assets	**514,004,125**	495,587,671

24- Maturity Analysis of Assets and Liabilities:

As of 31 December 2021:	**Within 12 months**	**After 12 months**	**Total**
Assets	SR.	SR.	SR.
Investment properties	--	**799,205,467**	**799,205,467**
Intangible assets – right of benefit	--	**105,369,382**	**105,369,382**
Right-of-use assets	--	**89,532,494**	**89,532,494**
Accounts receivable	**38,376,454**	--	**38,376,454**
Prepaid expenses and other receivables	**7,230,604**	--	**7,230,604**
Cash and cash equivalents	**1,229,649**	--	**1,229,649**
Total assets	**46,836,707**	**994,107,343**	**1,040,944,050**
Liabilities			
Sharia Compliant long-term financing	**5,200,000**	**347,222,486**	**352,422,486**
Accounts payable	**38,300,000**	--	**38,300,000**
Lease liabilities	**4,825,389**	**103,049,934**	**107,875,323**
Contract liability	**5,007,735**	--	**5,007,735**
Fund Manager transaction fee	**2,630,666**	--	**2,630,666**
Accrued expenses and other liabilities	**9,975,610**	--	**9,975,610**
Finance charge payable	**2,800,040**	--	**2,800,040**
Total Liabilities	**68,739,440**	**450,272,420**	**519,011,860**

As of 31 December 2020:	Within 12 months	After 12 months	Total
Assets	SR.	SR.	SR.
Investment properties	--	918,847,029	918,847,029
Intangible assets – right of benefit	--	128,553,200	128,553,200
Right-of-use assets	--	80,641,204	80,641,904
Accounts receivable	31,237,558	--	31,237,558
Prepaid expenses and other receivables	6,513,560	--	6,513,560
Cash and cash equivalents	5,305,593	--	5,305,593
Total assets	**43,056,711**	**1,128,041,433**	**1,171,098,844**
Liabilities			
Sharia Compliant long-term financing	--	347,222,486	347,222,486
Accounts payable	47,300,000	--	47,300,000
Lease liabilities	5,248,250	87,167,006	92,415,256
Contract liability	5,821,308	--	5,821,308
Fund Manager transaction fee	2,630,666	--	2,630,666
Accrued expenses and other liabilities	3,523,548	--	3,523,548
Finance charge payable	2,495,715	--	2,495,715
Total Liabilities	**67,019,487**	**434,389,492**	**501,408,979**

Although current liabilities exceeded current assets SR.21,902,733 million at 31 December 2021 (2020: SR.23,962,776) the Fund will be able to generate additional cash flows from properties in Mekkah that were not operational for most of 2020 as they will be re-opened in 2021. Also, the Fund is in a position to defer, at its sole discretion, repayments of balances due to related parties to 2022. Due to related parties are expected to be settled only after settlement of liabilities towards third parties.

25- Financial Instruments – Fair Values and Risk Management:

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 principal or the most advantageous market must be accessible by the Fund. 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.

Underlying the definition of fair value is the presumption that the Fund is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

All assets and liabilities for which fair value is measured or disclosed in the interim condensed financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable;

Financial assets and liabilities:
Financial assets consist of cash and cash equivalent and accounts receivable. Financial liabilities consist of accounts payable, other payables, Lease liabilities and long term loans. The fair values of financial assets and financial liabilities are not materially different from their carrying amounts.
Non-Financial assets

Non-Financial assets
The fair value of investment properties and intangibles as disclosed in their relevant notes are for are included in level 3 as required by IFRSs.

Transfers between fair value hierarchy levels
Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred. However, there were no transfers between fair value hierarchy levels during the current or prior year reported.

26- Subsequent Events
The management believes that no significant events have occurred since the end of the financial year that could potentially have a material impact on the company's financial positon.

27- Impact of Corona Pandemic (COVID 19):
A novel strain of coronavirus (Covid-19) was first identified at the end of December 2019 and subsequently declared as a pandemic in March 2020 by the World Health Organization (WHO). Covid-19 continues to spread in some regions around the World, including the Kingdom of Saudi Arabia and resulted in travel restriction and curfew in the cities and hence a slowdown of economic activities and shutdown of many sectors at global and local levels.

The extent to which coronavirus pandemic impacts the Fund's business, operations, and financial results is uncertain and depends on many factors and future developments, that the Fund may not be able to estimate reliably during the current year. These factors include the virus transmission rate, the duration of the outbreak, precautionary actions that may be taken by governmental authorities to reduce the spread of the epidemic and the impact of those actions on economic activity.

As of the date of the issuance of the financial statements for the year ended 31 December 2021, management experienced fall in fair values of investment properties resulting in impairment losses. The Fund manager will continue to evaluate the nature and extent of the impact on its business and financial results.

28- Last Valuation Date:
The last valuation date of the year was 31 December 2021.

29- Approval of Financial Statements:
These financial statements were approved by the Fund Board of Directors on 27 Shaban 1443H. corresponding to 30 March 2022G.

30- General:
The figures in the interim condensed financial statements are rounded to the nearest Saudi Riyal.