

**MEFIC REIT FUND**  
Managed by  
**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**  
together with the  
**INDEPENDENT AUDITOR'S REVIEW REPORT**

**MEFIC REIT FUND**  
Managed by Middle East Financial Investment Company  
**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S  
REVIEW REPORT**  
For the six months period ended 30 June 2019

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## **INDEPENDENT AUDITOR'S REVIEW REPORT**

To: **The Unitholders of  
MEFIC REIT FUND  
Riyadh, Kingdom of Saudi Arabia**

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **MEFIC REIT Fund** ("the Fund") managed by Middle East Financial Investment Company (MEFIC) as at 30 June 2019 and the related condensed interim statements of comprehensive income, changes in net assets attributable to unit holders and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 ("IAS 34") - "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia.

Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

### **Scope of Review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements do not present fairly, in all material aspects, the condensed interim financial position of the Fund as at 30 June 2019 and of its financial performance and its cash flows for the six months period then ended in accordance with International Accounting Standard 34 ("IAS 34") - "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia.

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

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



Riyadh, on: 7 Dhu'l-Hijjah 1440 (H)  
Corresponding to: 8 August 2019 (G)

**MEFIC REIT FUND**  
 Managed by Middle East Financial Investment Company  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
 As at 30 June 2019  
 (Saudi Riyals)

	Notes	<b>30 June 2019 Unaudited</b>	<b>31 December 2018 Audited</b>
<b>ASSETS</b>			
Investment properties	7	965,613,641	970,531,804
Intangible assets - right of benefit	8	229,182,473	238,667,491
Account receivable	9	43,952,030	38,716,544
Cash and cash equivalent	10	6,084,088	4,744,218
Prepaid expenses		<u>1,032,581</u>	<u>1,009,105</u>
<b>Total assets</b>		<u><b>1,245,864,813</b></u>	<u><b>1,253,669,162</b></u>
<b>LIABILITIES</b>			
Long term loan	11	302,322,486	274,938,849
Account payable	12	129,542,360	158,682,879
Unearned rent revenue	13	36,011,182	46,685,551
Fund Manager transaction fee	17	11,946,885	11,946,885
Finance charges payable	11	2,773,179	4,229,675
Accrued expenses and other liabilities	14	<u>809,757</u>	<u>3,344,282</u>
<b>Total liabilities</b>		<u><b>483,405,849</b></u>	<u><b>499,828,121</b></u>
<b>Net assets attributable to unit holders</b>		<u><b>762,458,964</b></u>	<u><b>753,841,041</b></u>
<b>Units in issue – numbers</b>		<u><b>73,276,800</b></u>	<u><b>73,276,800</b></u>
<b>Net assets value - per unit</b>		<u><b>10.4052</b></u>	<u><b>10.2876</b></u>
<b>Contingences and commitments</b>	15		

The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements.

**MEFIC REIT FUND**  
 Managed by Middle East Financial Investment Company  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
 For the six months period ended 30 June 2019  
 (Saudi Riyals)

	Notes	2019
<b>INCOME</b>		
Rental income		43,667,295
<b>EXPENSES</b>		
Finance cost		(8,713,214)
Amortization of right of benefit	8	(9,485,018)
Depreciation expense	7	(2,403,194)
Operating expenses	16	(4,585,591)
<b>Total expenses</b>		<b>(25,187,017)</b>
<b>Operating profit for the period</b>		<b>18,480,278</b>
<b>Other non-operating income/losses</b>		
Bad debts provision	9	(7,420,070)
Impairment expense	7	(2,514,969)
Other income		72,684
<b>Net income for the period</b>		<b>8,617,923</b>
<b>Other comprehensive income for the period</b>		<b>-</b>
<b>Total comprehensive income for the period</b>		<b>8,617,923</b>

The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements.

**MEFIC REIT FUND**  
Managed by Middle East Financial Investment Company  
**CONDENSED INTERIM STATEMENT OF CHANGE IN ASSETS ATTRIBUTABLE TO  
UNITHOLDERS (UNAUDITED)**  
For the six months period ended 30 June 2019  
(Saudi Riyals)

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	<u>2019</u>
<b>Net assets value at 1 January</b>	<b>753,841,041</b>
<b>Total comprehensive income for the period</b>	<b>8,617,923</b>
<b>Net assets value at 30 June</b>	<b><u>762,458,964</u></b>
<b>UNIT MOVEMENTS</b>	<b><u>2019</u></b>
<b>Units at 1 January / 30 June</b>	<b><u>73,276,800</u></b>

There were no further unit issued by the Fund.

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The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements.

**MEFIC REIT FUND**  
 Managed by Middle East Financial Investment Company  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
 For the six months period ended 30 June 2019  
 (Saudi Riyals)

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	<b>2019</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
<b>Net income for the period</b>	<b>8,617,923</b>
<i>Adjustments for non-cash items:</i>	
Amortization of right of benefit	9,485,018
Provision for bad debts	7,420,070
Impairment expense	2,514,969
Depreciation expense	2,403,194
	<b>30,441,174</b>
<i>Changes in operating assets and liabilities:</i>	
Account receivable	(12,655,556)
Prepaid expenses	(23,476)
Account payable	859,481
Unearned rent revenue	(10,674,369)
Payments against principal	(30,000,000)
Accrued expenses and other liabilities	(2,534,525)
Finance charges payable	(1,456,496)
<b>Net cash used in operating activities</b>	<b>(26,043,767)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>	
Loans obtained during the period	27,383,637
<b>Net cash generated by financing activities</b>	<b>27,383,637</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,339,870</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>4,744,218</b>
<b>Cash and cash equivalent at 30 June</b>	<b>6,084,088</b>

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The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements.

**MEFIC REIT FUND**  
Managed by Middle East Financial Investment Company  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
For the six months period ended 30 June 2019  
(Saudi Riyals)

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**1. THE FUND AND ITS ACTIVITIES**

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

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

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

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

**Investment properties**

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

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

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

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

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

**Right of benefits**

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

***Plaza 2:*** Plaza 2 is a retail strip comprising showrooms and residential units. It includes 87 apartments and 7 showrooms. It is located on King Abdullah Road, Ar-Rhamaniya District, Riyadh. The right of benefit of this property will end on 29 March 2036.

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

**2. REGULATORY FRAMEWORK**

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



**MEFIC REIT FUND**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
For the six months period ended 30 June 2019  
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**3. BASIS OF PREPARATION**

**3.1 Statement of compliance**

These condensed interim financial statements have been prepared in accordance with “IAS 34 Interim Financial Reporting” as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (“SOCPA”) and the requirements of the Investment Funds Regulations as published by CMA and the Fund’s terms and conditions, so far as they relate to the preparation and presentation of the financial statements.

This condensed interim financial information is unaudited. The disclosures made in this condensed interim financial information have been limited in accordance with the requirements of “International Accounting Standard - 34 “Interim Financial Reporting” . This does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statements of the Fund for the year ended 31 December 2018.

The comparative statement of financial position presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Fund for the year ended 31 December 2018, there is no comparative statements for the condensed interim statement of comprehensive income, condensed interim statement of changes in net assets attributable to unit holders, and condensed interim statement of cash flows since the fund started its operation in 1 October 2018 .

**3.2 Basis of measurement and going concern assumption**

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

**3.3 Functional and presentation currency**

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

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Fund for the period ended 31 December 2018 except for the adoption of the International Financial Reporting Standard 16 ‘Leases’ (“IFRS 16”) on its effective date 1 January 2019. The impact of the adoption of IFRS 16 are disclosed in note below.

The Fund has adopted all the new standards and amendments to existing standards, including any consequential amendments to other standards which are applicable for the financial year beginning on or after 1 January 2019. The adoption of any other new and amended standards do not have any material effect on this condensed interim financial information.

**Impact on adoption of IFRS 16**

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for the Fund.

**MEFIC REIT FUND**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In the current period, the Fund has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019.

The Fund elected to use the practical expedient available on transition to IFRS 16 not to reassess whether a contract contains a lease or not, allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Fund also adopted the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- A. Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- B. Applied the exemption not to recognize right-of-use assets and liabilities for leases that are expiring during 2019.
- C. Excluded initial direct cost from measuring the right-of-use asset at the date of initial application.

The Fund also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The adoption of IFRS 16 and use of practical expedients has no effect on these financial statements since all properties are already recognized under International accounting standard 40 "Investment property".

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

During the preparation of this condensed interim financial information, the significant judgements made by the management in applying the Fund's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the audited annual financial statements of the Fund for the year ended 31 December 2018.

**6. MANAGEMENT FEE AND OTHER CHARGES**

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

**Subscription fee**

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

**Management fee**

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

**Transaction fee**

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

**Loan arrangement fee**

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

**MEFIC REIT FUND**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
 For the six months period ended 30 June 2019  
 (Saudi Riyals)

**7. INVESTMENT PROPERTIES**

The composition of investment properties as at the reporting date is as below:

Properties	Cost			Depreciation for the period	Accumulated depreciation	Impairment for the period	Accumulated impairment	As at 30 June 2019	As at 31 December 2018
	Land	Building	Total						
Drnef Ajyad	69,094,413	58,210,587	127,305,000	(727,632)	(1,091,449)	-	-	126,213,551	126,941,183
Drnef Kuddai	27,002,638	31,992,362	58,995,000	(399,905)	(599,857)	-	-	58,395,143	58,795,048
Commercial Tower Jeddah	37,177,236	8,272,764	45,450,000	(103,410)	(155,115)	-	-	45,294,885	45,398,295
Commercial Mall Riyadh	587,870,252	93,779,748	681,650,000	(1,172,247)	(1,758,370)	-	-	679,891,630	681,063,877
The Pad	9,934,082	56,293,136	66,227,218	-	-	(2,514,969)	(10,408,786)	55,818,432	58,333,401
<b>As at 30 June 2019</b>	<b>731,078,621</b>	<b>248,548,597</b>	<b>979,627,218</b>	<b>(2,403,194)</b>	<b>(3,604,791)</b>	<b>(2,514,969)</b>	<b>(10,408,786)</b>	<b>965,613,641</b>	
As at 31 December 2018	731,078,621	248,548,597	979,627,218	(1,201,597)	(1,201,597)	(7,893,817)	(7,893,817)		970,531,804

**Fair value of investment properties**

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

Investment properties	As at 30 June 2019			As at 31 December 2018		
	Book value	Valuer 1	Valuer 2	Book value	Valuer 1	Valuer 2
Drnef Ajyad	126,213,551	130,596,428	124,629,835	126,941,183	128,700,000	124,629,835
Drnef Kuddai	58,395,143	62,747,875	63,811,000	58,795,048	63,000,000	63,811,000
Commercial Tower Jeddah	45,294,885	51,250,000	40,603,515	45,398,295	51,000,000	40,603,515
Commercial Mall Riyadh	679,891,630	673,950,565	676,630,972	681,063,877	673,000,000	676,630,972
The Pad*	55,818,432	57,344,976	54,291,887	58,333,401	59,556,679	57,110,123
	<b>965,613,641</b>	<b>975,889,844</b>	<b>959,967,209</b>	<b>970,531,804</b>	<b>975,256,679</b>	<b>962,785,445</b>

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

The fair value figures shown above are for disclosure purpose only and are also used to determine impairment, if any. The impairment for this period was in The Pad property only amounting to SR 2,514,969 (31 December 2018: 7,893,817) as stated above.

**MEFIC REIT FUND**  
 Managed by Middle East Financial Investment Company  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
 For the six months period ended 30 June 2019  
 (Saudi Riyals)

**8. INTANGIBLE ASSETS - RIGHT OF BENEFIT**

Right of benefit properties	Cost	Amortization for the period	Accumulated amortization	30 June 2019	31 December 2018
Plaza 1	66,660,000	(4,274,578)	(6,411,867)	60,248,133	64,522,711
Plaza 2	82,820,000	(2,365,730)	(3,548,595)	79,271,405	81,637,135
Dhiyapha	93,930,000	(2,844,710)	(4,267,065)	89,662,935	92,507,645
<b>As at 30 June 2019</b>	<b>243,410,000</b>	<b>(9,485,018)</b>	<b>(14,227,527)</b>	<b>229,182,473</b>	
As at 31 December 2018	243,410,000	(4,742,509)	(4,742,509)		238,667,491

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

Plaza 1: 17 July, 2026.

Plaza 2: 29 March 2036.

Dhiyapha: 1 April, 2035.

**Fair value of intangible assets**

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

Right of benefit properties	As at 30 June 2019			As at 31 December 2018		
	Book value	Valuer 1	Valuer 2	Book value	Valuer 1	Valuer 2
Plaza 1	60,248,133	67,500,000	65,061,315	64,522,711	67,500,000	65,061,315
Plaza2	79,271,405	82,237,740	84,273,710	81,637,135	83,500,000	84,273,710
Dhiyapha	89,662,935	92,500,000	95,250,603	92,507,645	95,320,000	95,250,603
	<b>229,182,473</b>	<b>242,237,740</b>	<b>244,585,628</b>	238,667,491	246,320,000	244,585,628

**9. ACCOUNT RECEIVABLES**

	30 June 2019	31 December 2018
Rent receivable	37,194,408	18,078,554
Acquisition transaction receivables	14,177,692	20,637,990
Less: Provision for bad debts	(7,420,070)	-
	<b>43,952,030</b>	<b>38,716,544</b>

**10. CASH AND CASH EQUIVALENTS**

	30 June 2019	31 December 2018
Cash at bank in current account	-	3,615,369
Cash held with custodian	6,084,088	1,128,849
	<b>6,084,088</b>	<b>4,744,218</b>

**MEFIC REIT FUND**  
 Managed by Middle East Financial Investment Company  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
 For the six months period ended 30 June 2019  
 (Saudi Riyals)

**11. LONG TERM LOANS**

The SPV of the fund AMAR Real Estate Development Company has obtained an Islamic financing facility with Al-Riyadh Bank amounting to SR 400,000,000 for the purpose of financing the real estate investments of the Fund. The loan carries a profit rate at SAIBOR plus 2.15%. The effective profit rate during the period was 4.77% to 4.89%. The loan is repayable after 7 years. The loan arrangement fee for the prior period was SR 3,280,000 and it was expensed as a period expense. The outstanding drawdown as at 30 June 2019 302.32 million (31 December 2018: 274.93 million). The financial charges payable on this loan as at 30 June 2019 was 2.7 million (31 December 2018: SR 4.2 million). The loan is secured against investment properties of the Fund for a maximum exposure of double the amount of loan.

**12. ACCOUNT PAYABLE**

	Notes	<u>30 June 2019</u>	<u>31 December 2018</u>
JESER Real Estate Development Company	17	70,882,879	70,882,879
Higher Education Fund (unitholder of Souq Sharq Fund)	17	30,200,000	60,200,000
Nasser Al-Dosseri (unitholder of Al-Qannas Fund)	17	16,500,000	16,500,000
Al-Rukn Al-Mateen (unitholder of Al-Qannas Fund)	17	10,000,000	10,000,000
Dividend payable to Al-Rukn Al-Mateen (unit holder of Al-Qannas Fund)	17	1,100,000	1,100,000
VAT Payable		859,481	-
		<u>129,542,360</u>	<u>158,682,879</u>

**13. UNEARNED RENT REVENUE**

	<u>30 June 2019</u>	<u>31 December 2018</u>
<b>Unearned rent revenue in the beginning of the period</b>	<b>46,685,551</b>	<b>54,342,591</b>
Recognized in income during the period	(10,674,369)	(5,455,640)
Adjusted during the period in acquisition gain (non-operating income)	-	(2,201,400)
<b>Unearned rent revenue in the end of the period</b>	<b>36,011,182</b>	<b>46,685,551</b>

**14. ACCRUED EXPENSES AND OTHER LIABILITIES**

	<u>30 June 2019</u>	<u>31 December 2018</u>
Referral fee	-	1,656,919
Operational expenses payable	-	632,528
Transaction cost payable	448,240	448,240
Legal fees	105,000	240,781
Registration fees	-	145,026
Valuation expenses	122,247	122,129
Custody fee	100,145	50,096
Audit fee	21,000	42,000
Shariah fee	13,125	6,563
	<u>809,757</u>	<u>3,344,282</u>

**MEFIC REIT FUND**  
 Managed by Middle East Financial Investment Company  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
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 (Saudi Riyals)

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**15. CONTINGENCIES AND COMMITMENTS**

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

**16. OPERATING EXPENSES**

	<b>2019</b>
Plaza 1 land rent and operating expense	(2,435,997)
Commercial Mall Riyadh operating expense	(1,482,003)
Registration fees	(210,000)
Valuation expenses	(122,365)
Legal fees	(105,000)
Listing fees	(99,365)
Audit fee	(68,250)
Custody fee	(50,048)
Shariah fee	(6,563)
Other custody fees	(6,000)
	<b>(4,585,591)</b>

**17. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

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

The transactions with related parties for the period ended 30 June 2019 are as follows:

<b><u>Related Party</u></b>	<b><u>Nature of transaction</u></b>	<b><u>Notes</u></b>	<b>2019</b>
Middle East Financial Investment Company Fund 2 (Fund managed by the fund manager)	Purchase of units	<b>a</b>	<b>4,186,387</b>
Higher Education Fund (unit holder of Souq Sharq Fund)	Principal repayment		<b>30,000,000</b>

- a)** Middle East Financial Investment Company Fund 2 (Fund managed by the Fund Manager) has purchased MEFIC REIT units from Saudi Stock Market. As at 30 June 2019, this fund owns 471,440 units in MEFIC REIT Fund, which is equal to 0.64% of total REIT units. The market value per unit of MEFIC REIT Fund as at the reporting date was 8.88 SR per unit.

**MEFIC REIT FUND**  
 Managed by Middle East Financial Investment Company  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
 For the six months period ended 30 June 2019  
 (Saudi Riyals)

**TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)**

Related party balances as at reporting dates were as follows:

<b><u>Related Party</u></b>	<b><u>Balance</u></b>	<b><u>As at 30 June 2019</u></b>	<b><u>As at 31 December 2018</u></b>
Middle East Financial Investment Company (the "Fund Manager")	Transaction fee payable	<b><u>11,946,885</u></b>	<b><u>11,946,885</u></b>
JESER Real Estate development Company	Payable for Souq Sharq Property	<b><u>70,882,879</u></b>	<b><u>70,882,879</u></b>
Higher Education Fund (unit holder of Souq Sharq Fund)	Unpaid principal	<b><u>30,200,000</u></b>	<b><u>60,200,000</u></b>
Nasser Al-Dosseri (unit holder of Al-Qannas Fund)	Unpaid principal	<b><u>16,500,000</u></b>	<b><u>16,500,000</u></b>
Al-Rukn Al-Mateen (unit holder of Al-Qannas Fund)	Unpaid principal	<b><u>10,000,000</u></b>	<b><u>10,000,000</u></b>
Dividend payable to Al-Rukn Al-Mateen (unit holder of Al-Qannas Fund)	Unpaid principal	<b><u>1,100,000</u></b>	<b><u>1,100,000</u></b>
Middle East Financial Investment Company Fund 2 (Fund managed by the fund manager)	Unit held by fund managed by the fund manager	<b><u>4,186,387</u></b>	<b><u>-</u></b>

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

**18. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**

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

This condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Fund's audited annual financial statements for the year ended 31 December 2018.

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

**19. LAST VALUATION DATE**

The last valuation date of the period was 30 June 2019.

**20. SUBSEQUENT EVENTS**

Subsequent to the reporting date, the Fund declared dividends of SR 0.3762 per unit totaling SR 27,566,732. The announcement was on 11 July 2019.

**21. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Fund's Board on 7 Dhu'l-Hijjah, 1440 H corresponding to 8 August 2019G.