

MEFIC SAUDI RIYAL MURABAHA 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 SAUDI RIYAL MURABAHA 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 REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To: **The Unitholders of
MEFIC Saudi Riyal Murabaha Fund
Riyadh, Kingdom of Saudi Arabia**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **MEFIC Saudi Riyal Murabaha Fund** ("the Fund") 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 condensed interim financial statements 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.

Emphasis of matter

We draw attention to Note 1 of the financial statements. The Fund's net asset value has declined significantly during the period. This indicates the existence of a material uncertainty that may cast significant doubt about the Fund's ability to continue as a going concern.

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



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



Riyadh, on: 18 Dhul Qa'adah 1440 (H)
Corresponding to: 21 July 2019 (G)

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

	Notes	30 June 2019 Unaudited	31 December 2018 Audited
ASSETS			
Cash and cash equivalents	7	206,695	183,560,616
Murabaha placements	8	-	950,569
Investments	9	-	40,263,410
Total assets		206,695	224,774,595
LIABILITIES			
Management fee payable	11&12	30,847	102,058
Other payable		1,542	5,103
Total liabilities		32,389	107,161
Net assets attributable to the Unitholders		174,306	224,667,434
Units in issue (<i>numbers</i>)		1,502	1,952,854
Net assets value – per unit		116.0466	115.0457
Contingencies and commitments	10		

The accompanying notes from 1 to 16 form an integral part of these condensed interim financial statements.

MEFIC SAUDI RIYAL MURABAHA 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	<u>2019</u>	<u>2018</u>
INCOME			
Profit on Murabaha placements at amortized cost		1,497,194	3,279,244
Commission income on investments at amortized cost		382,967	1,916,859
Unrealized gain on investments at FVTPL		-	135,968
Realized loss on investments at amortized cost		(69,685)	(561,953)
Realized (loss) / gain on investments at FVTPL		92,095	-
Other investment related expenses		-	(242,158)
Total income		<u>1,902,571</u>	<u>4,527,960</u>
EXPENSES			
Management fee	11&12	371,051	990,228
Other investment related expenses		21,001	-
Bank charges		-	664
Total expenses		<u>392,052</u>	<u>990,892</u>
Operating profit for the period		1,510,519	3,537,068
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u><u>1,510,519</u></u>	<u><u>3,537,068</u></u>

The accompanying notes from 1 to 16 form an integral part of these condensed interim financial statements.

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

	<u>2019</u>	<u>2018</u>
Net assets value at 1 January	224,667,434	399,066,957
Net income for the period	1,510,519	3,537,068
Changes from unit transactions		
Proceeds from issuance of units	134,553,335	249,623,417
Payment against units redeemed	(360,556,982)	(376,930,696)
Net change from unit transactions	(226,003,647)	(127,307,279)
Net assets value at 30 June	<u>174,306</u>	<u>275,296,746</u>

UNIT TRANSACTIONS

	<u>2019</u>	<u>2018</u>
	<u>UNITS</u>	
Units at 1 January	1,952,854	3,545,365
Units issued during the period	1,162,455	2,211,155
Units redeemed during the period	<u>(3,113,807)</u>	<u>(3,333,515)</u>
Units at 30 June	<u>1,502</u>	<u>2,423,005</u>

The accompanying notes from 1 to 16 form an integral part of these condensed interim financial statements.

MEFIC SAUDI RIYAL MURABAHA 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)

	<u>2019</u>	<u>2018</u>
CASHFLOW FROM OPERATING ACTIVITIES		
Net income for the period	1,510,519	3,537,068
<i>Adjustments:</i>		
Amortization of premium at amortized cost	-	168,344
Unrealized gain on investments at fair value through profit or loss	-	(135,968)
Realized gain on investments at amortized cost	<u>(92,095)</u>	<u>561,953</u>
<i>Changes in operating assets and liabilities:</i>		
Murabaha placements, net	950,569	92,999,986
Redemption money payable	-	(143,265,917)
Management fee payable	(71,211)	(108,177)
VAT payable	(3,561)	6,184
Proceed from redemption of investments at amortized cost	32,383,066	55,977,104
Proceed from redemption of investments at FVTPL	<u>7,972,439</u>	-
Net cash generated from operating activities	<u>42,649,726</u>	<u>9,740,577</u>
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds from subscription of units	134,553,335	249,623,417
Payments against redemption of units	<u>(360,556,982)</u>	<u>(376,930,696)</u>
Net cash used in financing activities	<u>(226,003,647)</u>	<u>(127,307,279)</u>
Net decrease in cash and cash equivalent	(183,353,921)	(117,566,702)
Cash and cash equivalent at the beginning of the period	<u>183,560,616</u>	<u>307,619,372</u>
Cash and cash equivalent at the end of the period	<u>206,695</u>	<u>190,052,670</u>

The accompanying notes from 1 to 16 form an integral part of these condensed interim financial statements.

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

1. THE FUND AND ITS ACTIVITIES

MEFIC Saudi Riyal Murabaha Fund (“the Fund”) is an open-ended investment fund established and managed through an agreement between the Middle East Financial Investment Company (the “Fund Manager”) and the investors (the “Unitholders”).

The objective of the Fund is to achieve capital increase and the provision of liquidity through investment in low-risk Murabaha based trade transactions that are compliant with Shariah principles and to achieve a return above the benchmark return, which is three months SAIBOR.

The Fund commenced its operations on 26 Rabi’ Awwal 1432 H (corresponding to 1 March 2011 G). The approval from Capital Market Authority (“CMA”) for the establishment of the Fund was granted in its letter number 7481/5 dated 21 Ramadan 1431 H (corresponding to 31 August, 2010 G).

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund.

The Fund’s net asset value has declined by almost 99% during the period. However, it is the intention of the Fund Manager to continue the Fund as a going concern,

2. REGULATORY AUTHORITY

The Fund is governed by the Investment Funds Regulations (the “Regulations”) issued by CMA as amended up to 16 Sha’ban 1437 H (corresponding to 23 May 2016 G) detailing requirements for the investment funds operating in the Kingdom of Saudi Arabia.

3. SUBSCRIPTION / REDEMPTION

Subscription / redemption requests are accepted on all days on which Tadawul is open.

The value of the Fund’s portfolio is determined daily. The net asset value of the Fund for the purpose of purchase or sale of units is determined by dividing the net assets (fair value of the Fund’s assets minus fund’s liabilities) of the fund by the total number of outstanding fund units on that day.

4. BASIS OF PREPARATION

4.1 *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 “IAS 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, whereas the comparative condensed interim statement of comprehensive income, condensed interim statement of changes in net assets attributable to unitholders, and condensed interim statement of cash flows are extracted from the unaudited condensed interim financial information of the Fund for the six months period ended 30 June 2018.

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

BASIS OF PREPARATION (CONTINUED)

4.2 Basis of measurement

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

4.3 Functional and presentation currency

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

5. 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 year ended 31 December 2018.

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 these new and amended standards do not have any material effect on this condensed interim financial information.

6. 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.

7. CASH AND CASH EQUIVALENTS

	Notes	30 June 2019 Unaudited	31 December 2018 Audited
Cash held with custodian		206,695	15,461,269
Cash at banks		-	-
Short-term Murabaha placements		-	168,099,347
		<u>206,695</u>	<u>183,560,616</u>

8. MURABAHA PLACEMENTS

	Notes	30 June 2019 Unaudited	31 December 2018 Audited
Murabaha placements		-	-
Accrued profit		-	950,569
		<u>-</u>	<u>950,569</u>

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

9. INVESTMENTS

	Notes	30 June 2019 Unaudited	31 December 2018 Audited
Financial assets at fair value through profit or loss	9(a)	-	7,880,344
Financial assets at amortized cost	9(b)	-	32,383,066
		-	40,263,410

a) Financial assets at fair value through profit or loss

Investment held at fair value through profit or loss is as follows:

	No. of Units	Carrying value	Fair value	Unrealized gain
MEFIC Murabaha Plus Fund				
as at 30 June 2019	-	-	-	-
as at 31 December 2018	6,995.38	7,669,469	7,880,344	210,875

b) Financial assets at amortized cost

	Maturity date	Coupon rate	30 June 2019 Unaudited	31 December 2018 Audited
Turfin 3.95 Sukuk	5/2/2018	3.95%	-	-
Tufika 5.375 Sukuk	24/4/2019	5.38%	-	24,841,306
Darala 5.75 Sukuk	24/5/2018	5.75%	-	-
Darala 6.5 Sukuk	28/5/2019	6.50%	-	7,541,760
Turksk 4.489 Sukuk	25/11/2024	4.49%	-	-
EIB Sukuk	18/1/2017	4.72%	-	-
			-	32,383,066

10. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at the reporting date

11. MANAGEMENT FEE AND OTHER CHARGES

The Fund Manager charges the following fees as per the terms and conditions of the Fund;

Management fee

The Fund Manager charges the Fund a management fee at the rate of 0.5% per annum (2018: 0.5% per annum) of the net asset value of the Fund, which is calculated on daily basis and payable monthly.

Other expenses

The Fund Manager can also charge other expenses at specified rate per annum of the net asset value of the Fund. The Fund Manager has waived its fee towards other expenses of the Fund.

MEFIC SAUDI RIYAL MURABAHA FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six month period ended 30 June 2019
(Saudi Riyals)

12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties of the Fund include the Unitholders, the Fund Manager and other funds managed by the Fund manager. In the ordinary course of its activities, the Fund transacts business with 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 are as follows:

<u>Related Party</u>	<u>Nature of transaction</u>	<u>30 June 2019</u>	<u>30 June 2018</u>
Middle East Financial Investment Company (<i>Fund Manager</i>)	Management fee	371,051	990,228
MEFIC Murabaha Plus Fund (Fund managed by the fund Manager)	Redemption of units (1,352 units only)	1,530,287	-

The above transactions resulted in the following balance due to related party:

<u>Related Party</u>	<u>Balance</u>	<u>30 June 2019 Unaudited</u>	<u>31 December 2018 Audited</u>
Middle East Financial Investment Company (<i>Fund Manager</i>)	Management fee payable	30,847	123,675

During the period, the Fund redeemed its total investment of 6,995 units (31 December 2018: 6,995 units) in MEFIC Murabaha Plus Fund, a fund managed by the Fund Manager. 1,352 units were redeemed by MEFIC Murabaha Plus Fund while 5,643 units were switched with existing unit holder.

13. DIVIDEND

The Fund Board has not declared any dividend for the current period (2018: Nil).

14. 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.

15. LAST VALUATION DAY

The last valuation date of the period was 30 June 2019 (2018: 31 December 2018).

16. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund Board on 18 Dhul Qa'adah 1440 H corresponding to 21 July 2019 G.