

TFI EU PROPERTY INCOME FUND

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

TFI EU PROPERTY INCOME FUND
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FOR THE YEAR ENDED 31 DECEMBER 2022

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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 2022 and the statement of comprehensive income, statement of changes in net assets attributable to holders of non-redeemable participating shares and the statement of cash flows for year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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 Cayman Islands Institute of Professional Accountants' *Code of Ethics for Professional Accountants* ("CIIPA Code") and International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CIIPA Code and 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 5 of the financial statements, which describes the Fund's Murabaha financing receivables of EUR 16,652,042 and Murabaha profit receivables of EUR 10,699 as at 31 December 2022, classified as financial assets measured at amortised cost. While these amounts are based on the contractual balances, their carrying values incorporate allowances for expected credit losses, the determination of which involves significant management judgement and estimation. Accordingly, the actual amounts ultimately realised may differ materially from the carrying amounts. Our opinion is not modified in respect of this matter.

Responsibilities of Management and the Board of Directors 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 ISAs 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.

**INDEPENDENT AUDITOR'S REPORT
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 the Board of Directors 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

03 March 2026

TFI EU PROPERTY INCOME FUND

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

(Expressed in Euro unless otherwise stated)

	<i>Note</i>	2022 EUR	2021 EUR
Assets			
Murabaha financing receivables	5	16,652,042	24,415,920
Murabaha profit receivables	5	10,699	2,904,691
Other receivables		1,000	1,000
Cash and cash equivalents	6	983,762	1,937,845
Total assets		17,647,503	29,259,456
Liabilities			
Accruals and other payables	10	690,131	665,672
Total liabilities (excluding net assets attributable to holders of non-redeemable participating shares)		690,131	665,672
Net assets attributable to holders of non-redeemable participating shares		16,957,372	28,593,784

The financial statements as at and for the year ended 31 December 2022 were approved and authorised for issuance by the Directors of the Fund on behalf of the shareholders on 03 March 2026.



Haithem Al Katerji
Director



Majdi Abdulla Mahmoud Jadallah
Director

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

TFI EU PROPERTY INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Euro unless otherwise stated)

	<i>Note</i>	2022 EUR	2021 EUR
Investment income			
Murabaha financing profits recognised at effective profit rate	5	1,273,498	1,720,299
Net investment income		1,273,498	1,720,299
Other income		729	–
Operating expenses			
Expected credit loss provision on Murabaha receivables	5(c)	(10,326,281)	(8,928,958)
Professional and legal fees		(67,905)	(63,313)
Bank charges		(1,833)	(1,187)
Total operating expenses		(10,396,019)	(8,993,458)
Dividend expenses	14	(2,514,620)	(2,559,630)
Decrease in net assets attributable to holders of non-redeemable participating shares from operations		(11,636,412)	(9,832,789)

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

TFI EU PROPERTY INCOME FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF NON-REDEEMABLE PARTICIPATING SHARES FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in Euro unless otherwise stated)

	2022	2021
	EUR	EUR
Net assets attributable to holders of non-redeemable participating shares at 1 January	28,593,784	38,426,573
Decrease in net assets attributable to holders of non-redeemable participating shares from operations	(11,636,412)	(9,832,789)
Net assets attributable to holders of non-redeemable participating shares at 31 December	16,957,372	28,593,784

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

TFI EU PROPERTY INCOME FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022 (Expressed in Euro unless otherwise stated)

	<i>Note</i>	2022 EUR	2021 EUR
OPERATING ACTIVITIES			
Decrease in net assets attributable to holders of non-redeemable participating shares from operations		(11,636,412)	(9,832,789)
Adjustments:			
Dividends expenses	<i>14</i>	2,514,620	2,559,630
Expected credit loss provision on Murabaha receivables	<i>5</i>	10,326,281	8,928,958
		1,204,489	1,655,799
Changes in working capital:			
Murabaha financing receivables		1,109,239	1,849,560
Murabaha profit receivables		(777,650)	(546,816)
Accruals and other payables		8,055	15,372
Net cash provided by operating activities		1,544,133	2,973,915
FINANCING ACTIVITIES			
Dividends paid out	<i>14</i>	(2,498,216)	(2,573,269)
Net cash used in financing activities		(2,498,216)	(2,573,269)
(Decrease)/increase in cash and cash equivalents during the year		(954,083)	400,646
Cash and cash equivalents at the beginning of the year		1,937,845	1,537,199
Cash and cash equivalents at the end of the year	<i>6</i>	983,762	1,937,845
Supplemental information:			
Profit received on Murabaha agreements		495,848	1,173,483

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

TFI EU PROPERTY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(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 17 August 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'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') and the Fund's accounting activities are managed by Eisa Alderbasti, companies which are domiciled in the State of Qatar.

The Fund offers its shares to a broad group of investors solely from the State of Qatar.

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

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, 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 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.

On 05 December 2023 the Directors proposed and resolved that the Investment Term be further extended so that it will run beyond 31 December 2023 to the date the Fund is put into voluntary liquidation. As at the date the financial statements were authorised for issue, the Fund had not been placed into voluntary liquidation.

2. Adoption of new and revised IFRS Accounting Standards (IFRS)

2.1 New and amended IFRS adopted by the Fund

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2022 that have a material effect on the financial statements of the Fund.

2.2 New and amended IFRS which are in issue but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022 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.

TFI EU PROPERTY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in Euro unless otherwise stated)

3. Basis of preparation and significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with IFRS Accounting Standards issued by the IASB (International Accounting Standard Board) and interpretations issued by the IFRIC (International Financial Reporting Interpretation Committee).

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. The 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.

Basis of measurement

These financial statements have been prepared on historical cost basis.

Significant accounting policies

The principal 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, in the statement of comprehensive income.

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) as 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.

TFI EU PROPERTY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in Euro unless otherwise stated)

3. Basis of preparation and significant accounting policies (Continued)

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

Financial assets (Continued)

(i) Initial recognition and initial measurement (Continued)

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.

(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 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 (at cash value).

There were no financial assets held by the Fund classified under any other category than amortised cost as at 31 December 2022 and 2021.

(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 2022

(Expressed in Euro unless otherwise stated)

3. Basis of preparation and significant accounting policies (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 consist of net assets attributable to holders of non-redeemable participating shares and accruals and other payables. Net assets attributable to holders of non-redeemable participating shares are recorded at their anticipated redemption values.

(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 2022 and 2021.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in Euro unless otherwise stated)

3. Basis of preparation and significant accounting policies (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.

Write-off policy

The Fund writes off Murabaha receivables, involves derecognition of the asset, when there is no reasonable expectation of recovering the financial asset in full or part. Factors that are considered before writing off a receivable include the exhaustion of recovery efforts and the insolvency of the counterparty. During the year, no receivables were written off (2021: Nil).

Murabaha financing

Murabaha financing is an Islamic Shariah compliant investment structure constituted by the Fund whereby a contract sale is executed between the Fund and its client for the sale of designated assets at a price which includes a profit margin agreed by both parties. As a financing technique, it involves the purchase of designated assets or commodities by the Fund as requested by the counterparty and subsequently sold to the counterparty at a price that includes an agreed profit margin. 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.

Management shares and non-redeemable participating shares

Management shares and non-redeemable participating shares represent the portion of authorised capital as defined in the Fund’s Memorandum of Association. These shares are fully paid and are redeemable only upon the winding up of the Fund.

Management shares, being the most subordinated class and carrying no rights to distributions, are classified as equity. The Fund has issued non-redeemable participating shares that entitle holders to a pro rata share of the Fund’s net assets upon liquidation.

In accordance with IAS 32 – Financial Instruments: Presentation, the non-redeemable participating shares are classified as financial liabilities. This classification reflects that the Fund does not have an unconditional right to avoid delivering cash or another financial asset to the holders of the participating shares upon liquidation. Accordingly, the participating shares give rise to the present obligation of the Fund.

The participating shares do not meet the definition of equity instruments under IAS 32 and do not qualify for the puttable instrument exception. As a result, the participating shares are presented as financial liabilities in the statement of financial position and are measured at an amount equal to the Fund’s net asset value attributable to shareholders.

TFI EU PROPERTY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in Euro unless otherwise stated)

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

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. The dividend payables as at 31 December 2022 and 2021 have been disclosed in Note 10.

Cash and cash equivalents

Cash and cash equivalents represents deposits held with bank with original maturities of three months or less, and is denominated in Euro.

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 retranslated at the rates prevailing on the reporting date.

Transaction cost

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense.

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 2022 and 2021.

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 2022 and 2021, 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. Post year-end adjusting events as at 31 December 2022 and 2021 has been disclosed in the notes to the financial statements under note 21.

TFI EU PROPERTY INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in Euro unless otherwise stated)

4. 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.

Estimates

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:

Determination of functional and presentation currency

In determining its functional currency, management applies judgment by evaluating the primary economic environment in which the Fund operates, including the currency that mainly influences its financing, investing, and operating cash flows. Based on this assessment, the Fund has determined that its functional currency is Euro. The financial statements are presented in Euro, which management believes provides relevant and reliable information to investors and other stakeholders.

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 expected credit loss 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, as at 31 December 2022, the expected credit losses on Murabaha financing receivables amount to EUR 13,359,248 (2021: EUR 6,704,609) and on the Murabaha profit receivables amount to EUR 2,177,639 (2021: 2,224,349).

TFI EU PROPERTY INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Euro unless otherwise stated)

5. 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-Isenberg, Kösching and Delizy (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	Delizy (Pantin)	Neu-Isenberg	Kösching	Hanover
Beginning on:	3 May 2017	19 September 2017	21 December 2017	26 February 2018	21 January 2019
Maturity date: (Note 21 (iv) & (v))	31 December 2025	31 December 2025	31 December 2025	31 December 2025	31 December 2025

Initial amount disbursed

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

Total Murabaha profits

	Stuttgart EUR	Delizy (Pantin) EUR	Neu-Isenberg EUR	Kösching EUR	Hanover EUR
Profits	3,594,221	2,485,167	3,482,523	420,451	2,181,452

Total Murabaha financing profits recognised at effective profit rate for the year ended 31 December 2022 is EUR 1,273,498 (2021: EUR 1,720,299).

Analysis of Murabaha financing profits recognised at effective profit rate for 31 December 2022 and 2021 is set out below:

2022	Stuttgart EUR	Delizy (Pantin) EUR	Neu-Isenberg EUR	Kösching EUR	Hanover EUR
TFI Invest SCS	338,559	259,025	349,866	43,501	–
TFI Europe SCS	–	–	–	–	282,547
2021	Stuttgart EUR	Delizy (Pantin) EUR	Neu-Isenberg EUR	Kösching EUR	Hanover EUR
TFI Invest SCS	444,577	339,761	491,259	60,566	–
TFI Europe SCS	–	–	–	–	384,136

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5. Murabaha financing receivables and Murabaha profit receivables (Continued)

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

	2022	2021
	EUR	EUR
Stuttgart	6,928,291	6,928,291
Delizy (Pantin)	6,000,000	6,000,000
Neu Isenberg	6,675,329	6,989,622
Kosching	4,134,208	4,365,372
Hannover	6,273,462	6,837,244
Less: Allowance for expected credit losses*	(13,359,248)	(6,704,609)
	16,652,042	24,415,920

* The calculation of the provision is based on unaudited net asset values of the underlying companies, which reflects the proportionate value of the underlying assets as of June 30, 2025, as provided by the asset and property manager in their communication in August 2025. As expected, credit losses require a forward-looking approach the use of the latest available net asset value was used in determining this estimate.

Financial instruments are classified into stages based on changes in credit risk since initial recognition, in accordance with the expected credit loss (“ECL”) model under IFRS 9. Stage 1 includes financial instruments that have not experienced a significant increase in credit risk since initial recognition, or that are assessed as having low credit risk at the reporting date. These assets are performing in line with contractual terms, and a 12-month ECL is recognised. Stage 2 includes financial instruments that have experienced a significant increase in credit risk since initial recognition, unless they are assessed as having low credit risk at the reporting date. These instruments do not have objective evidence of impairment. For such assets, lifetime ECL is recognised. This category also includes restructured assets. Stage 3 includes financial assets that have objective evidence of credit impairment at the reporting date. These assets typically include non-performing loans, where recovery actions may involve legal proceedings, enforcement of security, asset disposals, or where contractual breaches have occurred due to delays in repayment or covenant breaches. As at 31 December 2022 and 31 December 2021, Murabaha financing receivables were classified as Stage 3.

As at 31 December 2022 and 2021, Murabaha financing receivables and Murabaha profit receivables are classified as Stage 3 (credit-impaired) under IFRS 9 due to delays in profit collections, principal repayment restructuring, and extended maturity schedules. Accordingly, lifetime expected credit losses are recognised for these instruments. Other receivables and cash at bank are classified as Stage 1 with 12-month ECL (assessed as nil).

The movement in the allowance for expected credit losses on Murabaha financing receivables is as follows:

	2022	2021
	EUR	EUR
As at 1 January	6,704,609	–
Allowance for expected credit losses recognized during the year	6,654,639	6,704,609
As at 31 December	13,359,248	6,704,609

Net Murabaha financing receivables are presented in the statement of financial position as follows:

	2022	2021
	EUR	EUR
Current portion	1,747,113	1,730,322
Non-current portion	14,904,929	22,685,598
	16,652,042	24,415,920

- b) Murabaha profit receivables represents the profit on Murabaha financing receivable accrued as at the end of the year but not yet received.

On 22 August 2024, the Fund signed amendment notices with TFI Invest SCS and TFI Europe SCS. The amendment signed resulted in significant changes to the total Murabaha profits and the duration of the contracts. As a result of these amendments, the Effective Profit Rate (EPR) for the agreements was recalculated. The change in EPR directly impacted the Murabaha profits and the associated profit receivables. The new terms led to recognition of an expected credit loss on Murabaha profit receivables amounting to EUR 2,224,349 during 2021, and adjustments in the recognition of Murabaha profit receivables, reflected in the Fund's financial statements for the year ended 31 December 2021.

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5. Murabaha financing receivables and Murabaha profit receivables (Continued)

Further, on 06 May 2025 and 16 December 2025, the Fund signed amendment notices with TFI Invest SCS and TFI Europe SCS. The amendments resulted in extension of the contracts' maturity dates from 31 December 2024 to 31 December 2025 and subsequently to 31 December 2026. As a result of these amendments, the Effective Profit Rate (EPR) for the agreements has been recalculated. The change in EPR has directly impacted the Murabaha profits and the associated profit receivables. The new terms led to recognition of further expected credit loss on Murabaha profit receivables amounting to EUR 1,494,003, and adjustments in the recognition of Murabaha profit receivables, reflected in the Fund's financial statements for the year ended 31 December 2022.

As of 31 December 2022, the total provision addressing the change in the Effective Profit Rate (EPR) amounted to EUR 3,718,352, which the management have written off during the year on the basis of non-recoverability.

As of 31 December 2022, management has recognised a further expected credit loss of EUR 2,177,639 in respect of profit receivables on Neu-Isenberg (EUR 1,397,042) and Hannover (EUR 780,597) properties that are not expected to be recovered subsequent to the year-end.

The carrying value of net Murabaha profit receivables is as follows:

	2022	2021
	EUR	EUR
Gross Murabaha profit receivables	2,188,338	5,129,040
Less: Allowance for expected credit losses (i)	(2,177,639)	(2,224,349)
Net Murabaha profit receivables	10,699	2,904,691

i. The movement in the allowance for expected credit losses on Murabaha profit receivables is as follows:

	2022	2021
	EUR	EUR
As at 1 January	2,224,349	–
Allowance for expected credit losses recognized during the year	3,671,642	2,224,349
Written-off during the year	(3,718,352)	–
As at 31 December	2,177,639	2,224,349

As at 31 December, net Murabaha profit receivables are segregated as follows:

	2022	2021
	EUR	EUR
Current portion	10,699	2,904,691
Non-current portion	–	–
	10,699	2,904,691

The increase in ECL allowance reflects changes in credit risk and forward-looking information as required under IFRS 9.

c) The total expected credit loss provision on Murabaha receivables is presented in the statement of comprehensive income as follows:

	2022	2021
	EUR	EUR
Expected credit loss provision on Murabaha financing receivables (a)	6,654,639	6,704,609
Expected credit loss provision on Murabaha profit receivables (b)	3,671,642	2,224,349
	10,326,281	8,928,958

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6. Cash and cash equivalents

	2022	2021
	EUR	EUR
Call account deposit with bank (i)	983,762	1,937,845
	983,762	1,937,845

(i) The call account deposit represents a an interest free demand deposit with a local bank. It has no fixed maturity and is can be withdrawn at any time. As of 31 December 2022 and 2021, the call account deposit is denominated in EUR and is not subject to any restrictions on use.

7. Management shares

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

<u>Authorised and unpaid</u>	<u>Units</u>	<u>Rate</u>	2022	2021
			EUR	EUR
Management Shares (voting)	10,000	0.10	1,000	1,000

7. Management shares (Continued)

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.

8. Non- redeemable participating shares

As at 31 December 2022 and 2021, the authorised and paid up non-redeemable participating shares are as follows:

	<u>Units</u>	<u>Rate</u>	2022	2021
			EUR	EUR
<u>Authorised</u>				
Non-redeemable participating shares (non-voting)	490,000	0.10	49,000	49,000
<u>Issued and paid up</u>				
Non-redeemable participating shares (non-voting)	386,376	0.10	38,638	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.

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.

On 05 December 2023 the Directors have proposed and resolved that the Investment Term be further extended so that it will run beyond 31 December 2023 to the date the Fund is put into voluntary liquidation.

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8. Non- redeemable participating shares (Continued)

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.

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.

There were no subscriptions or redemptions of participating shares during the years ended 31 December 2022 and 2021.

9. Net assets attributable to holders of non-redeemable participating shares

Included within Net assets attributable to holders of non-redeemable participating shares is share premium. Share premium represents the premium received at the rate of EUR 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 2022, the share premium balance is EUR 38,482,887 (2021: EUR 38,482,887).

The Board of Directors have declared dividends amounting to EUR 2,514,620 as cash dividends to the shareholders of the Fund (2021: EUR 2,559,630). During the year, EUR 2,498,216 were distributed as dividends relating to the fourth quarter of 2021 and first three quarters of 2022.

10. Accruals and other payables

	2022	2021
	EUR	EUR
Accruals	33,292	30,702
Dividend payables (i)	656,839	634,970
	690,131	665,672

(i) In accordance with the Fund's Information Memorandum, the Fund pays dividends on a quarterly basis. Dividends declared during the year are recognized as dividend expenses in the statement of comprehensive income. Dividend payables represent dividends that were declared by the Board of Directors prior to the reporting date but remained unpaid as at 31 December 2022 and 2021. These dividend payables were settled in full subsequent to the reporting date.

11. 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

	Number of shares	<i>Nature of relationship</i>	2022	2021
			EUR	EUR
The First Investor Q.P.S.C.	10,000	<i>Investment Manager</i>	1,000	1,000

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11. Related party disclosures (continued)

b) Murabaha investment's structure

The Fund primarily invests via Murabaha financing arrangements with related entities within a group structure. As at 31 December 2022, the Fund held outstanding Murabaha receivables with TFI Invest SCS amount to EUR 23,737,828 and TFI Europe SCS amount to EUR 6,273,462.

TFI Invest and TFI Europe act as holding entities of the Fund's Murabaha investments and have downstream subsidiaries, including TFI Holding, which owns operating entities such as TFI Cancorp Stuttgart S.à.r.l, TFI Cancorp Isenburg S.à.r.l, and TFI Cancorp Koshing S.à.r.l. These holding entities and their related subsidiaries were incorporated in Luxembourg. These subsidiaries ultimately own and manage the real estate assets that back the Murabaha financing structures and are managed by TFI General Partners S.à.r.l.

Certain directors of the Fund also serve in management roles within TFI Invest SCS and TFI Europe SCS.

The Murabaha arrangements with TFI Invest SCS and TFI Europe SCS were entered into in prior periods and remained outstanding during 2022.

No new related party financing arrangements were entered into during the year.

12. 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, accruals, other payables and net assets attributable to holders of non-redeemable participating shares.

The Fund's financial risk management programme focuses on the unpredictability of financial 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:

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 2022, 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 (2021: P-1).

Murabaha financing receivable and Murabaha profit receivable

The credit risk on Murabaha financing receivables and Murabaha profit receivables 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.

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:

	12 month or lifetime ECL	Gross carrying amount EUR	Loss allowance EUR	Net carrying amount EUR
2022				
Murabaha financing receivables	Lifetime ECL	30,011,290	(13,359,248)	16,652,042
Murabaha profit receivables	Lifetime ECL	2,188,338	(2,177,639)	10,699
Other receivables	12-month ECL	1,000	–	1,000
Cash at bank	12-month ECL	983,762	–	983,762
		33,184,390	(15,536,887)	17,647,503

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12. Financial risk and capital management (Continued)

Financial risk factors (Continued)

a) Credit risk

	12 month or lifetime ECL	Gross carrying amount EUR	Loss allowance EUR	Net carrying amount EUR
2021				
Murabaha financing receivables	Lifetime ECL	31,120,529	(6,704,609)	24,415,920
Murabaha profit receivables	Lifetime ECL	5,129,040	(2,224,349)	2,904,691
Other receivables	12-month ECL	1,000	–	1,000
Cash at bank	12-month ECL	1,937,845	–	1,937,845
		38,188,414	(8,928,958)	29,259,456

The increase in ECL allowance reflects changes in credit risk and forward-looking information as required under IFRS 9 and has been disclosed in Note 5.

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.

2022	Less than 12 months EUR	More than 12 months EUR	Total EUR
<i>Financial assets</i>			
Murabaha financing receivables (net)	1,747,113	14,904,929	16,652,042
Murabaha profit receivables (net)	10,699	–	10,699
Other receivables	–	1,000	1,000
Cash at bank	983,762	–	983,762
	2,741,574	14,905,929	17,647,503
<i>Financial liabilities</i>			
Accruals and other payables	(690,131)	–	(690,131)
Net assets attributable to non-redeemable participating shares	–	(16,957,372)	(16,957,372)
Liquidity gap	2,051,443	(2,051,443)	–
2021			
	Less than 12 months EUR	More than 12 months EUR	Total EUR
<i>Financial assets</i>			
Murabaha financing receivables (net)	1,730,322	22,685,598	24,415,920
Murabaha profit receivables (net)	2,904,691	–	2,904,691
Other receivables	–	1,000	1,000
Cash at bank	1,937,845	–	1,937,845
	6,572,858	22,686,598	29,259,456
<i>Financial liabilities</i>			
Accruals and other payables	(665,672)	–	(665,672)
Net assets attributable to non-redeemable participating shares	–	(28,593,784)	(28,593,784)
Liquidity gap	5,907,186	(5,907,186)	–

Shares are non-redeemable, and as such, there are no liquidity demands arising from investor redemptions. The Fund manages its liquidity risk by aligning the maturity profiles of its financial assets and liabilities. Liquidity requirements are primarily met through the collection of Murabaha profit receivables, which are structured to generate periodic contractual cash inflows. As at 31 December 2022 and 2021, the Fund maintained a positive liquidity gap within 12 months, indicating it held sufficient short-term financial assets to meet its current obligations.

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12. Financial risk and capital management (continued)

Financial risk factors (continued)

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 cashflows 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 as at 31 December 2022 and 2021.

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, and the management of the Fund is of the opinion that Fund's exposure to currency risk is minimal since the operating ratio is minimal as at 31 December 2022 and 2021.

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 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 as at 31 December 2022 and 2021.

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 determines the level of capital based on its planned operations and the associated risk exposure. There were no changes to the Fund's capital objectives, policies, or processes during the years ended 31 December 2022 and 2021. Capital comprises management shares and non-redeemable participating shares. As at 31 December 2022, the balances were EUR NIL and EUR 16,957,372 respectively (2021: EUR NIL and EUR 28,593,784). Management shares has been authorised however not paid.

The Fund is not subject to externally imposed capital requirements.

13. 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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14. Dividends

The Board of Directors have declared dividends amounting to EUR 2,514,620 as cash dividends to the shareholders of the Fund (2021: EUR 2,559,630). These dividends were paid from the Fund's capital (share premium account) rather than from operational profits, as the Fund recorded an operating loss of EUR 11,636,412 (2021: EUR 9,832,789). The Board of Directors authorised the distribution of dividends from the share premium account in accordance with the provisions of the Companies Act and the Articles of Association. As the Fund is approaching voluntary liquidation, future dividend declarations are subject to the Fund's liquidity position and recovery of Murabaha receivables.

During the year, EUR 2,498,216 were distributed as dividends relating to the fourth quarter of 2021 and first three quarters of 2022.

15. Bank loans and other borrowings

The Fund had no bank loans or other borrowings as at 31 December 2022 and 2021.

16. Security lending arrangements

As at 31 December 2022 and 2021, the Fund did not enter into any security lending arrangements.

17. Negotiability of assets

As at 31 December 2022 and 2021, there were no statutory or contractual requirements restricting the negotiability of the assets of the Fund.

18. Commitments

There were no subscriptions and redemptions pending at the years ended 31 December 2022 and 2021. No material commitments exist as at 31 December 2022 and 2021.

19. Contingent liabilities

The Fund had no material contingent liabilities as at 31 December 2022 and 2021.

20. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation in the current year's financial statements. However, such reclassification does not have any effect on the net income, net assets and equity of the previous year.

21. Events after the reporting period

- i) The geopolitical situation between Israel and Palestine intensified in October 2023 when Israel formally declared a state of war following the attacks by Hamas militants. The Investment Manager does not consider there to be any material impact or risk of potential future impact related directly to the war, even though the Fund has no direct or indirect business operations, interests, or investments in Israel and Palestine. The Investment Manager is, however, mindful of the overall economic uncertainty and negative impacts on the global economy and major financial markets arising from the war and the situation continues to be closely monitored.
- ii) On 5 December 2023 the Directors proposed and resolved that the Investment Term be further extended so that it will run beyond 31 December 2023 to the date the Fund is put into voluntary liquidation. As at the date the financial statements were authorised for issue, the Fund had not been placed into voluntary liquidation.
- iii) On 22 August 2024, the Fund signed amendment notices with TFI Invest SCS and TFI Europe SCS. The amendment signed resulted in significant changes to the total Murabaha profits and the duration of the contracts. As a result of these amendments, the Effective Profit Rate (EPR) for the agreements has been recalculated. The change in EPR directly impacted the Murabaha profits and the associated profit receivables. The new terms led to recognition of an expected credit loss on Murabaha profit receivables amounting to EUR 2,224,349, and adjustments in the recognition of Murabaha profit receivables, reflected in the Fund's financial statements for the year ended 31 December 2021.

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21. Events after the reporting period (Continued)

- iv) Further, on 06 May 2025 and 16 December 2025, the Fund signed amendment notices with TFI Invest SCS and TFI Europe SCS. The amendments resulted in extension of the contracts' maturity dates from 31 December 2024 to 31 December 2025 and subsequently to 31 December 2026. As a result of these amendments, the Effective Profit Rate (EPR) for the agreements has been recalculated. The change in EPR has directly impacted the Murabaha profits and the associated profit receivables. The new terms led to recognition of further expected credit loss on Murabaha profit receivables amounting to EUR 1,494,003, and adjustments in the recognition of Murabaha profit receivables, reflected in the Fund's financial statements for the year ended 31 December 2022.
- v) Subsequent to the reporting date, the Hannover asset was sold; however, the related sale proceeds have been partially received as of the date of approval of these financial statements. All extensions were made on terms substantially similar to the original agreements. As at the date of approval of these financial statements, the amounts due under the Murabaha financing arrangements, including related profit receivables, remained outstanding beyond their original maturity dates.

Management has assessed the financial impact of these extensions, including adjustments to the Murabaha schedules, principal amounts, and profit components, and this impact has been appropriately reflected in these financial statements. The implications for the expected credit loss (ECL) assessment under IFRS 9 were also evaluated and incorporated.

22. Approval of financial statements

These financial statements for the year ended 31 December 2022 were approved and authorised for issuance by the Director of the Fund on behalf of the shareholders on 03 March 2026.