

# **TFI EU PROPERTY INCOME FUND**

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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

# **TFI EU PROPERTY INCOME FUND**

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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TFI EU PROPERTY INCOME FUND

### Report on the Audit of the financial statements

#### Opinion

We have audited the financial statements of TFI EU Property Income Fund (the "Fund") which comprise the statement of financial position as at 31 December 2020 and the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### Basis for Opinion

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

#### Emphasis of Matter

We draw attention to note 4 of the financial statements which notes that at 31 December 2020, the Fund measured Murabaha financing receivable amounting to euro 34,760,102 and Murabaha profit receivable amounting to euro 2,792,211 accounted for as financial assets at amortised cost, as set forth in this note, which management believes represents the best estimate of these balances. The actual realisable value may be materially different. Our opinion is not modified in respect of this matter.

#### Other matter

The financial statements of the Fund for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 10 October 2020.

#### 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 IFRS, 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's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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.

# Moore Stephens Cayman Ltd

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE SHAREHOLDERS OF TFI EU PROPERTY INCOME FUND

### Report on the Audit of the financial statements (continued)

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

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

#### Use of Our Report

This report, including the opinion, has been prepared for and only for the Fund's shareholders as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come.

  
Moore Stephens Cayman Ltd

24 May 2022

**TFI EU PROPERTY INCOME FUND****STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020***(Expressed in Euro unless otherwise stated)*

	<i>Note</i>	<b>31 December 2020</b>	<b>31 December 2019</b> <i>(restated)</i>	<b>1 January 2019</b> <i>(restated)</i>
<b>ASSETS</b>				
Murabaha financing receivable	4	34,760,102	35,958,258	28,800,338
Murabaha profit receivable	4	2,792,211	1,861,541	521,297
Other receivables		1,000	1,000	1,000
Cash at bank		1,537,199	1,189,972	650,849
<b>TOTAL ASSETS</b>		<b>39,090,512</b>	<b>39,010,771</b>	<b>29,973,484</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Management shares	5	1,000	1,000	1,000
Non-redeemable participating shares	6	38,638	38,638	30,138
Share premium	7	38,482,887	38,482,887	30,014,372
Accumulated losses		(95,952)	(158,349)	(77,711)
<b>Net equity</b>		<b>38,426,573</b>	<b>38,364,176</b>	<b>29,967,799</b>
<b>Liabilities</b>				
Dividend payable		648,604	642,760	-
Accruals and other payables	8	15,335	3,835	5,685
<b>Total liabilities</b>		<b>663,939</b>	<b>646,595</b>	<b>5,685</b>
<b>NET EQUITY AND LIABILITIES</b>		<b>39,090,512</b>	<b>39,010,771</b>	<b>29,973,484</b>

The financial statements as at and for the year ended 31 December 2020 were approved and authorised for issuance by the Directors of the Fund on behalf of the shareholders on 24 May 2022.



Narayanan Krishnamurthy  
Director



Tasdique Amin Pasha  
Director

The attached notes are an integral part of these financial statements.

**TFI EU PROPERTY INCOME FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
*(Expressed in Euro unless otherwise stated)*

	<b>2020</b>	2019 <i>(restated)</i>
<b>Investment income</b>		
Murabaha financing profits recognised at effective profit rate	4	2,700,420
<b>Net investment income</b>	<b>2,651,353</b>	2,700,420
<b>Operating expenses</b>		
Professional and legal fees	<b>(44,100)</b>	(26,086)
Bank charges	<b>(1,210)</b>	(620)
Structuring fees	–	(205,396)
Travel expenses	–	(18,075)
<b>Total operating expenses</b>	<b>(45,310)</b>	(250,177)
<b>Total comprehensive income for the year</b>	<b>2,606,043</b>	2,450,243

The attached notes are an integral part of these financial statements.

**TFI EU PROPERTY INCOME FUND**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
*(Expressed in Euro unless otherwise stated)*

	Management shares	Non-redeemable participating shares	Share premium	Accumulated losses	Total
<b>31 December 2020</b>					
As at 31 December 2019 <i>(restated)</i>	1,000	38,638	38,482,887	(158,349)	38,364,176
Total comprehensive income for the year	–	–	–	2,606,043	2,606,043
Dividend declared	–	–	–	(2,543,646)	(2,543,646)
<b>As at 31 December 2020</b>	<b>1,000</b>	<b>38,638</b>	<b>38,482,887</b>	<b>(95,952)</b>	<b>38,426,573</b>
<b>31 December 2019 <i>(restated)</i></b>					
As at 31 December 2018 (as previously reported)	1,000	30,138	30,014,372	–	30,045,510
Restatement of prior years' error <i>(note 15)</i>	–	–	–	(77,711)	(77,711)
As at 31 December 2018 (restated)	1,000	30,138	30,014,372	(77,711)	29,967,799
Issuance of shares	–	8,500	–	–	8,500
Premium on share issuance	–	–	8,491,501	–	8,491,501
Total comprehensive income for the year <i>(restated)</i>	–	–	–	2,450,243	2,450,243
Dividend declared	–	–	(22,986)	(2,530,881)	(2,553,867)
As at 31 December 2019 <i>(restated)</i>	1,000	38,638	38,482,887	(158,349)	38,364,176

The attached notes are an integral part of these financial statements.

**TFI EU PROPERTY INCOME FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
*(Expressed in Euro unless otherwise stated)*

	2020	2019 <i>(restated)</i>
<b>Operating activities</b>		
Total comprehensive income for the year	<b>2,606,043</b>	2,450,243
Movement in operating assets and liabilities:		
Murabaha financing receivable	<b>1,198,156</b>	(7,157,920)
Murabaha profit receivable	<b>(930,670)</b>	(1,340,244)
Dividend payable	<b>5,844</b>	642,760
Accruals and other payables	<b>11,500</b>	(1,850)
<b>Cash provided by/(used in) operating activities</b>	<b>2,890,873</b>	(5,407,011)
<b>Financing activities</b>		
Issuance of non-redeemable participating shares	–	8,500
Premium on issuance of non-redeemable participating shares	–	8,491,501
Dividends paid	<b>(2,543,646)</b>	(2,553,867)
<b>Net cash (used in)/provided by financing activities</b>	<b>(2,543,646)</b>	5,946,134
Increase in cash at bank during the year	<b>347,227</b>	539,123
Cash at bank at the beginning of the year	<b>1,189,972</b>	650,849
<b>Cash at bank at the end of the year</b>	<b>1,537,199</b>	1,189,972
<b>Supplementary information:</b>		
Murabaha financing profits received	<b>1,204,961</b>	149,491

The attached notes are an integral part of these financial statements.

# **TFI EU PROPERTY INCOME FUND**

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## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

*(Expressed in Euro unless otherwise stated)*

#### **1. Legal status and principal activities**

TFI EU Property Income Fund ("the Fund") is a closed-ended investment fund domiciled and incorporated in the Cayman Islands on August 17, 2016 under certificate of incorporation No.MC-314308 as an exempted company, pursuant to the provisions of Cayman Islands Companies Act. The Fund commenced its operations on 26 April 2017.

The Fund is regulated by Cayman Islands Monetary Authority (CIMA), under the Private Funds Act and was registered with CIMA on 6 August 2020.

The Fund's registered office is at offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The principal activity of the Fund is to indirectly invest in income producing real estate assets in European cities in Germany, France, Austria, Spain and Italy through Islamic Shariah compliant investment structure.

The Fund's investment activities are managed by The First Investor Q.P.S.C. (the 'Investment Manager'). The Fund offers its shares to a broad group of investors solely from the State of Qatar.

The Fund's term is three (3) years from the Final Closing Date i.e. 30 September 2017, with two one year extensions at the discretion of the Fund Board but subject to exit risk considerations as set out in the Information Memorandum. On 11 September 2017, however the Board of directors has passed a resolution to extend the Final Closing date to 31 December 2018 and hence the term of the Fund was also extended three years from the same date. On 9 December 2021, the Directors has resolved to extend the term of the Fund for one year up to 31 December 2022 by exercising the first one year extension option as permitted by the Information Memorandum.

#### **2. Adoption of new and revised International Financial Reporting Standards (IFRS)**

##### **New and amended standards adopted with no material impact on the financial statements**

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2020 that have a material effect on the financial statements of the Fund.

##### **Standards and amendments to existing standards that are not yet effective and have not been adopted early by the Fund**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

#### **3. Basis of preparation and significant accounting policies and estimates**

##### **Basis of preparation**

These financial statements have been prepared in accordance with IFRS issued by the IASB and interpretations issued by the IFRIC.

These financial statements provide comparative information in respect of the previous period. In addition, the Fund presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy and retrospective restatement in the financial statements. Accordingly, an additional statement of financial position as at 1 January 2019 is presented in these financial statements due to retrospective correction of an error disclosed in Note 15.

The financial statements have been prepared in Euro (Euro), which is the Fund's functional and presentation currency and all financial information has been rounded off to the nearest Euro, unless otherwise indicated. Fund's investments, investor subscriptions and investment income are denominated in Euro. The performance of the Fund is measured and reported to the investors in Euro. The Board of Directors considers the Euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

**TFI EU PROPERTY INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
*(Expressed in Euro unless otherwise stated)*

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**3. Basis of preparation and significant accounting policies and estimates (continued)**

**Basis of measurement**

These financial statements have been prepared on the historical cost basis and on the going concern basis.

**Significant accounting policies**

The principle accounting policies that have been applied consistently by the Fund to all periods presented in these financial statements are set out below.

**Revenue recognition**

*Murabaha profit income*

Income from Murabaha receivables is recognised on an amortised cost basis using the Effective Profit Rate (EPR) method and when the income is both contractually determinable and quantifiable at the commencement of the transaction.

The EPR is the rate that exactly discounts the estimated future cash flows, to the gross carrying amount of a financial instrument without consideration of future credit losses, over the expected life of the financial instrument.

**Expenses**

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

**Financial instruments – recognition, classification, measurement, derecognition and offsetting**

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

***Financial assets***

(i) Initial recognition and initial measurement

Financial assets can be classified on initial recognition (i) at amortised cost or (ii) at fair value through profit or loss.

The Fund classifies its Murabaha financing receivable based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and profit ("SPPP") on the principal amount outstanding. This assessment is referred to as the SPPP test and is performed at an instrument level. The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

**TFI EU PROPERTY INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
*(Expressed in Euro unless otherwise stated)*

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**3. Basis of preparation and significant accounting policies and estimates (continued)**

**Financial instruments – recognition, classification, measurement, derecognition and offsetting (continued)**

***Financial assets (continued)***

(ii) Classification and subsequent measurement

For purposes of subsequent measurement, financial assets are classified as follows:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

*Financial assets at amortised cost (debt instruments)*

The Fund has Murabaha financing receivables which are Islamic Shariah compliant debt instruments and are non-derivative financial assets with fixed payments that are not quoted in an active market. The debt instruments are not entered into with the intention of immediate or short-term resale but to receive contractual cash flows and are carried at amortised cost using the effective profit rate method.

The Fund measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective profit rate (EPR) method and are subject to expected credit loss. Gains and losses are recognised in the statement of comprehensive income when the asset is derecognised, modified or impaired. The Fund's financial assets at amortised cost include Murabaha financing receivables, Murabaha profit receivables, Other receivables and Cash at bank.

There were no financial assets held by the Fund classified under any other category than amortised cost as at 31 December 2020 and 2019 (restated).

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

**TFI EU PROPERTY INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
*(Expressed in Euro unless otherwise stated)*

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**3. Basis of preparation and significant accounting policies and estimates (continued)**

**Financial instruments – recognition, classification, measurement, derecognition and offsetting (continued)**

***Financial liabilities***

(i) Initial recognition and initial measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs. The Fund's financial liabilities at amortised cost consist of accruals and other payables.

(ii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

There were no financial instruments subject to offset as at 31 December 2020 and 2019 (restated).

**Expected credit loss (“ECL”) on financial assets at amortised cost**

A financial asset at amortised cost is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

In case of Murabaha financing receivables and Murabaha profit receivables, the Fund follows a general approach wherein expected credit losses is based on changes in credit quality of the instrument since initial the initial recognition.

Under the general approach, the Fund determines whether the financial asset is in one of three stages in order to determine both the amount of ECL to recognise as well as how profit income should be recognised.

Stage 1 is where credit risk has not increased significantly since initial recognition. For such financial assets, 12 month ECL is recognised and profit income is recognised on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2 is where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, lifetime ECL is recognised and profit income will continue to be recognised on a gross basis.

Stage 3 is where the financial asset is credit impaired. For financial assets in stage 3, a lifetime ECL is recognised but profit income is recognised on a net basis. This means that profit income will be calculated based on the gross carrying amount of the financial asset less ECL.

# **TFI EU PROPERTY INCOME FUND**

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## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

*(Expressed in Euro unless otherwise stated)*

#### **3. Basis of preparation and significant accounting policies and estimates (continued)**

##### **Expected credit loss (“ECL”) on financial assets at amortised cost (continued)**

For other financial assets at amortised cost, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime of ECL.

ECL is the difference between all contractual cash flows that are due to the Fund in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date. ECL are measured in a manner that they reflect unbiased and profitability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised as provision for expected credit losses in the statement of comprehensive income.

##### **Murabaha financing**

Murabaha financing is an Islamic Shariah compliant investment structure constituted by the Fund whereby a contract sale between the Fund and its client for the sale of goods at a price which includes a profit margin agreed by both parties executed. As a financing technique, it involves the purchase of goods by the Fund as requested by its client. The goods are sold to the client with a mark-up. Repayment, usually in instalments is specified in the contract. This is a contract where the price is marked up in exchange for allowing the buyer to pay over time.

Receivables under Murabaha agreements are non-derivative financial assets with fixed payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale but to receive contractual cash flows and hence carried at amortised cost using Effective Profit Rate (EPR).

Income from murabaha financing is recognised on an amortised cost basis using the EPR method, in accordance with IFRS 9: Financial instruments.

##### **Equity**

Management shares and non-redeemable participating shares represents the portion of authorised Management shares and non-redeemable participating shares as per the Memorandum of Association of the Fund, which is fully paid up and are redeemable only at the time of winding up of the Fund, hence treated as equity. Share premium represents premium received on issue of the non-redeemable participating shares.

Accumulated losses include all accumulated profits/losses of the Fund less any dividends.

##### **Dividend payables**

Dividend payables represent dividends declared for the last quarter of the year but remaining unpaid to the non-redeemable participating shareholders as at the year end.

##### **Cash at bank**

Cash at bank represents deposits with maturities less than 90 days held at call with bank and is denominated in Euro.

**TFI EU PROPERTY INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
*(Expressed in Euro unless otherwise stated)*

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**3. Basis of preparation and significant accounting policies and estimates (continued)**

**Foreign currency transactions**

Transactions in currencies other than Euro are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

**Fair value measurements**

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, regardless of whether that price is directly observable or estimated using another valuation technique. When measuring fair value of an asset or liability, the Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

There are no financial instruments designated at fair value through profit or loss at 31 December 2020 and 2019 (restated).

**Contingent liabilities**

Contingent liabilities are possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund. It can also be a present obligation arising from the past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities are not recognised but are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as provision. As at 31 December 2020 and 2019 (restated), there were no contingent liabilities.

**Events after the reporting date**

Post year-end events that provide additional information about the Fund's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material (refer to note 13).

**Significant accounting judgments, estimates and assumptions**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

**TFI EU PROPERTY INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
*(Expressed in Euro unless otherwise stated)*

**3. Basis of preparation and significant accounting policies and estimates (continued)**

**Significant accounting judgments, estimates and assumptions (continued)**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

The significant management estimates and key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

***Expected credit loss on financial assets at amortised cost***

Expected credit loss allowances for financial assets at amortised cost are based on assumptions about risk of default and expected loss rates. The Fund uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Fund's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

***Murabaha financing receivables and Murabaha profit receivables***

The provision rates are initially based on the Fund's historical observed default rates and adjusted with current conditions and the Fund's view of economic conditions over the expected lives of the receivables. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Management has assessed that, during the year ended 31 December 2020 and 2019 (restated), there were no expected credit losses on Murabaha financing receivables and Murabaha profit receivables.

***Cash at bank***

Expected credit loss on cash at bank has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Fund considers that its cash and bank balances have low credit risk based on the external credit ratings of the counterparties. As at 31 December 2020 and 2019 (restated), there were no expected credit losses on cash at bank.

**4. Murabaha financing receivables and Murabaha profit receivables**

The Fund has entered into two Master Murabaha financing contracts with TFI Invest SCS and TFI Europe SCS (common limited partnerships registered with Trade and Companies Register of Luxembourg) on 27 April 2017 and 31 December 2018 respectively at cost plus an agreed profit mark-up.

The Murabaha financing is secured through a share pledge on the shares of partners of TFI Invest SCS and TFI Europe SCS, viz. Hoche Partners Securization Management SARL and TFI General Partners SARL, private limited liability companies incorporated in Luxembourg.

Under the Master Murabaha financing contract with TFI Invest SCS, four Murabaha offer and acceptance agreements were executed with respect to real estate investments in Germany, viz. Stuttgart, Neu-Isenburg, Kösching and Pantin in France.

Under the Master Murabaha financing contract with TFI Europe SCS, one Murabaha offer and acceptance agreement was executed with respect to real estate investments in Hanover, Germany.

The analysis of the initial amount and term of the Murabaha financing receivables and Murabaha profit receivables are follows:

***Term of the Murabaha offers***

	Stuttgart	Pantin	Neu-Isenburg	Kösching	Hanover
Beginning on:	3 May 2017	19 September 2017	21 December 2017	26 February 2018	21 January 2019
Ending on:	3 May 2022	18 September 2022	31 December 2022	31 December 2022	31 December 2023

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**4. Murabaha financing receivables and Murabaha profit receivables (continued)**

***Initial amount disbursed***

	Stuttgart	Pantin	Neu-Isenberg	Kösching	Hanover
Principal	9,063,500	6,000,000	8,900,500	5,721,900	8,155,488

***Total Murabaha profits under agreement***

	Stuttgart	Pantin	Neu-Isenberg	Kösching	Hanover
Profits	3,257,174	1,977,083	3,003,426	2,615,977	2,154,820

Total Murabaha financing profits recognised at effective profit rate for the year ended 31 December 2020 is Euro 2,651,353 (2019 (restated): 2,700,420).

Analysis of Murabaha financing profits recognised at effective profit rate for 31 December 2020 and 2019 (restated) is set out below:

	31 December 2020	Stuttgart	Pantin	Neu-Isenberg	Kösching	Hanover	Total
TFI Invest SCS	637,457	396,544	602,358	542,943	–	2,179,302	
TFI Europe SCS	–	–	–	–	472,051	472,051	
						<b>2,651,353</b>	
	31 December 2019 (restated)	Stuttgart	Pantin	Neu-Isenberg	Kösching	Hanover	Total
TFI Invest SCS	661,721	395,449	638,019	534,954	–	2,230,143	
TFI Europe SCS	–	–	–	–	470,277	470,277	
						<b>2,700,420</b>	

As at 31 December, Murabaha financing receivable represents the outstanding principal portion of the debt instrument and is segregated as follows:

	2020	2019 (restated)
Stuttgart	7,829,663	8,111,762
Pantin	6,000,035	5,999,992
Neu Isenberg	7,556,054	8,053,617
Kosching	6,023,535	5,962,110
Hanover	7,350,815	7,830,777
	<b>34,760,102</b>	<b>35,958,258</b>
	2020	2019 (restated)
Current portion	2,253,200	2,166,362
Non-current portion	32,506,902	33,791,896
	<b>34,760,102</b>	<b>35,958,258</b>

Murabaha profit receivables represents the profit on Murabaha financing receivable accrued as at the end of the year. As at 31 December 2020, the Murabaha profit receivable amounted to Euro 2,792,211 (2019 (restated): 1,861,541).

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**5. Management shares**

As at 31 December, the authorised and unpaid Management shares are as follows:

<b><u>Authorised and unpaid</u></b>	<b><u>Units</u></b>	<b><u>Rate</u></b>	<b>2020</b>	2019 <i>(restated)</i>
Management Shares (voting)	10,000	0.10	<b>1,000</b>	1,000

Management shares are the voting share in the Fund held by the Investment Manager of the Fund. The holder of a Management shares (in respect of such Management shares) has the right to receive notice of, attend at and vote as a Member at any general meeting of the Fund.

Management shares also confer upon the holder the right in a winding-up to repayment of capital as provided in these Articles of Association of the Fund but confer no other right to participate in the profits or assets of the Fund and no dividends shall be payable on the Management shares.

**6. Non- redeemable participating shares**

As at 31 December 2020 and 2019 (restated), the authorised and paid up non-redeemable participating shares are as follows:

	<b><u>Units</u></b>	<b><u>Rate</u></b>	<b>2020</b>	2019 <i>(restated)</i>
<b><u>Authorised</u></b>				
Non-redeemable participating shares (non-voting)	490,000	0.10	<b>49,000</b>	49,000
<b><u>Issued and paid up</u></b>				
Non-redeemable participating shares (non-voting)	386,376	0.10	<b>38,638</b>	38,638

Non-redeemable participating shares are non-voting participating shares held by the investors of the Fund. The holder of a non-redeemable participating share does not have the right to receive notice of, attend at or vote as a member at any general meeting of the Fund and are non-redeemable at the option of the holder.

Non-redeemable participating shares confer upon the holders the right in a winding up to participate in the surplus assets of the Fund and also right to receive dividends subject to restrictions set out in the Articles of Association of the Fund.

The term of the non-redeemable participating shares is three years term from 30 September 2017, which may be shortened or extended at the discretion of the Board of Directors of the Fund contingent upon the performance of the Fund. On 11 September 2017, the Board of directors passed a resolution to extend the Final Closing date to 31 December 2018. Accordingly, the term of the non-redeemable participating shares has been extended to three years from 31 December 2018.

*Subscription policy*

Shares were offered through an Information Memorandum and were available for subscription by Investors until the First Closing Date i.e. 31 December 2016 and subsequent closing dates. The First Investor Q.P.S.C. (Sponsor of the Fund) has the sole and absolute discretion to offer subsequent closings to additional investors where new Investors can subscribe to shares on an equalised basis to existing investors using a catch up amount or equalization methodology. The Sponsor also has the sole and absolute discretion to accept and/or reject any subscription received from investors.

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**6. Non- redeemable participating shares (continued)**

*Redemption policy*

Shares cannot be sold, transferred, assigned, exchanged, pledged, encumbered or disposed of without the prior written consent of the Directors or their authorised agents, which may be withheld in their absolute discretion. Shareholders are only able to redeem shares prior to the end of the Term on a restricted basis subject to the sole discretion of the Directors, valuation of the shares by the Directors and up to a 5% transfer fee on the value of the shares transferred or redeemed and subject to sufficient liquidity available in the Fund to transact such redemption, and without any time limitation imposed on the Fund. In practice, given the illiquid nature of the Investments, investors should not assume that redemptions will be possible.

**7. Share premium**

Share premium represents the premium received at the rate of Euro 99.90 per share on issue of non-redeemable participating shares. Subject to the provisions of Companies Act and Articles of Association of the Fund, Board of directors of the Fund may distribute dividends out of share premium account.

As at 31 December 2020 and 2019 (restated), the share premium balance is Euro 38,482,887.

**8. Accruals and other payables**

	<b>2020</b>	2019 <i>(restated)</i>
Accruals	<b>15,335</b>	3,835
	<b>15,335</b>	3,835

**9. Related party disclosures**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The details of the transactions and the balances with such related parties during the year are as follows:

**a) Management shares**

	<b>Number of shares</b>	<i>Nature of relationship</i>	<b>2020</b>	2019 <i>(restated)</i>
<u>The First Investor Q.P.S.C.</u>	10,000	<i>Investment Manager</i>	<b>1,000</b>	1,000

**10. Financial risk and capital management**

**Financial risk factors**

The Fund's financial instruments are Murabaha financing receivables, Murabaha profit receivables, other receivables, cash at bank and accruals and other payables.

The Fund's financial risk management programme focuses on the unpredictability of real estate markets and seeks to minimize potential adverse effects of the financial performance. Under the Fund's risk management programme, management identifies and documents key risks and sets out policies and procedures required to mitigate these risks.

The identified key risks are set out below:

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**10. Financial risk and capital management (continued)**

**Financial risk factors (continued)**

**a) Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Fund.

*Cash at bank*

Credit risk from banks and financial institutions are managed in accordance with the Fund's policy. The Fund's bank accounts are placed only with high credit quality financial institutions. Investments to any financial instruments are only made with approved parties/financial institutions and within the limits established by the management. The limits are set to minimise the concentration of risks and mitigate financial loss. As at 31 December 2020, the Fund's financial institution is rated "P-1" by Moody's for short term counterparty risk, P-1 being Prime-1; reflecting the counter party's superior ability to repay short term obligations (2019 (restated): P-1).

*Murabaha financing receivable and Murabaha profit receivable*

The credit risk on Murabaha financing receivable and Murabaha profit receivable are subjected to credit evaluations. The Fund assesses the credit quality of its counter parties, viz. TFI Invest SCS and TFI Europe SCS, taking into account their financial position, past experience, fair valuation of the underlying asset and other factors. Outstanding Murabaha financing receivables and Murabaha profit receivables are regularly monitored and an allowance is made for any expected credit losses. The amounts presented in the statement of financial position are net of allowances for expected credit losses if applicable

The Fund's maximum exposure to credit risk as at the reporting date is the carrying amount of its financial assets, which are the following:

	<b>12 month or lifetime ECL</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>	<b>Net carrying amount</b>
<b>31 December 2020</b>				
Murabaha financing receivable	12-month ECL	34,760,102	–	34,760,102
Murabaha profit receivable	12-month ECL	2,792,211	–	2,792,211
Other receivables	12-month ECL	1,000	–	1,000
Cash at bank	12-month ECL	1,537,199	–	1,537,199
		<b>39,090,512</b>	<b>–</b>	<b>39,090,512</b>
<b>31 December 2019 (restated)</b>				
Murabaha financing receivable	12-month ECL	35,958,258	–	35,958,258
Murabaha profit receivable	12-month ECL	1,861,541	–	1,861,541
Other receivables	12-month ECL	1,000	–	1,000
Cash at bank	12-month ECL	1,189,972	–	1,189,972
		<b>39,010,771</b>	<b>–</b>	<b>39,010,771</b>

As at 31 December 2020 and 2019 (restated), the management has assessed that the credit risk of financial assets of the Fund has not increased significantly since initial recognition and hence determined to be in stage 1 of general approach to expected credit losses.

**b) Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due. The table below summarises the maturities of the Fund's undiscounted financial liabilities at 31 December based on contractual payment dates.

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**10. Financial risk and capital management (continued)**

**Financial risk factors (continued)**

**b) Liquidity risk (continued)**

<b>31 December 2020</b>	<b>Less than 12 months</b>	<b>More than 12 months</b>	<b>Total</b>
<i>Financial assets</i>			
Murabaha financing receivables	2,253,200	32,506,902	34,760,102
Murabaha profit receivables	2,792,211	–	2,792,211
Other receivables	–	1,000	1,000
Cash at bank	1,537,199	–	1,537,199
<i>Financial liabilities</i>			
Accruals and other payables	(663,939)	–	(663,939)
<i>Net assets attributable to non-redeemable management share</i>	–	(1,000)	(1,000)
<i>Net assets attributable to non-redeemable participating shares</i>	–	(38,425,573)	(38,425,573)
<b>Liquidity gap</b>	<b>5,918,671</b>	<b>(5,918,671)</b>	<b>–</b>

<b>31 December 2019 (restated)</b>	<b>Less than 12 months</b>	<b>More than 12 months</b>	<b>Total</b>
<i>Financial assets</i>			
Murabaha financing receivables	2,166,362	33,791,896	35,958,258
Murabaha profit receivables	1,861,541	–	1,861,541
Other receivables	–	1,000	1,000
Cash at bank	1,189,972	–	1,189,972
<i>Financial liabilities</i>			
Accruals and other payables	(646,595)	–	(646,595)
<i>Net assets attributable to non-redeemable management share</i>	–	(1,000)	(1,000)
<i>Net assets attributable to non-redeemable participating shares</i>	–	(38,363,176)	(38,363,176)
<b>Liquidity gap</b>	<b>4,571,280</b>	<b>(4,571,280)</b>	<b>–</b>

**c) Market risk**

Market risk is the risk that changes in market prices, such as profit rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

*Profit rate risk*

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. As the Fund does not have any profit bearing assets or liabilities that are linked to market profit rates, the Fund's income, expenses and cash flows are independent of changes in market profit rates.

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**10. Financial risk and capital management (continued)**

**Financial risk factors (continued)**

**c) Market risk (continued)**

*Foreign currency risk*

Foreign currency risk is the risk that arises from value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. The Fund's exposure to the risk of changes in foreign exchange rates relates primarily to the Fund's operating activities. Majority of these expenses are in US dollars, the management of the Fund is of the opinion that Fund's exposure to currency risk is minimal since the operating ratio is minimal.

*Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Fund does not have any financial instrument for which value is sensitive to the changes in the market prices.

**Capital management**

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in accordance with the governing documents of the Fund, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

The Fund sets the amount of capital funds in accordance with the planned level of operations and in proportion to the levels of risk. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019 (restated). Equity comprises management shares, non-redeemable participating shares, share premium and retained earnings, and is measured at Euro 38,426,573 as at 31 December 2020 (2019 (restated): Euro 38,364,176).

The Fund is not subject to externally-imposed capital requirements.

**11. Financial instruments**

Financial instruments consist of financial assets and financial liabilities.

***Financial assets at amortised cost:***

The Fund's principal financial assets at amortised cost include murabaha financing receivable, murabaha profit receivables, other receivables and cash at bank.

***Financial liabilities:***

The Fund's significant financial liabilities solely consist of accruals and other payables.

Accounting policies for key items of financial assets and liabilities are set out in Note 3.

***Fair value of financial instruments:***

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties on an arm's length basis. Since the financial statements have been prepared under the historical cost convention, the carrying values of the Fund's financial instruments as recorded could therefore be different from their fair values. However, in the opinion of the management, fair values of the financial assets and liabilities are not considered significantly different from their book values as most of these items are short-term in nature or repriced frequently.

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**12. Effect of COVID-19**

The COVID-19 pandemic has developed rapidly in 2020, with significant increase in number of cases. Measures taken by various governments to contain the virus have affected economic activities. The Fund has undertaken a number of measures to monitor and mitigate the effects of COVID-19 and at this stage, the impact on the Fund's business and results have not been material.

Whilst these events have had a limited impact on the Fund's operations to date, these may have an increased implication on the Fund's results of operations if the weakened economic environment continues. Given the uncertainty related to the duration and effect of this pandemic, the impact on the Fund's financial statements cannot be currently estimated. The spread of COVID-19 pandemic may impact the operations of the Fund for short-term. The possible short-term impact will not change in management's going concern assessment or business strategy.

**13. Events after the reporting period**

There were no significant subsequent events which have a bearing on the understanding of the financial statements of the Fund, other than those disclosed below.

On 9 December 2021, the Directors has resolved to extend the term of the Fund for one year up to 31 December 2022 by exercising the first one year extension option as permitted by the Information Memorandum.

Subsequent to 31 December 2020, the Fund received proceeds amount to Euro 1,391,141 and Euro 25,218,247 in respect of the Murabaha profit receivable and Murabaha financing receivable, respectively.

**14. Approval of financial statements**

These financial statements for the year ended 31 December 2020 were approved and authorised for issuance by the Director of the Fund on behalf of the shareholders on 24 May 2022.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 15. Restatement of prior years

During the year, Management has identified that the amortisation schedule for Murabaha financing receivables is misstated due to errors in the said schedule. This error has overstated the revenue, retained earnings and non-current assets by the aforementioned amount.

In accordance with the requirements of IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies Changes in Accounting Estimates and Errors” the aforementioned items have been reclassified and restated in the statement of financial position and statement of changes in equity for the year ended 31 December 2019. The impacts of the prior years’ errors are as follow:

	1 January 2019			31 December 2019		
	As previously reported	Adjustments Increase / (Decrease)	As restated	As previously reported	Adjustments Increase / (Decrease)	As restated
<i>Statement of financial position</i>						
<i>Assets</i>						
Murabaha financing receivables	28,878,049	(77,711)	28,800,338	36,116,607	(158,349)	35,958,258
<i>Equity</i>						
Retained earnings	–	(77,711)	(77,711)	–	(158,349)	(158,349)
<i>Statement of comprehensive income</i>						
Murabaha financing profits recognised at effective profit rate	2,286,049	(66,419)	2,219,630	2,781,058	(80,638)	2,700,420