

MEFIC REIT FUND
Managed by
MIDDLE EAST FINANCIAL INVESTMENT COMPANY
UNAUDITED INTERIM CONDENSED FINANCIAL
STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30
JUNE 2020
together with the
INDEPENDENT AUDITOR'S REVIEW REPORT

MEFIC REIT FUND
Managed by Middle East Financial Investment Company
**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REVIEW REPORT**
For the six months period ended 30 June 2020

INDEX	PAGE
Independent auditor's review report	2
Interim condensed statement of financial position	3
Interim condensed statement of comprehensive income	4
Interim condensed statement of changes in net assets attributable to Unitholders	5
Interim condensed statement of cash flows	6
Notes to the interim condensed financial statements	7 – 16

INDEPENDENT AUDITOR'S REVIEW REPORT

To: **The Unitholders of
MEFIC REIT FUND
Managed by Middle East Financial Investment Company
Riyadh, Kingdom of Saudi Arabia**

Introduction

We have reviewed the accompanying interim condensed financial statements of **MEFIC REIT Fund** ("the Fund") managed by Middle East Financial Investment Company ("MEFIC") that include the interim condensed statement of financial position as of 30 June 2020 and the related interim condensed statements of comprehensive income, changes in net assets attributable to Unitholders and cash flows for the six months period then ended, and a summary of selected significant accounting policies and other explanatory notes from (1) to (22).

Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 ("IAS 34") - "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

For **Dr. Mohamed Al-Amri & Co.**



Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh, on: 6 Muharram 1442 (H)
Corresponding to: 25 August 2020 (G)

MEFIC REIT FUND
Managed by Middle East Financial Investment Company
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020
(Saudi Riyals)

	Notes	30 June 2020 Unaudited	31 December 2019 Audited
ASSETS			
Investment properties	7	939,930,782	962,611,573
Intangible assets - right of benefit	8	135,672,489	219,697,453
Right of use asset	9	87,741,493	117,709,869
Accounts receivable	10	59,719,438	47,911,512
Prepaid expenses and other receivables		9,750,235	1,814,280
Cash and cash equivalents	11	8,311,032	2,288,484
Total assets		<u>1,241,125,469</u>	<u>1,352,033,171</u>
LIABILITIES			
Long term loans	12	347,222,486	302,322,486
Accounts payable	13	37,300,000	128,682,879
Lease liabilities	14	98,072,003	121,253,695
Contract liability	15	13,365,836	27,660,018
Fund Manager transaction fee	18	3,865,767	11,946,885
Accrued expenses and other liabilities	16	29,097,762	3,084,978
Finance charges payable		2,819,980	2,828,901
Total liabilities		<u>531,743,834</u>	<u>597,779,842</u>
Net assets attributable to Unitholders		<u>709,381,635</u>	<u>754,253,329</u>
Units in issue – numbers		<u>73,276,800</u>	<u>73,276,800</u>
Net assets value - per unit		<u>9.6808</u>	<u>10.2932</u>
Contingences and commitments	17		

The accompanying notes from 1 to 22 form an integral part of these interim condensed financial statements.

MEFIC REIT FUND
Managed by Middle East Financial Investment Company
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six months period ended 30 June 2020
(Saudi Riyals)

	Notes	<u>30 June 2020</u>	<u>30 June 2019</u>
INCOME			
Rental income		<u>40,290,047</u>	<u>43,667,295</u>
EXPENSES			
Finance cost		(8,101,291)	(8,713,214)
Amortization of right of benefit		(8,105,010)	(9,485,018)
Depreciation of investment properties		(3,106,857)	(2,403,194)
Depreciation of right of use assets	9	(4,928,451)	-
Financing cost on lease liabilities	14	(2,005,584)	-
Operating expenses		<u>(7,736,833)</u>	<u>(4,585,591)</u>
Total expenses		<u>(33,984,026)</u>	<u>(25,187,017)</u>
Operating profit for the period		6,306,021	18,480,278
Other non-operating income/(losses)			
Expected credit losses		(9,887,592)	(7,420,070)
Impairment of investment in properties	7	(19,573,934)	(2,514,969)
Loss on transfer of property	13	(4,889,724)	-
Other income		<u>1,492,735</u>	<u>72,684</u>
(Loss)/profit for the period		(26,552,494)	8,617,923
Other comprehensive income for the period		<u>-</u>	<u>-</u>
Total comprehensive (loss)/profit for the period		<u>(26,552,494)</u>	<u>8,617,923</u>

The accompanying notes from 1 to 22 form an integral part of these interim condensed financial statements.

MEFIC REIT FUND
 Managed by Middle East Financial Investment Company
**INTERIM CONDENSED STATEMENT OF CHANGE IN ASSETS ATTRIBUTABLE TO
 UNITHOLDERS (UNAUDITED)**
 For the six months period ended 30 June 2020
 (Saudi Riyals)

	30 June 2020	30 June 2019
Net assets value at 1 January	754,253,329	753,841,041
(Loss)/profit and total comprehensive (loss)/income for the period	(26,552,494)	8,617,923
Dividends declared (note 19)	(18,319,200)	-
Net assets value at 30 June	709,381,635	762,458,964
UNIT MOVEMENTS	2020	2019
Units at 1 January / 30 June	73,276,800	73,276,800

There were no further unit issued by the Fund.

The accompanying notes from 1 to 22 form an integral part of these interim condensed financial statements.

MEFIC REIT FUND
 Managed by Middle East Financial Investment Company
INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
 For the six months period ended 30 June 2020
 (Saudi Riyals)

	Note	<u>30 June 2020</u>	<u>30 June 2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
(Loss)/profit for the period		(26,552,494)	8,617,923
<i>Adjustments for non-cash items:</i>			
Amortization of right of benefit		8,105,010	9,485,018
Allowance for expected credit losses		9,887,592	7,420,070
Depreciation of right of use assets	9	4,928,451	-
Finance cost		8,101,291	8,713,214
Finance cost on lease liabilities	14	2,005,584	-
Impairment of investment in properties	7	19,573,934	2,514,969
Depreciation of investment properties		3,106,857	2,403,194
Loss on transfer of property		4,889,724	-
		34,045,949	39,154,388
<i>Changes in operating assets and liabilities:</i>			
Accounts receivable		(21,695,518)	(12,655,556)
Prepaid expenses and other receivables		(7,935,955)	(23,476)
Account payable		(20,500,000)	(29,140,519)
Contract liability		(14,294,182)	(10,674,369)
Accrued expenses and other liabilities		25,912,784	(2,534,525)
Fund transaction fee		(8,081,118)	-
Net cash used in operations		(12,548,040)	(15,874,057)
Financing cost paid		(8,110,212)	(10,169,710)
Net cash used in operating activities		(20,658,252)	(26,043,767)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Dividends paid	19	(18,219,200)	-
Repayment of lease hold liability		-	-
Loans obtained during the period		44,900,000	27,383,637
Net cash generated from financing activities		26,680,800	27,383,637
Net increase in cash and cash equivalents		6,022,548	1,339,870
Cash and cash equivalents at beginning of the period	11	2,288,484	4,744,218
Cash and cash equivalent at 30 June	11	8,311,032	6,084,088

The accompanying notes from 1 to 22 form an integral part of these interim condensed financial statements.

MEFIC REIT FUND
Managed by Middle East Financial Investment Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the six months period ended 30 June 2020
(Saudi Riyals)

1. THE FUND AND ITS ACTIVITIES

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

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

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

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

Investment properties

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

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

Drnef Ajjad: A four-star hotel located in Ajjad Road, Makkah Mukarramah. It has 203 rooms and 11 suites.

Drnef Kuddai: A three-stars hotel located in Al-Kudai District of Makkah on the third ring road. The hotel features 75 rooms in addition to 11 suites.

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

Right of benefits

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

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

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

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

As of the date of the issuance of the interim condensed financial statements for the six months ended 30 June 2020, management does not believe that the Covid-19 outbreak significantly affects the Fund’s operations. The Fund’s manager will continue to evaluate the nature and extent of the impact on its business and financial results.

MEFIC REIT FUND
Managed by Middle East Financial Investment Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the six months period ended 30 June 2020
(Saudi Riyals)

2. REGULATORY FRAMEWORK

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard - 34 "Interim Financial Reporting" as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") Fund's terms and conditions, so far as they relate to the preparation and presentation of the interim condensed financial statements.

These Interim condensed financial statements are unaudited. The disclosures made in these interim condensed financial statements have been limited in accordance with the requirements of International Accounting Standard - 34 "Interim Financial Reporting". This does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statements of the Fund for the year ended 31 December 2019.

The comparative statement of financial position presented in this interim condensed financial statements has been extracted from the annual audited financial statements of the Fund for the year ended 31 December 2019, whereas the comparative interim condensed statement of comprehensive income, interim condensed statement of changes in net assets attributable to unitholders, and interim condensed statement of cash flows are extracted from the unaudited interim condensed financial statements of the Fund for the six months period ended 30 June 2019.

3.2 Basis of measurement and going concern assumption

These financial statements have been prepared under the historical cost convention, using the accrual basis of accounting and the going concern concept.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in these interim condensed statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

3.3 Functional and presentation currency

These interim condensed financial statements have been presented in Saudi Arabian Riyals (SR), which is the functional currency of the Fund. All financial information presented has been rounded to the nearest SR unless stated otherwise.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this Interim condensed financial statements are the same as those applied in the preparation of audited annual financial statements of the Fund for the year ended 31 December 2019.

The Fund has adopted all the new amendments to existing standards, including any consequential amendments to other standards which are applicable for the financial year beginning on or after 1 January 2020. The adoption of these new and amended standards do not have any material effect on these interim condensed financial statements.

MEFIC REIT FUND
 Managed by Middle East Financial Investment Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
 For the six months period ended 30 June 2020
 (Saudi Riyals)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these interim condensed financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.

During the preparation of this interim condensed financial statements, the significant judgements made by the management in applying the Fund's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the audited annual financial statements of the Fund for the year ended 31 December 2019.

6. MANAGEMENT FEE AND OTHER CHARGES

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

Subscription fee

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

Management fee

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

Transaction fee

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

Loan arrangement fee

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

7. INVESTMENT PROPERTIES

The title of properties is in the name of AMAR Real Estate Development Company. The composition of investment properties as at the reporting date is as below:

As at 30 June 2020

Properties	Cost			Accumulated depreciation	Impairment	Net book value
	Land	Building	Total			
Drnef Ajyad	69,094,413	58,210,587	127,305,000	(2,546,713)	(1,756,942)	123,001,345
Drnef Kuddai	27,002,638	31,992,362	58,995,000	(1,399,666)	-	57,595,334
Tihama	37,177,236	8,272,764	45,450,000	(361,933)	(1,786,309)	43,301,758
Souq Sharq	587,870,252	93,779,748	681,650,000	(4,102,865)	(12,051,058)	665,496,077
The PAD*	9,934,082	45,285,475	55,219,557	(703,664)	(3,979,625)	50,536,268
	<u>731,078,621</u>	<u>237,540,936</u>	<u>968,619,557</u>	<u>(9,114,841)</u>	<u>(19,573,934)</u>	<u>939,930,782</u>

MEFIC REIT FUND
 Managed by Middle East Financial Investment Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
 For the six months period ended 30 June 2020
 (Saudi Riyals)

INVESTMENT PROPERTIES (continued)

As at 31 December 2019

Properties	Cost			Accumulated depreciation	Impairment	Net book value
	Land	Building	Total			
Drnef Ajyad	69,094,413	58,210,587	127,305,000	(1,819,082)	-	125,485,918
Drnef Kuddai	27,002,638	31,992,362	58,995,000	(999,761)	-	57,995,239
Tihama	37,177,236	8,272,764	45,450,000	(258,524)	-	45,191,476
Souq Sharq	587,870,252	93,779,748	681,650,000	(2,930,617)	-	678,719,383
The PAD*	9,934,082	48,399,319	58,333,401	-	(3,113,844)	55,219,557
	<u>731,078,621</u>	<u>240,654,780</u>	<u>971,733,401</u>	<u>(6,007,984)</u>	<u>(3,113,844)</u>	<u>962,611,573</u>

Fair value of investment properties

The fair values of investments properties as determined by two independents valuers Amaken Valuation Company (Valuer 1) and Taqdeer Company for Real Estate (Valuer 2) as at the reporting date are given below. Both of these valuers are members of the Saudi Authority of Accredited Valuers (Taqeem).

30 June 2020

	<u>Book value</u>	<u>Valuer 1</u>	<u>Valuer 2</u>
Drnef Ajyad	123,001,345	127,300,000	118,712,500
Drnef Kuddai	57,595,334	62,747,875	55,088,500
Tihama	43,301,758	46,000,000	40,603,515
Souq Sharq	665,496,077	674,000,000	657,041,500
The PAD*	50,536,268	49,000,000	52,072,535
	<u>939,930,782</u>	<u>959,047,875</u>	<u>923,518,550</u>

31 December 2019

	<u>Book value</u>	<u>Valuer 1</u>	<u>Valuer 2</u>
Drnef Ajyad	125,485,918	130,596,428	124,629,835
Drnef Kuddai	57,995,239	62,747,875	63,825,000
Tihama	45,191,476	51,250,000	40,603,515
Souq Sharq	678,719,383	679,000,000	676,630,972
The PAD	55,219,557	55,139,400	55,299,713
	<u>962,611,573</u>	<u>978,733,703</u>	<u>960,989,035</u>

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

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

MEFIC REIT FUND
 Managed by Middle East Financial Investment Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
 For the six months period ended 30 June 2020
 (Saudi Riyals)

8. INTANGIBLE ASSETS - RIGHT OF BENEFIT

30 June 2020

	Cost	Accumulated amortization	Net book value
Plaza 1	66,660,000	(14,961,025)	51,698,975
Dhiyapha	93,930,000	(9,956,486)	83,973,514
	160,590,000	(24,917,511)	135,672,489

31 December 2019

	Cost	Accumulated amortization	Net book value
Plaza 1	66,660,000	(10,686,446)	55,973,554
Plaza 2 (note 13)	82,820,000	(5,914,325)	76,905,675
Dhiyapha	93,930,000	(7,111,776)	86,818,224
	243,410,000	(23,712,547)	219,697,453

The Fund has acquired leasehold rights of the above stated properties (right of benefits). Since the rights are not acquired for a substantial portion of the useful lives of the properties, they are recognized as intangible assets. These rights are amortized over the remaining life of the right. The end dates for these right of benefits are as follows:

Plaza 1: 17 July 2026.

Plaza 2: 29 March 2036.

Dhiyapha: 1 April 2035.

Fair value of intangible assets

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

Right of benefit properties	As at 30 June 2020			As at 31 December 2019		
	Book value	Valuer 1	Valuer 2	Book value	Valuer 1	Valuer 2
Plaza 1	51,698,975	68,283,162	54,973,574	55,973,554	67,500,000	65,061,315
Plaza2	-	-	-	76,905,675	82,237,740	84,273,710
Dhiyapha	83,973,514	90,000,000	85,723,963	86,818,224	92,500,000	95,250,603
	135,672,489	158,283,162	140,697,537	219,697,453	242,237,740	244,585,628

9. RIGHT-OF-USE ASSET

	30 June 2020
Land	
Cost	
Balance as at 1 January 2020	128,491,729
Additions	-
Transferred to Fund Manager (note 13)	(26,955,908)
Balance as at 30 June 2020	101,535,821
Accumulated Depreciation:	
Balance as at 1 January 2020	(10,781,860)
Charge for the year	(4,928,451)
Transferred to Fund Manager (note 13)	1,915,983
Balance as at 30 June 2020	(13,794,328)
Net book value as at 30 June 2020	87,741,493
Net book value as at 31 December 2019	117,709,869

MEFIC REIT FUND
 Managed by Middle East Financial Investment Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
 For the six months period ended 30 June 2020
 (Saudi Riyals)

10. ACCOUNTS RECEIVABLE

	30 June 2020	31 December 2019
Rent receivable	66,862,057	45,166,539
Acquisition transaction receivables	5,908,381	5,908,381
Less: Allowance for expected credit losses	(13,051,000)	(3,163,408)
	59,719,438	47,911,512

Movement in allowance for expected credit losses is as follows:

	30 June 2020	31 December 2019
Balance at beginning of the period	3,163,408	-
Increase in expected credit losses during the period	9,887,592	3,163,408
Balance at the end of the period	13,051,000	3,163,408

11. CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019
Cash at bank in current accounts	5,486,824	92,479
Cash held with custodian	2,824,208	2,196,005
	8,311,032	2,288,484

12. LONG TERM LOANS

The SPV of the fund AMAR Real Estate Development Company has obtained an Islamic financing facility with Al-Riyadh Bank amounting to SR 400,000,000 for the purpose of financing the real estate investments of the Fund. The loan carries a profit rate at SAIBOR plus 2.15% per annum. The effective profit rate during the period was 4.77% to 4.89% per annum. The loan is repayable after 7 years. The outstanding drawdown as at 30 June 2020 was SR 347.22 million (31 December 2019: 302.32 million). The financial charges payable on this loan as at 30 June 2020 were SR 2.8 million (31 December 2019: SR 2.83 million). The loan is secured against investment properties of the Fund for a maximum exposure of double the amount of loan.

13. ACCOUNTS PAYABLE

	Notes	30 June 2020	31 December 2019
JESER Real Estate Development Company*	18	-	70,882,879
Higher Education Fund (unitholder of Souq Sharq Fund)	18	26,200,000	30,200,000
Nasser Al-Dosseri (unitholder of Al-Qannas Fund)	18	-	16,500,000
Al-Rukn Al-Mateen (unitholder of Al-Qannas Fund)	18	10,000,000	10,000,000
Dividend payable to Al-Rukn Al-Mateen (Unitholder of Al-Qannas Fund)	18	1,100,000	1,100,000
		37,300,000	128,682,879

* During the period, the Fund transferred a property (Plaza 2) to JESER Real Estate Development Company (subsidiary of the Fund Manager) and the piece of leased land as settlement of amount due. The property and the land had book value at 31 December 2019 amounting to SR 76.9 million and SR 25.37 million respectively. The transfer of Plaza 2 resulted in a loss of SR 4.90 million. The transfer of the net assets was concluded on 29 April 2020. Following table details the de-recognition of balances as a result of transfer:

MEFIC REIT FUND
Managed by Middle East Financial Investment Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the six months period ended 30 June 2020
(Saudi Riyals)

ACCOUNTS PAYABLE (continued)

	Notes	<u>30 June 2020</u>
Assets de-recognized		
Intangible assets - right of benefit – Plaza 2 cost on 31 December 2019	8	82,820,000
Intangible assets - right of benefit – Plaza 2 accumulated amortization on 31 December 2019	8	(5,914,325)
Intangible assets - right of benefit – Plaza 2 amortization for the period	8	(985,721)
Right of use asset –Plaza 2 land cost on 31 December 2019	9	26,955,908
Right of use asset –Plaza 2 land opening accumulated depreciation on 31 December 2019	9	(1,585,641)
Right of use asset –Plaza 2 land depreciation for the period	9	(330,342)
		100,959,879
Liabilities de-recognized		
Lease liabilities relating to land of Plaza 2 on 31 December 2019	14	25,187,276
Payable to JESER Real Estate Development Company on 31 December 2019	13	70,882,879
		96,070,155
Loss on transfer of property		4,889,724

14. LEASE LIABILITIES

	<u>30 June 2020</u>
Balance at 1 January 2020	121,253,695
Finance cost	2,005,584
Transferred to Fund Manager (note 13)	(25,187,276)
Balance at 30 June 2020	98,072,003

15. CONTRACT LIABILITY

	<u>30 June 2020</u>	31 December 2019
Unearned rent revenue in the beginning of the period	27,660,018	46,685,551
Recognized in rental income during the period	(2,794,182)	(19,025,533)
Transferred to accrued expenses and other liabilities (note 16)	(11,500,000)	-
Unearned rent revenue in the end of the period	13,365,836	27,660,018

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	<u>30 June 2020</u>	31 December 2019
Payable to Fahad Ibrahim Saad Almoussa*	20,500,000	-
Operational expenses payable	500,342	1,603,747
Transaction cost payable	448,240	448,240
Legal and registration fees	378,333	210,000
Valuation expenses	67,009	108,203
Custody fee	427,917	250,290
Audit fee	17,000	84,000
Management fee payable	1,609,591	360,810
Shariah fee	30,104	19,688
Dividends payable	100,000	-
VAT payable	4,359,646	-
Facility arrangement fee	222,209	-
Others	437,371	-
	29,097,762	3,084,978

MEFIC REIT FUND
 Managed by Middle East Financial Investment Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
 For the six months period ended 30 June 2020
 (Saudi Riyals)

ACCRUED EXPENSES AND OTHER LIABILITIES (continued)

*During the period, Fahad Ibrahim Saad Almoussa, a master tenant for the investment properties Drnef Ajyad and Drnef Kuddai proposed to cancel the master tenancy agreement with the Fund on 26 September 2020. The Fund agreed to cancel the master tenancy agreement and as a result, the Fund is obliged to repay the unused advance received in prior year amounting to SR 12 million out of which SR 0.5 million was repaid during the period. The Fund also agreed to reimburse the amount of VAT amounting to SR 9 million paid by master tenant to Authority in respect of initial sale of properties in 2018.

17. CONTINGENCIES AND COMMITMENTS

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

18. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

The transactions with related parties for the period ended 30 June 2020 are as follows:

<u>Related Party</u>	<u>Nature of transaction</u>	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Middle East Financial Investment Company	Purchase of units	a	80,930	4,186,387
Fund 2 (Fund managed by the Fund Manager)	Sale of units	a	1,703,153	-
Higher Education Fund (Unitholder of Souq Sharq Fund)	Principal repayment		4,000,000	30,000,000
Middle East Financial Investment Company (the "Fund Manager")	Management fee		1,248,780	-
	Facility management fee		222,209	-
Nasser Al-Dosseri (unitholder of Al-Qannas Fund)	Principal repayment		16,500,000	-

- a) Middle East Financial Investment Company Fund 2 (Fund managed by the Fund Manager) purchased and sold MEFIC REIT Fund units from Saudi Stock Market. As at 30 June 2020, this fund owns 203,000 units (31 December 2019: 471,440 units) in MEFIC REIT Fund, which is equal to 0.28% (31 December 2019: 0.64%) of total REIT units. The market value per unit of MEFIC REIT Fund as at the reporting date was 6.21 SR per unit.

MEFIC REIT FUND
 Managed by Middle East Financial Investment Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
 For the six months period ended 30 June 2020
 (Saudi Riyals)

TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

Related party balances as at reporting dates were as follows:

<u>Related Party</u>	<u>Balance</u>	<u>As at 30 June 2020</u>	<u>As at 31 December 2019</u>
Middle East Financial Investment Company (the "Fund Manager")	Transaction fee payable	3,865,767	11,946,885
	Management fee payable	1,609,591	360,810
	Facility management fee payable	222,209	-
JESER Real Estate development Company	Payable for Souq Sharq Property	-	70,882,879
Higher Education Fund (Unitholder of Souq Sharq Fund)	Unpaid principal	26,200,000	30,200,000
Nasser Al-Dosseri (Unitholder of Al-Qannas Fund)	Unpaid principal	-	16,500,000
Al-Rukn Al-Mateen (Unitholder of Al-Qannas Fund)	Unpaid principal	10,000,000	10,000,000
Dividend payable to Al-Rukn Al-Mateen (Unitholder of Al-Qannas Fund)	Unpaid principal	1,100,000	1,100,000

All Funds managed by Fund Manager and their previous Unitholders are treated as related parties for disclosure purpose.

19. DIVIDENDS

On 31 March 2020, the Fund announced dividend of 0.25 per unit and total liability in this regard was recognized amounting to SR 18.32 million out of which, 0.1 million is unpaid as of 30 June 2020.

20. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest rate risk).

This interim condensed financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Fund's audited annual financial statements for the year ended 31 December 2019.

There have been no significant changes in the risk management policies since the year end.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

MEFIC REIT FUND
Managed by Middle East Financial Investment Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the six months period ended 30 June 2020
(Saudi Riyals)

FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

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

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

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

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

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

Financial assets and liabilities

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

Non-Financial assets

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

Transfers between fair value hierarchy

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

21. LAST VALUATION DATE

The last valuation date of the period was 30 June 2020.

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board on 6 Muharram, 1442 H corresponding to 25 August 2020G.
