

MEFIC REIT Fund
Managed by Middle East Financial Investment Company
Riyadh - Kingdom of Saudi Arabia
Unaudited Interim Condensed Financial Statements
For the Six Months Period Ended 30 June 2021
Together with the Independent Auditor's Review Report

Index

	Page	Exhibit
Independent auditor's review report on interim condensed financial statements	1	--
Interim condensed statement of financial position as of 30 June 2021 (Unaudited)	2	A
Interim condensed Statement of comprehensive income for the Six-Months Period Ended 30 June 2021 (Unaudited)	3	B
Interim condensed Statement of changes in net assets attributable to Unitholders for the Six-Months Period Ended 30 June 2021 (Unaudited)	4	C
Interim condensed Statement of cash flows for the Six-Months Period Ended 30 June 2021 (Unaudited)	5	D
Notes to Interim condensed financial statements for the Six-Months Period Ended 30 June 2021 (Unaudited)	6-15	--



Independent Auditor's Review Report on Interim Condensed Financial Statements

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 included the interim condensed statement of financial position as of 30 June 2021 and the related interim condensed statements of comprehensive income, changes in net assets attributable to Unitholders and cash flow for the six-months period then ended, and a summary of selected significant accounting policies and other explanatory notes from (1) to (21).

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 cause 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.

Other Matter:

The interim condensed financial statements of the fund for the period ended 30 June 2020 were reviewed by another auditor who has issued an unmodified conclusion on the interim condensed financial statements dated 25 August 2020 and the financial statement of the fund for the year ended 31 December 2020 were audited by another auditor who has issued an unmodified opinion on the financial statements dated 31 March 2021.

For Talal Abu-Ghazaleh & Co.



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

09 Muharram 1443H.
17 August 2021G



MEFIC REIT Fund
 Managed by Middle East Financial Investment Company
 Riyadh - Kingdom of Saudi Arabia
 Interim Condensed Statement of Financial Position
 As of 30 June 2021

Exhibit A

	Note	30 June 2021 Unaudited SR.	31 December 2020 Audited SR.
Assets			
Investment properties	(5)	827,847,072	918,847,029
Intangible assets – right of benefit	(6)	115,402,312	128,553,200
Right-of-use assets	(7)	76,032,241	80,641,904
Accounts receivable	(8)	33,726,104	31,237,558
Prepaid expenses and other receivables		5,201,775	6,513,560
Cash and cash equivalents	(9)	2,293,777	5,305,593
Total Assets		1,060,503,281	1,171,098,844
Liabilities			
Sharia-Compliant long term financing	(10)	347,222,486	347,222,486
Accounts payables	(11)	43,300,000	47,300,000
Lease liabilities	(12)	86,778,983	92,415,256
Contracts liabilities	(13)	7,132,385	5,821,308
Fund Manager transaction fees		2,630,666	2,630,666
Accrued expenses and other liabilities	(14)	8,427,520	3,523,548
Finance charges payable		6,851,421	2,495,715
Total Liabilities		502,346,461	501,408,979
Net Assets (equity) attributable to Unitholders		558,156,820	669,689,865
Units in issue (numbers)		73,276,800	73,276,800
Net assets attributable to each unit		7.6171	9.1392

**The Accompanying Notes from (1) to (21) Constitute an Integral Part of
 These Interim Condensed Financial Statements**

MEFIC REIT Fund
Managed by Middle East Financial Investment Company
Riyadh - Kingdom of Saudi Arabia
Interim Condensed Statement of Comprehensive Income
For the Year Ended 31 December 2019 (Unaudited)

Exhibit B

	<u>30 June 2021</u>	<u>30 June 2020</u>
	SR.	SR.
Income		
Rental income	27,382,935	40,290,047
Total revenue	<u>27,382,935</u>	<u>40,290,047</u>
Expenses		
Finance cost	(8,423,583)	(8,101,291)
Amortization of right of benefit	(7,119,288)	(8,105,010)
Depreciation of investment properties	(3,106,857)	(3,106,857)
Depreciation of right of use assets	(4,609,663)	(4,928,451)
Financing cost on lease liabilities	(2,184,371)	(2,005,584)
Operating expenses	(7,780,838)	(7,736,833)
Total expenses	<u>(33,224,600)</u>	<u>(33,984,026)</u>
Operating (loss) / profit for the period	<u>(5,841,665)</u>	<u>6,306,021</u>
Other Non-Operating Income / (Losses)		
Expected credit losses for accounts receivable	(5,435,628)	(9,887,592)
Expected credit losses reversal for account receivable	4,411,772	--
Impairment losses of prepaid expenses and other	(1,427,032)	--
Impairment of investment properties	(89,778,983)	(19,573,934)
Impairment reversal of investment properties	1,885,882	--
Impairment of intangible assets-right of benefit	(6,031,600)	--
Loss on disposal of property, plant and equipment	--	(4,889,724)
Other income	1,656,882	1,492,735
Net (loss) for the period	<u>(100,560,372)</u>	<u>(26,552,494)</u>
Other comprehensive income for the period	--	--
Total comprehensive (loss) for the period	<u>(100,560,372)</u>	<u>(26,552,494)</u>

The Accompanying Notes from (1) to (21) Constitute an Integral Part of
These Interim Condensed Financial Statements

MEFIC REIT Fund
Managed by Middle East Financial Investment Company
Riyadh - Kingdom of Saudi Arabia
Interim Condensed Statement of Changes in Equity
For the Year Ended 30 June 2021 (Unaudited)

Exhibit C

	<u>30 June 2021</u>	<u>30 June 2020</u>
	<u>SR.</u>	<u>SR.</u>
Net assets value at 1 January	669,689,865	754,253,329
Total comprehensive (loss) for the period	(100,560,372)	(26,552,494)
Dividends – Note (17)	(10,972,673)	(18,319,200)
Net assets value as of 30 June	<u>558,156,820</u>	<u>709,281,635</u>
<u>Unit Movements</u>		
Number of Units on 01 January 1 / 30 June	<u>73,276,800</u>	<u>73,276,800</u>

- There were no further unit issued by the Fund.

**The Accompanying Notes from (1) to (21) Constitute an Integral Part of
These Interim Condensed Financial Statements**

MEFIC REIT Fund
 Managed by Middle East Financial Investment Company
 Riyadh - Kingdom of Saudi Arabia
 Interim Condensed Statement of Cash Flows
 For the Year Ended 31 December 2019 (Unaudited)

Exhibit D

	30 June 2021	30 June 2020
	SR.	SR.
Cash Flow from Operating Activities		
(Loss) for the period	(100,560,372)	(26,552,494)
Adjustments for non-cash income		
Amortization of right of benefit	7,119,288	8,105,010
Impairment losses of intangible assets – right of benefits	6,031,600	--
Allowance for expected credit losses	6,862,660	9,887,592
Expected credit losses reversal for accounts receivable	(4,411,772)	--
Depreciation of right of use assets	4,609,663	4,928,451
Finance cost	8,423,583	8,101,291
Finance cost on lease liabilities	2,184,371	2,005,584
Impairment of investment in properties	89,778,983	19,573,934
Impairment reversal of investment properties	(1,885,882)	--
Depreciation of investment properties	3,106,857	3,106,857
Loss on transfer of property	--	4,889,724
	<u>21,258,979</u>	<u>34,045,949</u>
Changes in Operating Assets and Liabilities		
Accounts receivable	(7,924,174)	(21,695,518)
Prepaid expenses and other receivables	1,311,785	(7,935,955)
Accounts payables	(4,000,000)	(20,500,000)
Contracts liabilities	1,311,077	(14,294,182)
Accrued expenses and other liabilities	4,903,972	25,912,784
Fund transaction fees	--	(8,081,118)
Cash Generated from / (used in) Operations	<u>16,861,639</u>	<u>(12,548,040)</u>
Financing cost paid	(1,080,138)	(8,110,212)
Net cash from / (used in) operating activities	<u>15,781,501</u>	<u>(20,658,252)</u>
Cash Flow from Financing Activities		
Dividends paid	(10,972,673)	(18,219,200)
Payment of lease liabilities during the period	(7,820,644)	--
Loans obtained during the period	--	44,900,000
Net cash generated (used in) / from financing activities	<u>(18,793,317)</u>	<u>26,680,800</u>
Net (decrease) / increase in cash and cash equivalents	<u>(3,011,816)</u>	<u>6,022,548</u>
Cash and cash equivalents at beginning of the period	5,305,593	2,288,484
Cash and Cash Equivalents at End of the period – Exhibit A	<u>2,293,777</u>	<u>8,311,032</u>

The Accompanying Notes from (1) to (21) Constitute an Integral Part of
 These Interim Condensed Financial Statements

MEFIC REIT Fund
Managed by Middle East Financial Investment Company
Riyadh - Kingdom of Saudi Arabia
Notes to the Interim Condensed Financial Statements
For the Six months period ended 30 June 2021 (Unaudited)

1- Formation and Nature of Business:

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

The Fund is listed in Saudi Stock Exchange Market (“Tadawul”) and the units of the REIT are traded under its laws and regulations. The capital of the fund is 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 Ajyad: A four-star hotel located in Ajyad Road, Makkah Mukarramah. It has 203 rooms and 11 suites.

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

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

Right of benefits

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

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

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 2021, 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.

Regulatory Framework:

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

2- Basis of Preparation:

2/1 Statement of compliance:

These 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 Chartered and Certified accountant ("SOCPA") and the requirements of the Real Estate Investment Funds Regulations as published by CMA and the Fund's terms and conditions, so far as they relate to the preparation and presentation of the financial statements.

These Interim condensed financial statements are unaudited. The disclosures made in this 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 2020.

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 2020, 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 2020.

2/2 Basis of measurement and going concern principal:

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

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

2/3 Functional and presentation currency:

These financial statements have been presented in Saudi Riyals (SR), which is the functional and presentation currency of the Fund. All financial information has been rounded to the nearest Saudi Riyal.

2/4 Critical Accounting Estimates and Judgements:

The preparation of this 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 2020.

3- 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 2020.

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 2021. 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
Riyadh - Kingdom of Saudi Arabia
Notes to the Interim Condensed Financial Statements
For the Six months period ended 30 June 2021 (Unaudited)

4- 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.

MEFIC REIT Fund
Managed by Middle East Financial Investment Company
Riyadh - Kingdom of Saudi Arabia
Notes to the Interim Condensed Financial Statements
For the Six months period ended 30 June 2021 (Unaudited)

5- Investment Properties:

The details of the cost and accumulated depreciation and impairment in value are as follows:

	Cost						
	Land	Building	Total	Accumulated depreciation	Impairment period	Impairment reversal	Net book value
<u>As of 30 June 2021</u>	SR.	SR.	SR.	SR.	SR.	SR.	SR.
Drnef Aiyad	69,094,413	45,871,525	114,965,938	(4,001,978)	(6,588,961)	--	104,374,999
Drnef Kuddai	27,002,638	27,463,987	54,466,625	(2,199,475)	(2,629,650)	--	49,637,500
Tihama	37,177,236	6,133,045	43,310,281	(568,753)	(4,483,682)	--	38,257,846
Souq Sharq	587,870,252	80,581,115	668,451,367	(6,447,358)	(76,076,690)	--	585,927,319
The PAD	9,934,082	39,940,436	49,874,518	(2,110,992)	--	1,885,882	49,649,408
Balance at 30/06/2021	731,078,621	199,990,108	931,068,729	(15,328,556)	(89,778,983)	1,885,882	827,847,072
<u>As of 31 December 2020</u>	Land	Building	Total	Accumulated depreciation	Impairment	Net book value	
	SR.	SR.	SR.	SR.	SR.	SR.	
Drnef Aiyad	69,094,413	58,210,587	127,305,000	(3,274,347)	(12,339,062)	111,691,591	
Drnef Kuddai	27,002,638	31,992,362	58,995,000	(1,799,570)	(4,528,375)	52,667,055	
Tihama	37,177,236	8,272,764	45,450,000	(465,343)	(2,139,719)	42,844,938	
Souq Sharq	587,870,252	93,779,748	681,650,000	(5,275,110)	(13,198,633)	663,176,257	
The PAD	9,934,082	45,285,475	55,219,557	(1,407,329)	(5,345,040)	48,467,188	
Balance at 31/12/2020	731,078,621	237,540,936	968,619,557	(12,221,699)	(37,550,829)	918,847,029	

MEFIC REIT Fund
Managed by Middle East Financial Investment Company
Riyadh - Kingdom of Saudi Arabia
Notes to the Interim Condensed Financial Statements
For the Six months period ended 30 June 2021 (Unaudited)

Fair value of investment properties

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

<u>As of 30 June 2021</u>	Net Book value		Valuer (1)		Valuer (2)	
	SR.		SR.		SR.	
Drnef Aiyad	104,374,999		103,750,000		105,000,000	
Drnef Kuddai	49,637,500		51,875,000		47,400,000	
Tihama	38,257,846		37,415,693		39,100,000	
Souq Sharq	585,927,319		585,078,638		586,776,000	
The PAD*	49,649,408		52,745,315		46,553,496	
Balance at 30/06/2021	827,847,072		830,864,464		824,829,496	
<u>As of 31 December 2020</u>						
	Net Book value		Valuer (1)		Valuer (2)	
	SR.		SR.		SR.	
Drnef Aiyad	111,691,591		114,000,000		112,293,715	
Drnef Kuddai	52,667,055		54,186,300		52,747,428	
Tihama	42,844,938		40,603,515		45,500,000	
Souq Sharq	663,176,257		674,000,000		657,041,500	
The PAD*	48,467,188		52,072,535		47,676,497	
Balance at 31/12/2020	918,847,029		934,862,350		915,259,140	

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

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

MEFIC REIT Fund
Managed by Middle East Financial Investment Company
Riyadh - Kingdom of Saudi Arabia
Notes to the Interim Condensed Financial Statements
For the Six months period ended 30 June 2021 (Unaudited)

6- Intangible Assets – Right of Benefit:

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

<u>As of 30 June 2021</u>	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Impairment</u>	<u>As at 30 June 2021</u>
	<u>SR.</u>	<u>SR.</u>	<u>SR.</u>	<u>SR.</u>
Plaza 1	66,660,000	23,510,181	(6,031,312)	37,118,219
Dhiyapha	93,930,000	15,645,907	--	78,284,093
Balance as at 30/06/2021	160,590,000	(39,156,088)	(6,031,312)	115,402,312

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

The Fund 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

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).

	<u>As of 30 June 2021</u>		
	<u>Book value</u>	<u>Valuer 1</u>	<u>Valuer 2</u>
	<u>SR.</u>	<u>SR.</u>	<u>SR.</u>
Plaza 1	43,149,819	36,136,439	38,100,000
Dhiyapha	78,284,093	88,216,375	80,700,000
Total	121,433,912	124,352,814	118,800,000

	<u>As of 31 December 2020</u>		
	<u>Book value</u>	<u>Valuer 1</u>	<u>Valuer 2</u>
	<u>SR.</u>	<u>SR.</u>	<u>SR.</u>
Plaza 1	47,424,297	53,400,000	45,170,560
Dhiyapha	81,128,803	90,000,000	93,528,440
Total	128,553,200	143,400,000	138,699,000

7- Right of use Assets:

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

	<u>30 June 2021</u>
	<u>SR.</u>
<u>Cost</u>	
Balance at 01 January 2021	99,057,448
Additional during the year period	--
Balance at 30 June 2021	99,057,448
<u>Accumulated Depreciation:</u>	
Balance at 01 January 2021	18,415,544
Depreciation for the period	4,609,663
Balance at 30 June 2021	23,025,207
Right of use assets, net – 30 June 2021 – Exhibit A	76,032,241
Right of use assets, net – 31 December 2020 – Exhibit A	80,641,904

MEFIC REIT Fund
Managed by Middle East Financial Investment Company
Riyadh - Kingdom of Saudi Arabia
Notes to the Interim Condensed Financial Statements
For the Six months period ended 30 June 2021 (Unaudited)

8- Accounts Receivable:

a) The details of this item are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
	SR.	SR.
Rent receivable	59,437,552	51,513,378
Other receivable*	4,230,010	4,230,010
Acquisition gain receivables	5,908,381	5,908,381
Less: Allowance for expected credit losses	(35,849,839)	(30,414,211)
Total – Exhibit A	<u>33,726,104</u>	<u>31,237,558</u>

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

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

	<u>30 June 2021</u>	<u>31 December 2020</u>
	SR.	SR.
Balance at the beginning of the year	30,414,211	3,163,408
Increase in expected credit losses during the year	5,435,628	27,250,803
Balance at the end of the year	<u>35,849,839</u>	<u>30,414,211</u>

9- Cash and Cash Equivalents:

The details of this item are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
		SR.
Cash held with custodian	50,986	50,986
Cash with a special purpose company	2,242,791	5,254,607
Total – Exhibit B	<u>2,293,777</u>	<u>5,305,593</u>

10- Sharia-Compliant Long-Term Financing:

The SPV of the fund AMAR Real Estate Development Company has obtained an Islamic financing facility with Al-Riyadh Bank amounting to SR 400,000,000 for the purpose of financing the real estate investments of the Fund. The loan carries a profit rate at SAIBOR plus 2.15%. The effective profit rate during the period was 4.77% to 4.89%. The loan is repayable after 7 years. On 16 February 2020, second tranche of loan amounting to SR 44,900,000 was received.

The loan balance as at 30 June 2021 was SR 347.22 million (2020: SR.347.22 million). The financial 30 June 2021 charges payable on this loan as at were SR 6.9 million (2020: SR.2.5 million). The loan is secured against investment properties of the Fund for a maximum exposure of double the amount of loan.

11- Accounts Payables:

The details of this item are as follows:

	<u>Note</u>	<u>30 June 2021</u>	<u>31 December 2020</u>
			SR.
Payable to Fahad Ibrahim Saad Al Moussa*		12,000,000	16,000,000
Higher Education Fund - DPM managed by the Fund Manager	(16)	20,200,000	20,200,000
Al-Rukn Al-Mateen (Unitholder of Al-Qannas Fund)	(16)	10,000,000	10,000,000
Dividend payable to Al-Rukn Al-Mateen (Unitholder of Al-Qannas Fund)	(16)	1,100,000	1,100,000
Total – Exhibit A		<u>43,300,000</u>	<u>47,300,000</u>

MEFIC REIT Fund
Managed by Middle East Financial Investment Company
Riyadh - Kingdom of Saudi Arabia
Notes to the Interim Condensed Financial Statements
For the Six months period ended 30 June 2021 (Unaudited)

* During the year, Fahad Ibrahim Saad Al Moussa, a master tenant for the investment properties Drnef Ajjad and Drnef Kuddai proposed to cancel the master tenancy agreement with the Fund on 1 March 2020 and agree to pay a penalty of SR 8.9 million. The Fund agreed to cancel the master tenancy agreement and as a result, the Fund is obliged to repay the unused advance received in prior year amounting to SR 12 million. The Fund also agreed to reimburse the amount of VAT amounting to SR 9 million paid by master tenant to GAZT in respect of initial sale of properties in 2018. SR 5 million was paid during previous the year and paid 4 million during the current period.

12- Lease Liabilities:

The details of this item are as follows:

	<u>30 June 2020</u>	<u>31 December 2020</u>
	SR.	SR.
Balance as at 1 January	92,415,256	121,253,695
Finance cost changed to the period	2,184,371	(5,275,230)
Payment made	(7,820,644)	(5,900,000)
Decrease in lease liability as a result of lease reassessment	--	(2,978,373)
Transferred to the Fund Manager	--	(25,511,569)
Lease transfer adjustment	--	(223,727)
Balance at end of the period / year	<u>86,778,983</u>	<u>92,415,256</u>

13- Contracts Liabilities:

The details of this item are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
	SR.	SR.
Unearned rent revenue in the beginning of the period / year	5,821,308	27,660,018
Recognized in rental income during the period / year	(7,118,979)	(28,825,915)
Advanced received during the period / year	8,430,056	18,987,205
Transferred to accrued expenses	--	(12,000,000)
Balance at the end of the period / year – Exhibit A	<u>7,132,385</u>	<u>5,821,308</u>

14- Accrued Expenses and Other Liabilities:

The details of this item are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
	SR.	SR.
Operational expenses payable	5,478,747	1,753,896
Legal fees	203,633	203,633
Valuation expenses	39,048	44,920
Custody fee	41,691	23,888
Audit fee	68,250	51,000
Management fee payable	2,223,268	1,098,008
Shariah fee	59,063	44,688
VAT payable	50,497	40,192
Others	263,323	263,323
Total – Exhibit A	<u>8,427,520</u>	<u>3,523,548</u>

15- Contingencies and Commitments:

There were no contingencies and commitments as at the reporting date.

MEFIC REIT Fund
Managed by Middle East Financial Investment Company
Riyadh - Kingdom of Saudi Arabia
Notes to the Interim Condensed Financial Statements
For the Six months period ended 30 June 2021 (Unaudited)

16- 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 are as follows:

	Nature of transaction	Transaction amount 30 June 2021	Transaction amount 30 June 2020
		SR.	SR.
Middle East Financial Investment Company	Purchase of units	--	80,930
Fund 2 (Fund managed by the Fund Manager)	Sale of units	--	1,703,153
Higher Education Fund (Unitholder of Souq Sharq Fund)	Principal repayment	--	4,000,000
Middle East Financial Investment Company (the "Fund Manager")	Management fee	978,487	1,248,780
Nasser Al-Dosseri (unitholder of Al-Qannas Fund)	Management fee	--	222,209
	Liabilities repayment	--	16,500,000
	Nature of transaction	Balance as of 30 June 2021	Balance as of 31 December 2020
		SR.	SR.
Middle East Financial Investment Company "Fund Manager")	Transaction fee payable	2,630,666	3,630,666
	Management fee	2,223,268	1,098,008
Higher Education Fund – DPM managed by the Fund Manager	Unpaid principal	20,200,000	20,200,000
Al-Rukn Al-Mateen (Unitholder of Al-Qannas Fund)	Unpaid principal	10,000,000	10,000,000
Dividend payable to Al-Rukn Al-Mateen (Unitholder of Al-Qannas Fund)	Unpaid principal	1,100,000	1,100,000

17- Dividends:

On 31 March 2021, the Fund announced dividend of 0.15 per unit and total liability in this regard was recognized amounting to SR 10.97 million out of which.

18- 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 2020.

There have been no significant changes in the risk management policies since 31 December 2020.

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.

MEFIC REIT Fund
Managed by Middle East Financial Investment Company
Riyadh - Kingdom of Saudi Arabia
Notes to the Interim Condensed Financial Statements
For the Six months period ended 30 June 2021 (Unaudited)

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

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

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

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

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

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

Financial assets and liabilities:

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

Non-Financial assets

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.

19- Approval of Interim Condensed Financial Statements:

These interim condensed financial statements were approved by the Fund Board on 09 Muharram 1443H. corresponding to 17 August 2021G.

20- Last Valuation Day:

The last valuation date of the period was 30 June 2021.

21- General:

The figures in the interim condensed financial statements are rounded to the nearest Saudi Riyal.