

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2020**  
together with the  
**INDEPENDENT AUDITOR'S REPORT**

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT**  
**For the year ended 31 December 2020**

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<b>INDEX</b>	<b>PAGE</b>
Independent auditor's report	2 - 4
Consolidated statement of financial position	5
Consolidated statement of profit or loss	6
Consolidated statement of comprehensive income	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10 - 50

**INDEPENDENT AUDITOR'S REPORT ON  
CONSOLIDATED FINANCIAL STATEMENTS**

**To the Shareholders of**

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**

(A Saudi Closed Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

**Opinion**

We have audited the consolidated financial statements of **Middle East Financial Investment Company** (the "Company"), and its subsidiary JESER Real Estate Development Company (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

**Basis for opinion**

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

**Other information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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



### **Responsibilities of management and Those Charged with Governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia and Regulations of Companies requirements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Those Charged with Governance, in particular the Audit Committee, are responsible for overseeing the Group's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Company's/Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

#### Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

For Dr. Mohamed Al-Amri & Co.



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



Riyadh, on 30 March 2021G  
Corresponding to: 17 Sha'ban 1442H

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2020  
(Saudi Riyals)

	Notes	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	5	174,367,920	161,074,366
Property and equipment	6	808,442	1,118,032
Right of use asset	7	33,017,866	-
Intangible assets	8	1,760,363	1,983,007
Deferred tax asset	9	204,029	398,909
Due from related parties	10	-	82,209,233
Leasehold hotel building under construction	11	70,882,879	-
<b>Total non-current assets</b>		<b>281,041,499</b>	<b>246,783,547</b>
<b>Current assets</b>			
Cash and cash equivalents	12	47,716,148	18,105,670
Investments	5.2	8,000,000	-
Deposit against letter of guarantee		-	8,986,850
Due from related parties	10	6,000,000	76,882,879
Accrued income and other assets	13	41,336,680	39,944,145
<b>Total current assets</b>		<b>103,052,828</b>	<b>143,919,544</b>
<b>TOTAL ASSETS</b>		<b>384,094,327</b>	<b>390,703,091</b>
<b>EQUITY</b>			
Share capital	14	400,000,000	400,000,000
Statutory reserve	15	12,917,626	12,917,626
Accumulated losses		(93,535,641)	(49,592,734)
Unrealized fair value loss on investments at fair value at other comprehensive income (FVOCI)		(11,902,006)	(103,104)
<b>TOTAL EQUITY</b>		<b>307,479,979</b>	<b>363,221,788</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employees end of service benefits	16	4,878,573	4,786,626
Lease liability	17	29,663,692	-
<b>Total non-current liabilities</b>		<b>34,542,265</b>	<b>4,786,626</b>
<b>Current liabilities</b>			
Lease liability	17	2,481,015	-
Accrued expenses and other liabilities	18	4,647,773	7,139,899
Provision for zakat and corporate income tax	19	34,943,295	15,554,778
<b>Total current liabilities</b>		<b>42,072,083</b>	<b>22,694,677</b>
<b>TOTAL LIABILITIES</b>		<b>76,614,348</b>	<b>27,481,303</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>384,094,327</b>	<b>390,703,091</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	20		

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
For the year ended 31 December 2020  
(Saudi Riyals)

	Notes	31 December 2020	31 December 2019
<b>REVENUES</b>			
Asset management, subscription and advisory fees		20,049,424	18,778,798
Realized (loss) /gain on investments held at FVTPL, net		(1,522,139)	17,034,337
Unrealized net gain on investments held at FVTPL		19,299,964	3,503,299
Dividend income		754,404	518,914
		<b>38,581,653</b>	<b>39,968,015</b>
<b>EXPENSES</b>			
Salaries and employee related expenses		(14,659,401)	(24,814,803)
Depreciation	6	(251,894)	(384,174)
Amortization	8	(543,034)	(649,470)
Depreciation - right of use asset	7	(1,275,734)	-
Rent expenses		(1,102,191)	(1,171,950)
Finance cost		-	(815,759)
Finance cost on lease liability	17	(789,240)	-
General and administrative expenses	21	(6,839,236)	(7,306,744)
		<b>(25,460,730)</b>	<b>(35,142,900)</b>
<b>OPERATING PROFIT</b>		<b>13,120,923</b>	<b>4,825,115</b>
Other non-operating (expenses)/income	22	(22,798,890)	10,667,329
<b>(LOSS)/PROFIT FOR THE YEAR</b>			
<b>BEFORE ZAKAT AND INCOME TAX</b>		<b>(9,677,967)</b>	<b>15,492,444</b>
Zakat and corporate income tax	19	(34,542,254)	(7,134,447)
Deferred tax expense	9	(194,880)	(711,989)
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(44,415,101)</b>	<b>7,646,008</b>
<b>BASIC AND DILUTED LOSS/EARNING PER SHARE</b>	23	<b>(1.11)</b>	<b>0.19</b>

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2020  
(Saudi Riyals)

	Notes	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>(Loss)/profit for the year</b>		<b>(44,415,101)</b>	7,646,008
<i>Items that will not be subsequently re-classified to profit or loss</i>			
Net change on re-measurement of defined benefit liability	16	<b>472,195</b>	1,543,346
Net fair value loss on investments at FVOCI	5	<b>(11,798,902)</b>	(6,043)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<b><u>(55,741,808)</u></b>	<b><u>9,183,311</u></b>

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements.



**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

	Share capital	Statutory reserve	Accumulated losses	Unrealized fair value loss on investments at FVOCI	Total
Balance as at 1 January 2019	400,000,000	12,153,025	(58,017,487)	(97,061)	354,038,477
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	7,646,008	-	7,646,008
Other comprehensive income	-	-	1,543,346	(6,043)	1,537,303
Total comprehensive income	-	-	9,189,354	(6,043)	9,183,311
Transfer to statutory reserve	-	764,601	(764,601)	-	-
<b>Balance as at 31 December 2019</b>	<b>400,000,000</b>	<b>12,917,626</b>	<b>(49,592,734)</b>	<b>(103,104)</b>	<b>363,221,788</b>
Balance as at 1 January 2020	<b>400,000,000</b>	<b>12,917,626</b>	<b>(49,592,735)</b>	<b>(103,104)</b>	<b>363,221,787</b>
<b>Total comprehensive loss for the year</b>					
Loss for the year	-	-	(44,415,101)	-	(44,415,101)
Other comprehensive loss	-	-	472,195	(11,798,902)	(11,326,707)
Total comprehensive loss	-	-	(43,942,906)	(11,798,902)	(55,741,808)
<b>Balance as at 31 December 2020</b>	<b>400,000,000</b>	<b>12,917,626</b>	<b>(93,535,641)</b>	<b>(11,902,006)</b>	<b>307,479,979</b>

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2020  
(Saudi Riyals)

	Notes	31 December 2020	31 December 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/profit for the year before Zakat and corporate income tax		(9,677,967)	15,492,444
<b>Adjustment for non-cash charges and other items:</b>			
Depreciation	6	251,894	384,174
Amortization	8	543,034	649,470
Depreciation - right of use asset	7	1,275,734	-
Finance cost on lease	17	789,240	-
Impairment of employee loans	22	12,393,597	-
Reversal of impairment on other receivables		(422,502)	-
Provision against guarantee deposit		8,986,850	-
Reversal of impairment of loan to Real Estate Income Fund		-	(4,000,000)
Impairment/(reversal) of management fee	13	10,787,967	(2,000,000)
Unrealized gain on investments	5	(19,299,964)	(3,503,299)
Realized loss (gain) on sale of investments, net		1,522,139	(17,034,337)
Finance cost			815,759
Provision for employee benefits	16	865,576	1,668,990
<b>Changes in operating assets and liabilities:</b>			
Murabaha receivable, net		-	13,602,000
Balances with related parties, net		68,857,137	(1,228,677)
Accrued income and other assets		(10,799,501)	12,698,183
Accrued expenses and other liabilities		(2,492,125)	(18,719,841)
<b>Cash generated from / (used in) operations</b>		<b>63,581,109</b>	<b>(843,265)</b>
Employee benefits paid	16	(301,434)	(1,561,064)
Finance cost paid		-	(815,759)
Zakat and income taxes paid	19	(15,153,737)	(4,560,324)
<b>Net cash from / (used in) operating activities</b>		<b>48,125,938</b>	<b>(7,780,412)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	6	-	(434,465)
Purchase of intangibles		(262,694)	-
Arrangement cost – right of use asset	7	(727,119)	-
Purchase of investments		(20,384,232)	(62,148,187)
Proceeds from sale of investments		5,069,601	183,740,541
<b>Net cash (used in) / from investing activities</b>		<b>(16,304,444)</b>	<b>121,157,889</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Lease payments	17	(2,211,015)	-
Short term financing, net		-	(106,992,000)
<b>Net cash generated used in financing activities</b>		<b>(2,211,015)</b>	<b>(106,992,000)</b>
<b>Increase in cash and cash equivalents</b>		<b>29,610,479</b>	<b>6,385,477</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>18,105,669</b>	<b>11,720,193</b>
<b>Cash and cash equivalents at end of the year</b>	12	<b>47,716,148</b>	<b>18,105,670</b>

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

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**1. THE GROUP AND ITS OPERATIONS**

Middle East Financial Investment Company (“MEFIC” or the “Company”) is a Saudi closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No.1010237038 issued in Riyadh on Sha’ban 2, 1428 H (corresponding to 15 August 2007) and Ministerial Resolution No.200/K dated Rajab 30, 1428 H (corresponding to 13 August 2007) announcing the formation of the Company.

The objectives of the Company are to participate in financial security activities, underwriter, performing management activities to establish and arrange investment funds, managing portfolios, perform arrangement, advisory and custody services for the purposes of the administrative procedures related to the investment funds and portfolio management in accordance with the license of the Capital Market Authority (“CMA”) No. 06029-37 dated 21 Jumada II 1427 H (corresponding to 17 July 2007 G).

The financial year of the Company commences on 1 January and ends on 31 December of each calendar year.

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

As of the date of the issuance of the consolidated financial statements for the year ended 31 December 2020, management does not believe that the Covid-19 outbreak significantly affects the Group’s operations. The Company’s management will continue to evaluate the nature and extent of the impact on its business and financial results of the Group.

**Subsidiary**

The Company’s subsidiary, JESER Real Estate Development Company (“JESER”) is a Saudi Limited Liability Company, which is owned 100% by the Company.

The objectives of the subsidiary are to purchase land for construction of buildings for the purpose of sale or lease; in addition, manage, maintain, develop, buy and own, sell and purchase, and utilize real estate and land for the benefit of the Company. The subsidiary is also permitted to invest in other entities, which engage in similar real estate activities.

Although not legally owned by the Company, the other minority shareholder has assigned his share of investment to the benefit of the Company.

The Company and Jeser constitute the “Group”.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance with IFRS as adopted by SOCPA**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) endorsed in the Kingdom of Saudi and other standards and pronouncements that are issued by Saudi Organisation for Chartered and Professional Accountants (SOCPA), and the Regulation of Companies, so far as they relate to the preparation and presentation of the financial statements.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
(Saudi Riyals)

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**BASIS OF PREPARATION (continued)**

**2.2 Basis of measurement**

These consolidated financial statements have been prepared on historical cost basis using the accrual basis of accounting and the going concern concept, except for financial instruments measured at fair value and amortised cost, and investment in associate, which is accounted for under equity method.

**2.3 Functional and presentation currency**

The consolidated financial statements are presented in Saudi Arabian Riyals (SAR), which is the functional and presentation currency of the Group.

**2.4 Basis of consolidation and equity accounting**

These consolidated financial statements comprise of the financial statements of the Company and its subsidiary (collectively referred to as the “Group”). The financial statements of the subsidiary is prepared for the same reporting period as that of the Company.

**Subsidiary and relationship of control**

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group’s voting rights and potential voting rights.
- Any additional fact and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time decisions need to be made, including voting patterns at previous shareholders’ meetings.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

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**BASIS OF PREPARATION (continued)**

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All accounting policies of subsidiaries are in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. When Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of comprehensive income. Any interest retained in the former subsidiary is measured at fair value when control is lost. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

**Equity accounting**

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. After the share in the investee is reduced to zero, a liability is recognised only to the extent that there is an obligation to fund the investee's operations or any payments have been made on behalf of the investee. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.



**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

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**BASIS OF PREPARATION (continued)**

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in the other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group.

When necessary, adjustments are made to bring the accounting policies of the associate or joint venture in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the loss as 'Share of profit of an associate and a joint venture' in the profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

**3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS**

**3.1 New standards, interpretations and amendments effective in current year**

The following are the new standards, interpretations and amendments to standards that are effective in the current year.

<b>Standards</b>	<b>Title</b>	<b>Effective date</b>
IAS 1	Presentation of Financial Statements- Amendments regarding the definition of materiality	1 January 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reforms	1 January 2020
IFRS 16	Amendment-to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification	1 June 2020
	Revised Conceptual Framework for Financial Reporting	1 January 2020

**IAS 1 - Presentation of Financial Statements**

Amendments to its definition of material to make it easier for companies to make materiality judgements. The materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
(Saudi Riyals)

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**NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (Continued)**

**IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors**

The amendments are intended to make the definition of material easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.

**Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform**

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

**Amendments to IFRS 16 Covid-19 Related Rent Concessions**

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may not elect to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

**Conceptual Framework for Financial Reporting issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

The Fund does not have a material impact on its financial statements from the above.

**3.2 New standards, interpretations and amendments not yet effective**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

**NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (Continued)**

The most significant of these are as follows:

<b>Standards</b>	<b>Title</b>	<b>Effective date</b>
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reforms – Phase 2	1 January 2021
IFRS 3	Business Combinations-Amendments updating a reference to the Conceptual Framework	1 January 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022
IAS 16	Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022
IFRS 1	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IFRS 4	Insurance Contracts-Amendments regarding the expiry date of the deferral approach	1 January 2023
IAS1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	1 January 2023
IFRS 9	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2023
IFRS 17	Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17	1 January 2023

**4 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all the periods presented in these consolidated financial statements unless otherwise stated.

**a) Cash and cash equivalents**

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, cash with banks and other short-term highly liquid investments with original maturities of three months or less from the date of purchase, which are available to the Group without any restriction.

**b) Investment properties**

Investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged so as to write-off the cost less estimated residual value over their estimated useful lives, using the straight-line method.

**c) Property and equipment and intangible assets**

Property and equipment and intangible assets are stated at cost less accumulated depreciation or amortization and impairment losses if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment and intangibles. All other expenditures are recognized in the consolidated statement of comprehensive income when incurred.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

---

**SIGNIFICANT ACCOUNTING POLICIES (continued)**

Depreciation and amortization is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of individual item of property and equipment and intangible. The estimated useful lives of the principal classes of assets are as follows:

	<b><i>Years</i></b>
	Shorter of lease term or
Leasehold improvements	7 years
Furniture and fixtures	5
Office equipment	5
Information technology equipment	4
Network communication equipment	4
Software and licenses	7
Motor vehicles	5

Gains and losses on disposals are determined by comparing disposal proceeds with carrying amount and are included in the profit or loss.

The residual values, useful lives and methods of depreciation of property and equipment and intangibles are reviewed at least at each financial year end and adjusted prospectively, if appropriate.

Capital work in progress and leasehold hotel building under construction are stated at cost. Depreciation on such assets commences when the assets are ready for their intended use. When assets are ready for their intended use, they are transferred to property and equipment or intangible assets.

**d) Employee benefits**

The Group's net obligations in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential gain for the Group, the recognised gain is limited to the present value of economic benefits available.

Re-measurement of the net defined benefit liability, which comprises actuarial gains and losses is recognized in other comprehensive income. The Group determines the net interest expense on net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of provisions and benefit payments. Net interest expense and other expense related to these benefits are recognized in the profit or loss.

**e) Financial instruments**

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. 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**

The Group determines the classification of its financial assets at initial recognition. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

**i. Classification**

The financial assets are classified in the following measurement categories:

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

---

**SIGNIFICANT ACCOUNTING POLICIES (continued)**

- a) Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- b) Those to be measured at amortized cost.

For assets measured at fair value, gains and losses will either be recorded in the profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

**ii. Measurement**

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the profit or loss as incurred.

**Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies debt instruments at amortized cost based on the below:

- a) The asset is held within a business model with the objective of collecting the contractual cash flows, and
- b) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and commission on the principal outstanding.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). Employee and other related party loans are carried at amortized cost.

**Equity instruments**

If the Group elects to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments shall continue to be recognized in the profit or loss as other income when the Groups' right to receive payments is established. There are no impairment requirements for equity investments measured at fair value through other comprehensive income. Changes in the fair value of financial assets at fair value through profit or loss shall be recognized in other gain/(losses) in the statement of profit or loss as applicable.

**iii. De-recognition of financial assets**

The Group derecognizes a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of the transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

**iv. Impairment of financial assets**

The Group applies an expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost e.g., loans, deposits, trade receivables.



**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

---

**SIGNIFICANT ACCOUNTING POLICIES (continued)**

Expected Credit Losses are the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that the company expects to receive.

The expected credit losses consider the amount and timing of payments and hence, a credit loss arises even if the Group expects to receive the payment in full but later than when contractually due. The expected credit loss method requires assessing credit risk, default and timing of collection since initial recognition. This requires recognising allowance for expected credit losses in the profit or loss even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12 month expected credit losses or life time

expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. '12 month expected credit losses' represent the expected credit losses resulting from default events that are possible within 12 months after the reporting date. 'Lifetime expected credit losses' represent the expected credit losses that result from all possible default events over the expected life of the financial asset.

Trade receivables are of a short duration, normally less than 12 months and hence the loss allowance measured as lifetime expected credit losses does not differ from that measured as 12 month expected credit losses. The Group uses the practical expedient in IFRS 9 for measuring expected credit losses for trade receivables using a provision matrix based on ageing of receivables.

The Group uses historical loss experience and derived loss rates based on the past twelve months and adjusts the historical loss rates to reflect the information about current conditions and reasonable and supportable forecasts of future economic conditions. The loss rates differ based on the ageing of the amounts that are past due and are generally higher for those with the higher ageing.

**v. Income recognition**

**Financing income**

For all financial instruments measured at amortized cost and commission-earning financial assets, financing income is recognised using the effective interest rate (EIR), which is the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument, and continues unwinding the discount as commission. Commission on impaired financial asset is recognised using the original EIR.

**Dividends income**

Dividends receivable from financial instruments are recognised in the profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the group, and the amount of the dividend can be measured reliably.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
(Saudi Riyals)

---

**SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial liabilities**

The Group determines the classification of its financial liabilities at initial recognition.

**i. Classification**

The financial liabilities are classified in the following measurement categories:

- a) Those to be measured as financial liabilities at fair value through profit or loss, and
- b) Those to be measured at amortized cost.

**ii. Measurement**

All financial liabilities are recognised initially at fair value. Financial liabilities accounted at amortized cost like borrowings are accounted at the fair value determined based on the effective interest rate method (EIR) after considering the directly attributable transaction costs.

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

The effective interest rate ("EIR") method calculates the amortized cost of a debt instrument by allocating interest charge over the relevant effective interest rate period. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. This category generally applies to borrowings, trade payables etc.

The Group's financial liabilities include trade and other payables and accruals while borrowings include bank overdrafts. The Group measures financial liabilities at amortised cost.

**iii. Derecognition of financial liabilities**

A financial liability is derecognized 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

**f) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**g) Foreign currency translation**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

---

**SIGNIFICANT ACCOUNTING POLICIES (continued)**

consolidated reporting date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translations of foreign currency transactions are included in the profit or loss.

**h) Zakat and corporate income tax**

The Group's Saudi and GCC shareholders are subject to Zakat in accordance with the Regulations of the General Authority of Zakat and Tax ("GAZT") as applicable in the Kingdom of Saudi Arabia. The zakat charge is computed on the zakat base. An estimate of zakat arising there from is provided as a charge in the profit or loss.

The Group's foreign shareholders are subject to corporate income tax in accordance with Regulations of "GAZT" as applicable in the Kingdom of Saudi Arabia. Corporate income tax is computed on adjusted net income. An estimate of corporate income tax arising thereof is provided as a charge in the profit or loss.

Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

**Deferred Taxes**

Deferred income taxes are recognized on all major temporary differences between carrying value and tax bases and are recognized during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax assets on carry forward losses are recognized to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses can be utilized. Deferred income taxes are determined using tax rates which have been enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

**i) Revenue recognition**

- Asset management fees are recognized based on the certain agreed percentage of NAV of funds being managed. The Group, as a Fund Manager, charges asset management fees to its Funds on account of management, administration, subscription and custody at the rates agreed under offer documents of each fund.
- Portfolio and other advisory fees, service fees and custodian fees included under other income, are recognized based on the applicable service contract.
- Commission income is recognized on accrual basis.
- Dividends from investments are recognized when right to receive the dividend is established.
- Revenue recognition policies for financial instruments are explained in relevant notes.
- 

**j) Expenses**

Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial period are allocated over such periods proportionately.

**k) Fiduciary assets**

*Assets under management:*

The Group offers assets management services to its customers, which include management of certain mutual funds and investments. Such assets are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

---

**SIGNIFICANT ACCOUNTING POLICIES (continued)**

Clients' cash accounts are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

**l) Use of critical estimates and judgments**

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual result may differ from these estimates. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below:

**(i) Impairment reviews**

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgment, requiring inter alia an assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- a) growth in earnings before commission, tax, depreciation and amortization (EBITDA), calculated as adjusted operating profit before depreciation and amortization;
- b) timing and quantum of future capital expenditure;
- c) long-term growth rates;
- d) selection of discount rates to reflect the risks involved; and
- e) quantum of mining reserves expected to be extracted over the period under consideration.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

**(ii) Estimation of useful life and residual value**

The useful life used to amortize or depreciate intangible assets or property, plant and equipment respectively relates to the expected future performance of the assets acquired and management's judgement based on technical evaluation of the period over which economic benefit will be derived from the asset. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. An asset's expected life residual value has a direct effect on the depreciation charged in the profit or loss.

The useful lives and residual values of Group's assets are determined by management based on technical evaluation at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

---

**SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(iii) Impairment losses on trade receivables**

Trade receivables are stated at their amortized cost as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are determined using the expected credit loss method. Individual trade receivables are written off when management deems them not to be collectible.

**(iv) Measurement of defined benefit obligations**

The Group's net obligation in respect of employee benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The present value of the obligation is determined based on actuarial valuation at the consolidated statement of financial position date by an independent actuary using the Projected Unit Credit Method, which recognises each period of service

as giving rise to an additional unit of employee benefit entitlement and measures. The obligation is measured at the present value of the estimated future cash flows. In KSA, the discount rates used for determining the present value of the obligation is determined by reference to US bond yields, (as the Saudi Riyal is pegged to the US dollar) adjusted for an additional risk premium reflecting the possibility of the linkage being broken.

**(v) Estimate of Zakat, current and deferred corporate income tax**

The Group's Zakat and tax charge on ordinary activities is the sum of the total Zakat, current and deferred tax charges. The calculation of the Group's Zakat and total tax charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits/losses and/or cash flows.

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

**m) Current versus non-current classification**

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- All other assets are classified as non-current.



**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

---

**SIGNIFICANT ACCOUNTING POLICIES (continued)**

A liability is current when:

- It is expected to be settled in the normal operating cycle
  - It is held primarily for the purpose of trading
  - It is due to be settled within twelve months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all liabilities as current except for employee benefit obligations.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**n) Leases**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

---

**SIGNIFICANT ACCOUNTING POLICIES (continued)**

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

**5 INVESTMENTS**

	Notes	31 December 2020	31 December 2019
<b>Financial assets at fair value through profit or loss</b>			
Mutual funds – close-ended	5.1	164,448,066	133,060,596
Mutual funds – open-ended	5.2	8,000,000	-
Discretionary portfolio	5.3	9,919,854	16,214,868
<b>Financial assets at fair value through other comprehensive income</b>			
Unquoted foreign equity investment	5.4	-	11,798,902
		<b>182,367,920</b>	<b>161,074,366</b>

**5.1 Mutual Funds – close-ended**

	Fair Value 2020	Additions / (disposals) -net	Unrealized gain/(loss)	Fair Value 2019
<b>As at 31 December 2020</b>				
MEFIC Manazel Qurtoba II Fund	-	(5,575,270)	-	5,575,270
MEFIC Real Estate Income Fund (Jeser)	646,452	-	(49,044)	695,496
MEFIC Tower Fund	26,158,503	-	1,892,730	24,265,773
MEFIC PORTO Development Fund	14,509,805	-	728,054	13,781,751
MEFIC Private Equity Opportunity Fund	51,626,840	-	(6,156,358)	57,783,198
MEFIC Private Equity Opportunity Fund II	7,203,030	-	548,594	6,654,436
MEFIC Private Equity F&B Opportunities Fund	15,976,824	-	(2,591,534)	18,568,358
Gulf Gate Fund	-	(5,736,314)	-	5,736,314
FVTPL - Private Equity Opportunity Fund 5	47,210,228	24,457,000	22,753,228	-
FVTPL - Private Equity Opportunity Fund 3	1,116,384	675,000	441,384	-
	<b>164,448,066</b>	<b>13,820,416</b>	<b>17,567,054</b>	<b>133,060,596</b>
<b>As at 31 December 2019</b>				
CAYAN MEFIC Office Tower Fund	-	(23,838,257)	-	23,838,257
MEFIC Manazel Qurtoba II Fund	5,575,270	-	(239,141)	5,814,411
MEFIC Real Estate Income Fund (Jeser)	695,496	-	47,034	648,462
CAYAN MEFIC Office Tower Fund (NEW)	24,265,773	24,265,773	-	-
MEFIC PORTO Development Fund	13,781,751	-	(73,543)	13,855,294
MEFIC Private Equity Opportunity Fund	57,783,198	13,864,618	972,383	42,946,197
MEFIC Private Equity Opportunity Fund II	6,654,436	-	461,207	6,193,229
MEFIC Private Equity F&B Opportunities Fund	18,568,358	-	867,085	17,701,273
Gulf Gate Fund	5,736,314	-	655,562	5,080,752
	<b>133,060,596</b>	<b>14,292,134</b>	<b>2,690,587</b>	<b>116,077,875</b>

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2020  
(Saudi Riyals)

**INVESTMENTS (continued)**

**5.2 Mutual Funds – open-ended**

As at 31 December 2020	Fair Value 2020	Additions	Unrealized gain/(loss)	Fair Value 2019
MEFIC Murabaha Fund SAR	5,000,000	5,000,000	-	-
FVTPL - MEFIC Freestyle Equity Fund	3,000,000	3,000,000	-	-
	8,000,000	8,000,000	-	-

**5.3 Discretionary portfolio**

As at 31 December 2020	Fair Value 2020	Additions / (disposals) -net	Unrealized gain -net	Fair Value 2019
Equity securities	9,919,854	(4,463,444)	1,732,910	12,650,388
MEFIC BAJ DPM2	-	(3,564,480)	-	3,564,480
	9,919,854	(8,027,924)	1,732,910	16,214,868

As at 31 December 2019	Fair Value 2019	Additions / (disposals) -net	Unrealized gain -net	Fair Value 2018
Equity securities	12,650,388	12,017,796	632,592	-
MEFIC BAJ DPM2	3,564,480	(130,847,640)	180,120	134,232,000
	16,214,868	(118,829,844)	812,712	134,232,000

**5.4** This represent investment in unquoted shares of Marsa Al-Seef Investment Company Limited, registered in Cayman Island. The company was established with the principal aim of investing in Marsa Al-Seef project, a real estate development in the Kingdom of Bahrain. The Company has taken an irrevocable option to account for these equity securities at fair value through other comprehensive income. As at 31 December 2020, the Group has impaired the entire balance of SR 11,798,902.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2020  
(Saudi Riyals)

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**6 PROPERTY AND EQUIPMENT**

	<b>Leasehold improvement</b>	<b>Furniture and fixtures</b>	<b>Office equipment</b>	<b>Information technology equipment</b>	<b>Network equipment</b>	<b>Motor vehicles</b>	<b>Work in progress*</b>	<b>Total 2020</b>
<b>Cost</b>								
As at 1 January 2020	3,455,169	1,495,485	1,095,781	1,447,723	6,340,756	459,847	618,197	14,912,958
Additions	-	-	-	-	-	-	102,500	102,500
Transferred to intangible assets (note 8)	-	-	-	-	-	-	(160,196)	(160,196)
As at 31 December 2020	<b>3,455,169</b>	<b>1,495,485</b>	<b>1,095,781</b>	<b>1,447,723</b>	<b>6,340,756</b>	<b>459,847</b>	<b>560,501</b>	<b>14,855,262</b>
<b>Accumulated depreciation</b>								
As at 1 January 2020	3,302,642	1,442,749	1,081,639	1,363,778	6,182,590	421,528	-	13,794,926
Charge for the year	86,782	23,281	7,888	39,838	55,787	38,318	-	251,894
As at 31 December 2020	<b>3,389,424</b>	<b>1,466,030</b>	<b>1,089,527</b>	<b>1,403,616</b>	<b>6,238,377</b>	<b>459,846</b>	-	<b>14,046,820</b>
<b>Net book value</b>								
As at 31 December 2020	<b>65,745</b>	<b>29,455</b>	<b>6,254</b>	<b>44,107</b>	<b>102,379</b>	<b>1</b>	<b>560,501</b>	<b>808,442</b>

\*This includes advances for licenses and software implementation of SAR 466,000



**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2020  
(Saudi Riyals)

**6. PROPERTY AND EQUIPMENT (continued)**

	<b>Leasehold improvement</b>	<b>Furniture and fixtures</b>	<b>Office equipment</b>	<b>Information technology equipment</b>	<b>Network equipment</b>	<b>Motor vehicles</b>	<b>Work in progress</b>	<b>Total 2019</b>
<b>Cost</b>								
As at 1 January 2019	3,455,169	1,454,566	1,095,781	1,443,668	6,340,756	459,847	233,001	14,482,788
Additions	-	40,919	-	8,350	-	-	385,196	434,465
Transferred to intangible assets	-	-	-	(4,295)	-	-	-	(4,295)
As at 31 December 2019	3,455,169	1,495,485	1,095,781	1,447,723	6,340,756	459,847	618,197	14,912,958
<b>Accumulated depreciation</b>								
As at 1 January 2019	3,200,065	1,403,622	1,051,111	1,314,631	6,116,060	329,558	-	13,415,047
Charge for the year	102,577	39,127	30,528	53,442	66,530	91,970	-	384,174
Transferred to intangible assets	-	-	-	(4,295)	-	-	-	(4,295)
As at 31 December 2019	3,302,642	1,442,749	1,081,639	1,363,778	6,182,590	421,528	-	13,794,926
<b>Net book value</b>								
<b>As at 31 December 2019</b>	<b>152,527</b>	<b>52,736</b>	<b>14,142</b>	<b>83,945</b>	<b>158,166</b>	<b>38,319</b>	<b>618,197</b>	<b>1,118,032</b>

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2020  
(Saudi Riyals)

**7. RIGHT OF USE ASSETS**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Cost</b>		
As at 1 January	-	-
Additions*	<b>33,566,481</b>	-
Prepayment settled against structuring fee	<b>727,119</b>	-
As at 31 December	<b>34,293,600</b>	-
<b>Accumulated depreciation</b>		
As at 1 January	-	-
Charge for the year	<b>(1,275,734)</b>	-
As at 31 December	<b>(1,275,734)</b>	-
<b>Net Book Value as at</b>		
<b>As at 31 December</b>	<b>33,017,866</b>	-

\* The amount includes land recognized as right-of-use asset in respect of transfer of property (Plaza 2) from MEFIC REIT Fund (refer note 11.1)

**8. INTANGIBLE ASSETS**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Softwares</b>		
<b>Cost</b>		
As at 1 January	<b>11,874,944</b>	11,874,944
Additions	<b>160,194</b>	-
Transfer from work in progress (note 6)	<b>160,196</b>	-
	<b>12,195,334</b>	-
<b>Accumulated amortization</b>		
As at 1 January	<b>9,891,937</b>	9,242,467
Charge for the year	<b>543,034</b>	649,470
As at 31 December	<b>10,434,971</b>	9,891,937
<b>Net Book Value as at</b>		
<b>As at 31 December</b>	<b>1,760,363</b>	1,983,007

**9. DEFERRED TAX ASSET**

Deferred tax asset relates to the following:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Allowance for expected credit losses	<b>133,771</b>	306,988
Provision for employees' end-of-service benefits	<b>60,494</b>	78,491
Property and equipment	<b>9,764</b>	13,430
	<b>204,029</b>	398,909

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2020  
(Saudi Riyals)

**DEFERRED TAX ASSET (continued)**

**9.1 Movement in deferred tax asset**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Balance as of 1 January	<b>398,909</b>	1,110,898
Expense charged for the year	<b>(194,880)</b>	(711,989)
Balance as of 31 December	<b>204,029</b>	398,909

**10. RELATED PARTY TRANSACTIONS AND BALANCES**

In the ordinary course of its activities, the Group transacts business with its related parties. Related parties include its shareholders and their affiliated companies, managed investment funds, the Board of Directors, and key management personnel. Key management personnel are those persons, including a non-executive director, having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The transactions with related parties are carried out on mutually agreed terms approved by the management of the Group.

The significant transactions with related parties during the year and the related amounts are as follows:

<b>Related party</b>	<b>Transactions</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Funds managed by MEFIC	Management fee	<b>12,781,089</b>	16,324,925
MEFIC Tower Fund	Lease arrangement fee	-	393,873
	Facility arrangement	<b>639,130</b>	700,000
	Structuring fee	-	1,360,000
MEFIC REIT Fund	Plaza 2 restructuring	<b>708,829</b>	-
	Facility arrangement fee	<b>211,627</b>	-
MEFIC Private Equity Opportunity Fund II	Dividend income	<b>146,979</b>	188,183
MEFIC Private Equity Opportunity Fund 5	Structuring fee	<b>2,333,720</b>	-
	Subscription fee	<b>420,000</b>	-
MEFIC Freestyle Saudi Equity Fund	Subscription fee	<b>15,686</b>	-
<b>Key management personnel</b>			
Commission accrued on employee loans	Finance income	-	4,990,677
Commission received on employee loans	Finance income	-	3,762,000
Impairment of employee related balance	Impairment charge	<b>(12,393,597)</b>	-
Board of Directors	Board remuneration	<b>(183,015)</b>	(115,483)
Chief executive officer and other key management personnel	Annual benefits	<b>(6,013,750)</b>	(8,159,958)

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

**RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**Balances with related parties**

		<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Non-current portion</b>			
Loan to employees' net of impairment	a	-	80,300,000
Commission receivable on employee loan	a	-	1,909,233
		<u>-</u>	<u>82,209,233</u>
<b>Current portion</b>			
Receivable from MEFIC REIT Fund	12.1	-	70,882,879
MEFIC Real Estate Income Fund		<b>6,000,000</b>	6,000,000
		<u><b>6,000,000</b></u>	<u>76,882,879</u>

**a) Loan to employees**

During 2018, the Company extended loans of SAR 100 million (the "Loan") to three of its Senior Executives (Employees). As per the terms of the Loan mutually agreed between the Company and Employees, the Loan carried a commission rate of 5% per annum having a 5 years bullet repayment term. This Loan was used for acquiring units in MEFIC Real Estate Investment Traded Fund (MEFIC REIT). The Loan was secured against the underlying units acquired in MEFIC REIT by the Employees. Since the only collateral against the secured Loan was the units in MEFIC REIT and MEFIC had no right of recourse to any other assets of the Employees, expecting maximum losses on the recovery of the Loan based on the decline in market value of the underlying units, over the useful life of the Loan, an impairment loss of SAR 19.7 million was booked in the prior year. During the year, amount of SR 68,857,137 was received against the receivable and the remaining of SR 11,442,864 principal amount was impaired. Moreover SR 909,233 of accrued financing income was also impaired.

The Impaired principal and accrued financing income of aforementioned loan was fully written off during the year 2020.

Details of loan from Employees and related impairment is as follows:

<b>Employee name</b>	<b>Original loan SR</b>	<b>Impairment SR</b>	<b>Recoveries SR</b>	<b>Carrying value SR</b>
Mr. Ibrahim Abdullah Rashid AlHedaithy	<b>60,000,000</b>	<b>19,123,127</b>	<b>40,876,873</b>	-
Mr. Turki Al-Fozan	<b>20,000,000</b>	<b>6,009,868</b>	<b>13,990,132</b>	-
Ms. Haifa Al-Obaid	<b>20,000,000</b>	<b>6,009,868</b>	<b>13,990,132</b>	-
	<u><b>100,000,000</b></u>	<u><b>31,142,863</b></u>	<u><b>68,857,137</b></u>	<u>-</u>

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

**RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**b) Other related party balances**

In addition to above related party balances, following are the balances with related parties at the reporting date:

<b>Name of related party</b>	<b>Balance</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Funds managed by MEFIC	Accrued management fee	<b>30,058,452</b>	23,291,214
MEFIC Tower	Facility arrangement fee	<b>639,130</b>	-
MEFIC REIT	Structuring fee	<b>2,630,666</b>	11,986,203
Directors	Accrued board remuneration	<b>(30,000)</b>	(560,000)
Real Estate Income Fund	Accrued dividend	-	48,000

**10.1 Units held in the funds managed by the Group included under investments are as follows:**

	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>----- No. of Units -----</b>	
MEFIC Real Estate Income Fund	<b>60,000</b>	60,000
Manazel Qurtoba II Fund	-	5,000
MEFIC PORTO Development Fund	<b>3,229</b>	3,229
MEFIC Tower Fund	<b>24,266</b>	24,266
MEFIC Private Equity Opportunity Fund	<b>53,487</b>	53,487
MEFIC Private Equity Opportunity Fund II	<b>10,000</b>	10,000
MEFIC Private Equity F&B Opportunities Fund	<b>16,741</b>	16,741
MEFIC Private Equity Opportunity Fund 5	<b>24,457</b>	-
MEFIC Private Equity Opportunity Fund 3	<b>675</b>	-

**10.2 Percentage holdings in these funds managed by the Group are as follows:**

	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>----- Percentages -----</b>	
MEFIC Real Estate Income Fund	<b>0.62%</b>	0.62%
Manazel Qurtoba II Fund	-	5.00%
MEFIC PORTO Development Fund	<b>13.55%</b>	13.55%
MEFIC Tower Fund	<b>42.88%</b>	42.88%
MEFIC Private Equity Opportunity Fund	<b>40.32%</b>	40.32%
MEFIC Private Equity Opportunity Fund II	<b>22.35%</b>	22.35%
MEFIC Private Equity F&B Opportunities Fund	<b>31.51%</b>	31.51%
MEFIC Private Equity Opportunity Fund 5	<b>41.92%</b>	-
MEFIC Private Equity Opportunity Fund 3	<b>1.20%</b>	-

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2020  
(Saudi Riyals)

**11. LEASEHOLD HOTEL BUILDING UNDER CONSTRUCTION**

	31 December 2020	31 December 2019
Plaza 2 (Note 11.1)	70,822,879	-
	<u>70,822,879</u>	<u>-</u>

**11.1** During the year, JESER received a property (Plaza 2) from MEFIC REIT Fund and the piece of leased land as settlement of amount due. The property was transferred to JESER by an agreed amount of SR 70,822,879. The related land was recognized under IFRS 16 at transfer date (refer note 7). The transfer of assets was concluded on 29 April 2020. The property is not yet available for use and therefore, no depreciation is charged for the year ended 31 December 2020. Following table details the initial recognition of balances as a result of transfer of the property:

	Notes	29 April 2020
<b>Assets recognized</b>		
Leasehold hotel building under construction – Plaza 2 cost on 29 April 2020		70,882,879
Right of use asset –Plaza 2 land cost on 29 April 2020		27,439,887
		<u>98,322,766</u>
<b>Assets de-recognized</b>		
Receivable from MEFIC REIT Fund on 31 December 2019	10	<u>70,882,879</u>
<b>Liabilities assumed</b>		
Lease liabilities relating to land of Plaza 2 on 29 April 2020		27,439,887
		<u>27,439,887</u>

**12. CASH AND CASH EQUIVALENTS**

	31 December 2020	31 December 2019
Cash in hand	15,000	20,000
Cash in transit	1,439,032	-
Cash with portfolio manager	8,816,798	3,083,334
Cash at banks – current accounts	37,445,318	15,002,336
	<u>47,716,148</u>	<u>18,105,670</u>

**13. ACCRUED INCOME AND OTHER ASSETS**

	Notes	31 December 2020	31 December 2019
Accrued management fees and other fees		33,556,534	40,002,644
Staff advances		1,953,679	2,434,642
VAT Recoverable/Receivables (input tax)		280,470	-
Dividends receivable		4,020	48,000
Prepaid expenses		944,860	401,140
Other receivables		7,545,983	2,114,814
Receivable from Regional TAB Company Ltd.		7,839,101	-
<b>Less:</b>			
Allowance against management fees and other fees receivable		(10,787,967)	(5,057,095)
		<u>41,336,680</u>	<u>39,944,145</u>

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2020  
(Saudi Riyals)

**ACCRUED INCOME AND OTHER ASSETS (continued)**

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

The following table details the risk profile of trade receivables based on the provision matrix:

31 December 2020	Trade receivables						Total
	Days past due						
	Current	<30 Days	30–90 Days	90–180 Days	180–360 Days	360 Days or more	
Expected credit loss rate	0%	0%	0%	0%	0%	49.45%	
Accrued management and other fees gross	5,464,853	-	-	2,158,354	4,117,844	21,815,483	33,556,534
Expected credit loss	-	-	-	-	-	(10,787,967)	(10,787,967)
Carrying amount	5,464,853	-	-	2,158,354	4,117,844	11,027,516	22,768,567

31 December 2019	Trade receivables						
	Days past due						Total
	Current	<30 Days	30–90 Days	90–180 Days	180–360 Days	360 Days or more	
Expected credit loss rate	0%	0%	0%	0%	0%	16.42%	
Accrued management fees and other fees gross	8,057,784	-	-	-	1,154,824	30,790,036	40,002,644
Expected credit loss	-	-	-	-	-	(5,057,095)	(5,057,095)
Carrying amount	8,057,784	-	-	-	1,154,824	25,732,941	34,945,549

In the assessment of expected credit losses, the Group considers fair value of the underlying investments being collateral to the receivables and adjust the ratio of loss given default accordingly.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

**ACCRUED INCOME AND OTHER ASSETS (continued)**

**13.1 Movement in allowance for expected credit losses**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Balance as of 1 January	<b>5,057,095</b>	7,785,683
Impairment charged for the year	<b>10,787,967</b>	331,869
Amount written off during the year	<b>(4,457,480)</b>	(1,060,457)
Reversal of impairment	<b>(599,615)</b>	(2,000,000)
Balance as of 31 December	<b>10,787,967</b>	5,057,095

**14. SHARE CAPITAL**

As at 31 December 2020 and 2019, authorized, issued and fully paid-up share capital of the Company was SAR 400 million divided into 40 million shares with a nominal value of SAR 10 each.

The shareholding of the Company's issued and fully paid-up share capital was as follows:

	<b>Notes</b>	<b>Ownership percentage</b>	<b>Number of shares</b>	<b>Share capital</b>
GCC shareholders	a	<b>40%</b>	<b>16,000,000</b>	<b>160,000,000</b>
The Arab Investment Company (TAIC)	b	<b>15%</b>	<b>6,000,000</b>	<b>60,000,000</b>
Saudi shareholders		<b>45%</b>	<b>18,000,000</b>	<b>180,000,000</b>
		<b>100%</b>	<b>40,000,000</b>	<b>400,000,000</b>

(a) GCC shareholders are Ahli United Bank – Kuwait (30%) and Ahli United Bank - Bahrain (10%), a pan MENA banking group (AUB).

(b) TAIC is a closed joint stock company owned by the Arab states and registered in the Kingdom of Saudi Arabia. 58.65% of TAIC is owned by Saudi and GCC shareholders and therefore out of 15% of TAIC's holding in the Company, 8.8% is considered Saudi and GCC shareholding, which is subject to zakat while the remaining 6.2% is considered foreign and subjected to tax liability.

**15. STATUTORY RESERVE**

In accordance with its by-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to allocate 10% of its profit for each year to a statutory reserve. The Company may discontinue such transfers when such reserve reaches 30% of its share capital. Such reserve is not subject to distributions.

**16. EMPLOYEE END OF SERVICE BENEFITS**

The Company is required to pay post-employment benefits to all employees under Saudi Labor Regulations on termination of their employment. The liability for end of service benefits is estimated through actuarial methods using the projected unit credit method.

**16.1 Amounts recognized in consolidated statement of financial position**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Employee benefits	<b>4,878,573</b>	4,786,626



**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2020  
(Saudi Riyals)

**EMPLOYEE END OF SERVICE BENEFITS (continued)**

**16.2 Reconciliation of employee benefits (present value of defined benefit obligations)**

	31 December 2020	31 December 2019
<b>Present value of defined benefit obligations as at 1 January</b>	<b>4,786,626</b>	6,222,046
Current service costs	<b>718,621</b>	1,372,711
Finance charge	<b>146,955</b>	296,279
<b>Total charge to consolidated statement of profit or loss</b>	<b>865,576</b>	1,668,990
Actuarial gain from actuarial experience adjustments	<b>(472,195)</b>	(1,543,346)
<b>Total charge to consolidated statement of comprehensive income</b>	<b>(472,195)</b>	(1,543,346)
Benefits paid during the year	<b>(301,434)</b>	(1,561,064)
<b>Present value of defined benefit obligation as at 31 December</b>	<b>4,878,573</b>	4,786,626

**16.3 Principal actuarial assumptions**

Significant actuarial assumptions used by the Company and its subsidiaries for the valuation of defined benefit obligations are as follows:

	31 December 2020	31 December 2019
	----- Percentages -----	
Valuation discount rate	1.55%	2.90%
Expected rate of increase in salary level	3.00%	4.00%

**16.4 Sensitivity analysis of actuarial assumptions**

The impact of changes in sensitivities on present value of defined benefit obligation is as follows:

	31 December 2020	31 December 2019
<b>Actuarial assumptions</b>		
Valuation discount rate		
- Increase by 0.5%	412,322	(404,778)
- Decrease by 0.5%	(460,805)	452,200
Expected rate of increase in salary level		
- Increase by 0.5%	455,441	445,219
- Decrease by 0.5%	(416,937)	(410,870)

**17. LEASE LIABILITY**

	31 December 2020	31 December 2019
Notes		
As at 1 Jan	-	-
Addition during the year	33,566,482	-
Finance cost	789,240	-
Payments made during the year	(2,211,015)	-
	32,144,707	-
Less: Current Portion of lease Liability	(2,481,015)	-
As at 31 Dec	29,663,692	-

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

**18. ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Accrued employees' salaries and other benefits	1,754,690	2,722,026
Guarantee dividend	602,437	-
Liabilities under sharia purification	447,523	-
Advance from customers / contract Liability	171,250	-
Commission and placement fee payable	19,108	895,390
Accrued professional fee	945,492	1,544,556
Communication and networking charges	86,440	16,658
Accrued IT maintenance expense	254,001	376,395
Accrued insurance premium	-	106,586
Payable to GOSI	80,733	104,925
Accrued Board members' fee	30,000	560,000
Withholding tax payable	15,776	29,308
VAT payable	-	506,102
Accrued maintenance expenses	16,250	24,750
Accrued security service expenses	12,000	12,000
Others	212,073	241,203
	<b>4,647,773</b>	<b>7,139,899</b>

**19. PROVISION FOR ZAKAT AND CORPORATE INCOME TAX**

The Group has recognized provision for Zakat and Income tax for the year in accordance with Saudi Arabian Zakat and Income Tax Regulations and recognized in the consolidated statement of profit or loss.

**Breakup of provision for Zakat and Income tax in the consolidated statement of financial position is as follows:**

	<b>Notes</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Provision for Zakat	a	34,605,688	15,058,274
Provision for corporate income tax	b	337,607	496,504
		<b>34,943,295</b>	<b>15,554,778</b>

**Breakup of provision for Zakat and corporate income tax in the consolidated statement of profit or loss is as follows:**

	<b>Notes</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Provision for Zakat for current year	a	7,517,088	6,665,944
Prior years zakat charge	a	26,794,567	-
Provision for corporate income tax for current year	b	-	468,503
Prior year Income tax charge	b	230,599	-
		<b>34,542,254</b>	<b>7,134,447</b>

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

**PROVISION FOR ZAKAT AND CORPORATE INCOME TAX (continued)**

(a) The movement in the provision for Zakat for the year ended 31 December is as follows:

<b>For the year ended 31 December 2020</b>	<b>Company</b>	<b>Subsidiary</b>	<b>Total</b>
As at 1 January	13,260,774	1,797,500	15,058,274
Paid during the year	(3,978,137)	(1,799,254)	(5,777,391)
Additional provision against prior years assessment	24,693,570	2,100,997	26,794,567
Adjustment of guarantee deposit	(8,986,850)	-	(8,986,850)
Charge for the year	6,831,004	686,084	7,517,088
As at 31 December	31,820,361	2,785,327	34,605,688

<b>For the year ended 31 December 2019</b>	<b>Company</b>	<b>Subsidiary</b>	<b>Total</b>
As at 1 January	9,997,606	2,763,734	12,761,340
Excess provision during the year	1,198	173	1,371
Paid during the year	(1,605,329)	(2,763,681)	(4,369,010)
Charge for the year	4,868,497	1,797,447	6,665,944
As at 31 December	13,260,774	1,797,500	15,058,274

<b>For the year ended 31 December 2019</b>	<b>Company</b>	<b>Subsidiary</b>	<b>Total</b>
Provision against Zakat guarantee	8,986,850	-	8,986,850
As at 31 December	8,986,850	-	8,986,850

**Components of Zakat base**

The following are the significant components of the Zakat base of the Saudi and GCC shareholders for the year ended 31 December:

<b><u>2020</u></b>	<b>Company</b>	<b>Subsidiary</b>
Share capital	400,000,000	100,000,000
Accumulated loss	(49,592,733)	(6,310,385)
Statutory reserve	12,917,626	9,133,140
Adjusted net income/(loss) for the year	(37,618,239)	(3,938,382)
Provisions	38,173,510	427,433
Property and equipment, net	(2,637,924)	-
Liability under purification	447,523	-
Long term receivables subject to tax at subsidiary/associate level	(96,463,667)	-
Deferred tax asset	(393,609)	(5,567)
Unrealized gain/(Loss)	17,676,653	(49,044)
Financing Income	-	-
Investment in Real Estate	-	(70,882,879)
	282,509,140	28,374,316
Zakat at 2.5778% of 93.8% Saudi & GCC Holding	6,831,004	686,084

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2020  
(Saudi Riyals)

**PROVISION FOR ZAKAT AND CORPORATE INCOME TAX (continued)**

<b><u>2019</u></b>	<b><u>Company</u></b>	<b><u>Subsidiary</u></b>
Share capital	400,000,000	100,000,000
Accumulated loss	(58,017,487)	(1,860,545)
Statutory reserve	12,153,025	9,133,140
Adjusted net income for the year	37,782,474	(48,996,551)
Provisions	43,492,756	47,259,384
Property and equipment, net	(3,063,104)	-
Long-term investments	(160,378,870)	(695,496)
Short term financing	30,000,000	(30,000,000)
Long term receivables subject to tax at subsidiary/associate level	(102,824,273)	-
Deferred tax asset	(524,881)	(586,017)
Dividend income from Saudi companies	(330,731)	-
Others	3,041,416	82,910
	<u>201,330,325</u>	<u>74,336,825</u>
Zakat at 2.5778% of 93.8% Saudi & GCC Holding	<u>4,868,497</u>	<u>1,797,447</u>

Some of these amounts have been adjusted in arriving at the Zakat charge for the year.

(b) The movement in the provision for corporate income tax for the year ended 31 December is as follows:

<b><u>2020</u></b>	<b><u>Company</u></b>	<b><u>Subsidiary</u></b>	<b><u>Total</u></b>
As at 1 January	495,948	556	496,504
Payment during the year	(389,496)	-	(389,496)
Charge for the year	-	230,599	230,599
As at 31 December	<u>106,452</u>	<u>231,155</u>	<u>337,607</u>

  

<b><u>2019</u></b>	<b><u>Company</u></b>	<b><u>Subsidiary</u></b>	<b><u>Total</u></b>
As at 1 January	206,368	12,947	219,315
Prior year charge / (reversal)	-	-	-
Payment during the year	(178,923)	(12,391)	(191,314)
Charge for the year	468,503	-	468,503
As at 31 December	<u>495,948</u>	<u>556</u>	<u>496,504</u>

**(c) Status of assessments**

***The Company***

The Company has submitted its zakat and corporate income tax returns for financial years from 2007 through 2019 with the General Authority for Zakat and Tax ("GAZT"). The company has received final assessments for the years 2008 till 2013 and for year 2018 wherein the GAZT has raised additional demands aggregating to SAR 43.27 million. The Company paid SAR 1.67 million of the additional liability pertaining to years 2008-11 and filed an appeal against the remaining liability of SR 17.97 million to Higher Appeal Committee ("HAC"); a bank guarantee of SAR 17.97 million was submitted to GAZT as required by the zakat and corporate income tax laws of the Kingdom of Saudi Arabia. The appeal for years 2008-11 from HAC was then referred to General Secretariat of Tax Committees ("GSTC") post dissolution of HAC. However, a provision of SAR 17.97 million was provided as of 31

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

---

**PROVISION FOR ZAKAT AND CORPORATE INCOME TAX (continued)**

December 2020 against this guarantee provided to GAZT on prudent basis without prejudice to the merit of the pending legal case and rights of each party to remain same until a settlement is reached between GAZT and the Company or the final decision is received on the same from GSTC otherwise. The Company is also formally contesting the assessments received for years 2012-13 and year 2018 with GSTC.

During the year, the Company received the final assessment for year 2014 in which the GAZT has raised the additional demand of SAR 2.45 million. The management had filed an appeal with GSTC post rejection of their appeal by GAZT for the said year.

These additional exposures of SR 45.73 million for years 2008-14 and year 2018 was on account of disallowance of long-term investments and other disallowances by GAZT. The total provisions of SAR 33.15 million was provided as of 31 December 2020 which represents the Company's estimates of its liability towards GAZT.

Subsequent to the year end, the Company received the final assessments for years 2015 till 2017 in February-21 from GAZT raising additional demand aggregating to SAR 11.04 million on account of disallowance of long-term investments and other disallowances by GAZT. The Company is in process of filing formal objection to GAZT on the years assessed and expects a favorable outcome from the proceedings. The Company has provided the provisions of SAR 6.62 million on prudent basis for these years assessed by GAZT.

***The Subsidiary***

The Subsidiary has filed its Zakat and corporate income tax returns for the years from establishment date up to and including the financial year 2019 with the General Authority of Zakat and Tax (the "GAZT") and has received restricted certificate up to the year 2019.

During the year, the Subsidiary received the final assessments for the years 2015 to 2018 during Dec-20 from GAZT raising the additional demand of SAR 2.89 million. These additional exposures was on account of disallowance of long-term investments from the zakat base by GAZT. However, the Subsidiary has booked the total provisions of SAR 2.33 million as of 31 December 2020 for these years assessed by GAZT.

Subsequent to the year end, the Subsidiary had filed appeal with GAZT for years 2015, 2016 and 2017 during Feb-21 and has settled the liability for year 2018 with GAZT by paying a total of SAR 0.27 million.

**20. CONTINGENCIES AND COMMITMENTS**

**Contingent liabilities**

The Group is subject to a number of legal proceedings as of 31 December 2020 in respect of claims against rent, unitholder claims and other financial claims. While it is not practicable to forecast or determine the final results of all the pending and threatened legal proceedings, management, based on the opinion of legal consultant, does not believe that any such proceedings (including litigation) that are in progress at reporting date will have a material effect on its results and financial position.

There were no other contingencies as at the reporting date except for the Zakat and corporate income tax assessment under consideration as disclosed in relevant notes of the financial statements.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

**CONTINGENCIES AND COMMITMENTS (continued)**

**Commitments**

MEFIC has guaranteed an annual dividend of up to 2% to initial cash subscribers of MEFIC REIT Fund, if the annual dividend announced by MEFIC REIT Fund falls short of 5%. Any deficiency in the annual dividend is guaranteed by MEFIC up to a rate of 2% of the deficient amount. The amount of dividend to be paid for the period up to 31 December 2020 is SR 602,437 which approximates to the corresponding 2% of the deficient amount guaranteed by MEFIC.

During the year, MEFIC Private Equity Opportunities Fund 5 (a fund managed by the Company) secured a sharia financing facility from Bank AlJazira amounting to SAR 51,782,400 for the purpose of financing the asset acquisition of the Fund. Since the Fund SPV legal status was not a Joint Stock Company ("JSC") as per the requirements of the bank, MEFIC temporarily facilitated the credit facility on behalf of the Fund until the legal status of the Fund SPV has changed to a JSC. The outstanding drawdown as at 31 December 2020 was SAR 10 million. The loan is secured against the total assets of the Fund and additionally the Company has also provided a guarantee for the repayment of the loan.

Subsequent to the year-end, during Mar-21 the loan was transferred to the Fund SPV as planned (M/s AlForsa AlMaseyah AlRiyadayah) with all conditions remaining the same including the repayment guarantee provided by the Company.

**21. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>For the year ended</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
Fee rebates and commission	14,175	445,870
Professional fee	2,805,929	2,928,646
Repairs and maintenance expense	610,838	740,136
Subscriptions	811,250	747,193
Loan structuring fees	-	250,000
Board member's fee	183,015	115,483
Marketing and advertising	-	181,500
Travel expense	46,804	114,293
Insurance expense	330,926	334,562
Publication, printing and stationery	49,831	68,023
Utilities	120,000	410,755
Office cleaning expense	218,148	289,480
Security service expense	144,000	144,000
Bank charges	49,391	50,600
Withholding tax	42,403	104,841
VAT expense	40,417	42,824
Guarantee dividend	602,437	-
Sharia purification expense	447,523	-
Others	332,149	338,538
	<b>6,849,236</b>	<b>7,306,744</b>

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

**22. OTHER NON-OPERATING INCOME/EXPENSE – NET**

	<b>For the year ended</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
Other Income	<b>8,172</b>	
Financing income		5,000,540
Foreign exchange loss		(1,342)
Impairment charged on employee related balances	<b>(12,393,597)</b>	-
Impairment charged on other receivables	<b>(4,333,865)</b>	
Reversal of impairment of loan to Real Estate Income Fund		4,000,000
Impairment/(Reversal) of management fee	<b>(6,079,600)</b>	1,668,131
	<b>(22,798,890)</b>	<b>10,667,329</b>

**23. EARNINGS / (LOSS) PER SHARE**

Earnings / (loss) per share is calculated by dividing net income or loss for the year by the weighted average number of shares outstanding during the year ended 31 December 2020 and 2019.

**24. FIDUCIARY ASSETS**

***Assets under management:***

These represent the mutual funds' assets and investments managed by the Group on behalf of its customers, which amount to SR 2,598,073,890 as at 31 December 2020 (31 December 2019: SR 3,386,889,561). Consistent with the Group's accounting policy, such balances are not audited and are not included in the Group's consolidated financial statements.

***Clients' cash accounts:***

Pursuant to the CMA's Authorized Persons Regulations requiring Client money segregation, the Group holds Clients' money in Omnibus accounts at a local bank to carry out its dealing, managing and custody activities. The Group is holding clients' cash accounts, which amounts to SR Nil as at 31 December 2020 and 2019. Consistent with the Group's accounting policy, such balances are not audited and not included in the Group's consolidated financial statements.

**25. SEGMENT INFORMATION**

The Group operates solely in the Kingdom of Saudi Arabia. For management purposes, the Group is organized into business units based on services provided and has the following reportable segments:

***Corporate***

Corporate manages future corporate development and controls all treasury related functions. All proprietary investments are included within this business segment, which also comprise strategy and business development, legal and compliance, finance, operations, human resources and client relation management.

***Asset management***

Asset management services include management of certain mutual funds and investments on behalf of the Group's customers.

Management monitors the operating results of the operating segments separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

The Group does not track liabilities by business segment and these are accordingly disclosed as corporate liabilities.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

---

**SEGMENT INFORMATION (continued)**

***Real Estate***

Real Estate division deals with managing investment properties and devising strategies for profit maximization for capital appreciation of properties and generating rental incomes.

***Private Equity and investment banking (“PE&IB”)***

The Group invests in private unquoted companies and makes strategies for their turnaround and to be sold in future years generating income for the Group.



**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

---

**SEGMENT INFORMATION (continued)**

<b>For the year ended 31 December 2020</b>	<b>Corporate</b>	<b>Asset management</b>	<b>Real Estate</b>	<b>PE&amp;IB</b>	<b>Total</b>
<b>Revenues</b>					
<b>Total revenues</b>	<b>18,532,229</b>	<b>1,980,395</b>	<b>7,772,486</b>	<b>10,296,543</b>	<b>38,581,653</b>
<b>Expenses</b>					
Salaries and employee related expenses	2,902,888	3,419,231	2,692,176	5,645,106	14,659,401
Depreciation and amortization expenses	1,607,718	190,299	191,421	81,224	2,070,662
Rent expense	446,090	326,024	214,955	115,122	1,102,191
Interest expense	789,240	-	-	-	789,240
General and administrative expenses	2,269,367	1,557,314	2,699,057	313,498	6,839,236
Other non- operating expenses/(income)	15,921,951	38,665	2,954,775	3,883,499	22,798,890
<b>Total expenses</b>	<b>23,937,254</b>	<b>5,531,533</b>	<b>8,752,384</b>	<b>10,038,449</b>	<b>48,259,620</b>
<b>Segment profit</b>	<b>(5,405,025)</b>	<b>(3,551,138)</b>	<b>(979,898)</b>	<b>(258,094)</b>	<b>(9,677,967)</b>
Zakat and corporate income tax					<b>(34,737,134)</b>
<b>Loss for the year</b>					<b>(44,415,101)</b>

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

**SEGMENT INFORMATION (continued)**

<b>For the year ended 31 December 2019</b>	<b>Corporate</b>	<b>Asset management</b>	<b>Real Estate</b>	<b>PE&amp;IB</b>	<b>Total</b>
<b>Revenues</b>					
<b>Total revenues</b>	23,655,976	6,397,404	6,348,018	8,565,815	44,967,213
<b>Expenses</b>					
Salaries and employee related expenses	5,632,111	7,776,121	5,483,039	5,923,532	24,814,803
Depreciation and amortization expenses	431,678	247,445	248,904	105,616	1,033,643
Rent expense	474,324	346,658	228,560	122,408	1,171,950
Interest expense	770,048	14,100	29,260	2,350	815,758
General and administrative expenses	3,105,676	1,295,904	2,689,146	216,020	7,306,746
Other non- operating expenses/(income)	-	-	(5,668,131)	-	(5,668,131)
<b>Total expenses</b>	10,413,837	9,680,228	3,010,778	6,369,926	29,474,769
<b>Segment profit</b>	13,242,139	(3,282,824)	3,337,240	2,195,889	15,492,444
Zakat and corporate income tax					(7,846,436)
<b>Net income for the year</b>					7,646,008

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

---

**26. FINANCIAL RISK MANAGEMENT**

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

**a. Credit risk**

Credit risk is the risk that one party of a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has established procedures to manage credit exposure including evaluation of borrowers' credit worthiness, formal credit approvals, assigning credit limits, obtaining collaterals such as managing borrowers' portfolios. Individual margin loan contracts generally are for terms not exceeding twelve months.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

The Group's policy over credit risk is to minimize exposure to counter parties with perceived higher risk of default by dealing only with counter parties that are evaluated to be credit worthy based on risk assessment procedures performed, Know Your Customer (KYC) and compliance procedures conducted prior to accepting a customer. The Group extends financing to non-related party customers after obtaining adequate collaterals in the form of approved securities as to ensure adequate customer liquidity to meet repayment obligations and mitigate credit risk. For related party transactions, the Company obtains Board approval where the transactions are significant, in accordance with Capital Market Authority Implementing Regulations.

Credit risk is monitored on a daily basis for adequacy of collateral coverage in accordance with the applicable risk management policy and if required, additional margin calls are issued to customers to pledge additional assets and customer portfolios are fully / partly liquidated to ensure compliance with the applicable risk management policy.

**b. Commission rate risk**

Commission rate risk is the uncertainty of future earnings resulting from fluctuations in commission rates. The risk arises when there is a mismatch in the assets and liabilities, which are subject to commission rate adjustment within a specified period. The Group's assets are subject to fixed rate commission income. The Group does not have any commission bearing liabilities. The Group's future earnings are not exposed to commission rate risk.

**c. Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, Kuwaiti Dinar, Sterling Pound and US Dollars. Management monitors the fluctuations in currency exchange rates and believes that the Group is not exposed to significant foreign exchange risk.

**d. Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can arise by market disruptions, which may cause certain sources of funding to be unavailable. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Group's future commitments.

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2020  
(Saudi Riyals)

**FINANCIAL RISK MANAGEMENT (continued)**

**e. Categories of financial assets and financial liabilities**

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	Notes	31 December 2020	31 December 2019
<b>Financial assets</b>			
<b>Financial assets at amortized cost:</b>			
Accrued income and other assets (excluding prepayments)		40,162,428	39,543,005
Due from related parties		-	159,092,112
Murabaha receivables		-	-
Cash and cash equivalents		47,719,173	18,105,670
<b>Total financial assets at amortized cost</b>		<b>87,881,601</b>	<b>216,740,787</b>
<b>Financial assets at fair value through OCI:</b>			
Unquoted foreign equity investment		-	11,798,902
<b>Financial assets at fair value through profit or loss:</b>			
Mutual funds		172,939,862	133,060,596
Discretionary portfolios		9,919,854	16,214,868
Foreign equity investments		-	-
<b>Total financial assets at fair value through profit or loss</b>		<b>182,859,716</b>	<b>149,275,464</b>
<b>Financial liabilities</b>			
<b>Financial liabilities at amortised cost:</b>			
Employees-end-of-service benefits		4,878,573	4,786,626
Other payables		4,521,266	4,529,445
<b>Total financial liabilities at amortised cost</b>		<b>9,399,839</b>	<b>9,316,071</b>

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

**27. FAIR VALUES OF FINANCIAL INSTRUMENTS**

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

**Determination of fair value and fair value hierarchy**

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy.

This is 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

The table below presents the financial instruments based on the fair value hierarchy:

<b>As at 31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at FVOCI:</b>				
Unquoted foreign equity investment	-	-	-	-
<b>Total financial assets at FVOCI</b>				
<b>Financial assets at FVTPL:</b>				
Mutual funds	-	646,452	171,801,614	172,448,066
Discretionary portfolios	9,919,854	-	-	9,919,854
Foreign equity investments	-	-	-	-
<b>Total financial assets at FVTPL:</b>	<b>9,919,854</b>	<b>646,452</b>	<b>171,801,614</b>	<b>182,367,920</b>
<b>Total financial assets</b>	<b>9,919,854</b>	<b>646,452</b>	<b>171,801,614</b>	<b>182,367,920</b>
<b>As at 31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at FVOCI:</b>				
Unquoted foreign equity investment	-	-	11,798,902	11,798,902
<b>Total financial assets at FVOCI</b>	-	-	11,798,902	11,798,902
<b>Financial assets at FVTPL:</b>				
Mutual funds	-	695,496	132,365,100	133,060,596
Discretionary portfolios	16,214,868	-	-	16,214,868
Foreign equity investments	-	-	-	-
<b>Total financial assets at FVTPL:</b>	<b>16,214,868</b>	<b>695,496</b>	<b>132,365,100</b>	<b>149,275,464</b>
<b>Total financial assets</b>	<b>16,214,868</b>	<b>695,496</b>	<b>144,164,002</b>	<b>161,074,366</b>

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

**FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

The valuation of each publicly traded investment is based upon the closing market price of that stock as of the valuation date, less a discount if the security is restricted. Fair values of private equity investments and mutual funds classified in Level 3 are determined based on the investees' latest reported net assets values as at the date of statement of financial position taking into account the fair value of underlying investments by the fund. Fair values of other investments (including sukuks) classified in Level 3 are determined based on discounted cash flows, which incorporate assumptions regarding an appropriate credit spread. The carrying values of all other financial assets and liabilities approximate their fair values.

**Transfer between fair value hierarchies**

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement. There were no transfers in between levels during the year ended 31 December 2020 and 2019.

**28. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY**

The Capital Market Authority (the "CMA") has issued Prudential Rules (the "Rules") dated 30 December 2012 (corresponding to 17 Safar 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules.

In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

<b>Description</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b><u>Capital base:</u></b>		
Tier-1 Capital	305,049,723	360,839,872
Tier-2 Capital	-	-
Total capital base (A)	305,049,723	360,839,872
<b><u>Minimum Capital Requirement:</u></b>		
Market risks	2,031,373	6,116,636
Credit risks	196,872,264	174,056,007
Operational risks	9,228,081	10,513,363
Total minimum capital requirement (B)	208,131,718	190,686,006
Surplus (C=A-B)	96,918,005	170,153,866
Capital adequacy ratio (D=A/B)	1.47	1.89

**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
**(Saudi Riyals)**

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**REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY (continued)**

**LARGE EXPOSURE**

	<b><u>31 December 2020</u></b>
<b><u>Large exposure (limit SR 76,262,431)</u></b>	
No. of prohibited exposures applying 714%	<b>1</b>
No. of prohibited exposures not applying 714% (violation)	<b>0</b>
No. of excess exposures in the trading book	<b>0</b>

**29. SUBSEQUENT EVENTS**

There have been no significant subsequent events since the year ended 31 December 2020 that would have a material impact on the financial position of the Group as reflected in these financial statements.

**30. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were approved by the board of directors on 16 Sha'ban 1442 H corresponding to 29 March 2021 G.

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