

MEFIC Murabaha SAR Fund Report 2018

التقرير السنوي لصندوق ميفك للمرابحة بالريال السعودي ٢٠١٨



Article 71(H)

A Top Ten Holdings*

| Name of Stock* | % Holding in the stock* |
|----------------------------|-------------------------|
| i Sukuk Investment 1 | 10.44% |
| ii Murabaha Investment 1 | 8.61% |
| iii Murabaha Investment 2 | 8.48% |
| iv Murabaha Investment 3 | 7.05% |
| v Murabaha Investment 4 | 6.27% |
| vi Murabaha Investment 5 | 5.41% |
| vii Murabaha Investment 6 | 5.20% |
| viii Murabaha Investment 7 | 4.77% |
| ix Sukuk Investment 2 | 4.75% |
| x Murabaha Investment 8 | 4.16% |

B Fee Details

| Name | % of Total NAV |
|--------------------------|----------------|
| i Management Fees | 0.5% |
| ii Other Fees | 0.0% |
| iii Total Expenses Ratio | 0.5% |

C Profit Distribution

D Dealing Expenses in the Fund

E Fund Manager Investment in the Fund

H Fund Borrowing %

| | Amount | % |
|---------------------------------------|--------|-------|
| C Profit Distribution | Nil | 0.00% |
| D Dealing Expenses in the Fund | Nil | 0.00% |
| E Fund Manager Investment in the Fund | Nil | 0.00% |
| H Fund Borrowing % | Nil | 0.00% |

F Standard Measure of Risk

| | |
|----------------------------------|-------|
| i Standard Deviation – Fund | 0.09% |
| ii Standard Deviation -Benchmark | 0.02% |

G Fund & Index Performance (2018)

| | YTD | Benchmark | Alpha |
|--|------|-----------|-------|
| | 2.21 | 1.68 | 0.52 |

*the top 10 stock holdings are as at Oct 01, 2018

The other information are based on Dec 31, 2018.

Annex 5

A Investment fund information

| | |
|---|---|
| i Name of the Fund | MEFIC SAR MURABAHA FUND |
| ii Investment Objective | To provide capital increase and liquidity through investment in low risk money market instruments which are shariah compliant and provide a return above 3 month SAIBOR |
| iii Policy & Procedure | Terms & Conditions Available on Tadawul Website |
| iv Distribution of Income & Gain Policy | No Distribution of Dividend |
| v Statement of Fund Report | Fund Annual Financial Report as of 31 December 2018 is available on Tadawul website and available on request to investors at free of charge |

B Fund Performance Table

| | 1 Year | 3 Year | 5 Year | Inception |
|--------|--------|--------|--------|-----------|
| Return | 2.21% | 2.46% | 2.22% | 1.80% |

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------------------|-------|-------|-------|------|-------|-------|-------|-------|
| Annualized Return | 0.33% | 1.15% | 1.63% | 2.3% | 1.39% | 2.80% | 2.38% | 2.21% |

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------------|------------|-------------|-------------|-------------|-------------|-------------|
| NAV | 86,838,046 | 361,810,636 | 570,959,702 | 292,987,318 | 399,066,956 | 224,667,433 |
| Unit Price | 103.08 | 105.47 | 106.94 | 109.94 | 112.56 | 115.05 |
| NAV High | 103.08 | 105.48 | 106.94 | 109.94 | 112.56 | 115.05 |
| NAV Low | 101.43 | 103.07 | 105.47 | 106.94 | 109.94 | 112.56 |
| Number of Units | 842,395 | 3,430,437 | 5,338,989 | 2,664,906 | 3,545,365 | 1,952,854 |
| Expense Ratio | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% |
| Income distribution | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

C Fund Fees and Expenses

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------------|---------|---------|-----------|-----------|-----------|-----------|
| Management Fee | 477,495 | 826,260 | 2,359,443 | 2,157,684 | 2,530,956 | 1,667,242 |
| Other Expense | 0 | 0 | 524 | 1,528 | 0 | 0 |
| Total Expense Ratio | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% |

MEFIC Murabaha SAR Fund Report 2018

التقرير السنوي لصندوق ميفك للمرابحة بالريال السعودي ٢٠١٨



D Fund Manager Information

| | |
|-----------------------------|---|
| Name & Address | MEFIC Capital, 7758 King Fahed Road Olaya Riyadh 12333 |
| Investment Activities | MEFIC Capital is an Authorized Person regulated by CMA with License # 37-060209. MEFIC Capital's investment management business focuses on the management of public-listed funds, private placements, and real estate funds. MEFIC offers broad range of investment products to meet the varying investment needs and risk profiles of both institutional and retail investors. As at 31-Dec-2018, MEFIC had assets under management (AUM) of SAR 3.86bn, and MEFIC funds outperformed benchmarks during the period under review. |
| Investment Fund Performance | The fund generated an annualized return of 2.21% as compared to benchmark return of 1.68%, Alpha of +0.52 |
| Material Changes | None |

E Custodian Information

| | |
|----------------------------|--|
| Name & Address | Albilad Capital, King Fahd Branch Rd, Riyadh 12313. |
| Custodian Responsibilities | All necessary measures regarding custody and safe keeping of assets for unit holders. |
| Custodian Opinion | According to the agreement with the custodian, they are not required to provide a statement of opinion on the following: <ul style="list-style-type: none">• issued, transferred and redeemed the units in accordance with the provisions of the Investment Funds Regulations and the fund's Terms and Conditions;• valued and calculated the price of units in accordance with the provisions of the Investment Funds Regulations , the fund's Terms and Conditions and the information memorandum;• breached any of the investment restrictions, limitations and borrowing powers applicable to the Investment fund Regulations. |

F Auditor Information

| | |
|-----------------|---|
| Name & Address | BDO Dr. Mohamed Al-Amri & Co. P.O. Box 8736, Riyadh 11492, Kingdom of Saudi Arabia |
| Auditor Opinion | <p>We(BDO) have audited the financial statements MEFIC Saudi Riyal Murabaha Fund (the "Fund") managed by Middle East Financial Investment Company (the "Fund Manager") which comprise the statement of financial position as at 31 December 2018 and the statements of comprehensive income, changes in net assets attributable to unit holders and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.</p> <p>In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2018, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") endorsed in the Kingdom of Saudi Arabia, and other standards and versions endorsed by Saudi Organization for Certified Public Accountants ("SOCPA").</p> |

MEFIC SAUDI RIYAL MURABAHA FUND
Managed by
MIDDLE EAST FINANCIAL INVESTMENT COMPANY
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2018
together with the
INDEPENDENT AUDITOR'S REPORT

MEFIC SAUDI RIYAL MURABAHA FUND
Managed By Middle East Financial Investment Company
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2018

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements **MEFIC Saudi Riyal Murabaha Fund** (the "Fund") managed by Middle East Financial Investment Company (the "Fund Manager") which comprise the statement of financial position as at 31 December 2018 and the statements of comprehensive income, changes in net assets attributable to unit holders and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2018, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") endorsed in the Kingdom of Saudi Arabia, and other standards and versions endorsed by Saudi Organization for Certified Public 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 Financial Statements* section of our report. We are independent of the Fund and Fund Manager in accordance with the professional code of conduct & ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter is provided in that context:

| Key audit matter | How the matter was addressed in our audit |
|---|--|
| <p>Revenue recognition Revenue includes income from Sukuk and Murabaha placements, which are recognized on time-proportion basis over the period of the contract based on the principal amounts outstanding and agreed rate of profit. Revenue recognition is considered a key audit matter as the timing and amount of revenue recognized in a financial period can have a material effect on the financial performance.</p> <p>Refer to note (5g) for accounting policy.</p> | <p>We reviewed the revenue recognition accounting policy. We undertook substantive tests of transactions on a sample basis. We tested revenue cut-off at the year end and undertook an analytical review of revenue.</p> |

Key audit matters (Continued)

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|--|--|
| <p>IFRS conversion</p> <p>For all periods up to and including the year ended 31 December 2017, the Fund prepared its financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by SOCPA ("Previous GAAP"). The Fund adopted IFRS from 1 January 2018.</p> <p>The financial statements for the year ended 31 December 2018 are the first annual financial statements prepared in accordance with IFRS as endorsed in Kingdom of Saudi Arabia and other standards and pronouncement issued by SOCPA.</p> <p>The Fund has prepared these annual financial statements that comply with IFRS as endorsed in KSA as at 31 December 2018, as well as for presenting the relevant comparative period data for the period ended 31 December 2017. In compliance with requirements of IFRS 1 endorsed in KSA, the Fund's opening statement of financial position was prepared as at 1 January 2017 ("transition date") after incorporating required adjustments to reflect the transition to IFRS as endorsed in KSA from the Previous GAAP.</p> <p>We considered this a key audit matter as the basis of accounting is fundamental to the presentation and preparation of the financial statements.</p> <p>Refer to note 4.1 for accounting policy and note 14 for related disclosures.</p> | <p>Our procedures included the following:</p> <ul style="list-style-type: none"> - Considering the process to identify all necessary adjustments to opening balances and comparatives; - Critically examining management's approach to estimates, including estimated related to impairment of financial assets; - Ensuring consistency in selection and application of accounting policies by management and their appropriateness and adequacy and sufficiency of required disclosures. |

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|---|---|
| <p>Impairment of investments at amortized cost</p> <p>As at 31 December 2018, the Fund had investments of SR 32.4 million at amortised cost. These investments comprise corporate Sukuk, which are subject to the risk of impairment in value due to either adverse market situations and / or liquidity constraints faced by the issuers. Management considers them impaired when there is evidence of deterioration in the financial health of the investee, industry or sector performance, changes in technology and operational and financing cash flows.</p> | <p>On sample basis:</p> <ul style="list-style-type: none"> - We assessed the creditworthiness of counter parties and cash flows from the instrument to consider any defaults based on the terms and conditions of the offering documents of these Sukuk. |

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|--|--|
| <p>We considered this as a key audit matter since the assessment of impairment requires significant judgment by management and the potential impact of impairment could be material to the financial statements.</p> <p>Refer to note 5f for accounting policy and note 8 for related disclosures.</p> | |

Other information

Management is responsible for the other information. The other information in the annual report comprises Fund Managers' report to unit holders but does include the financial statements and our auditor's report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 the management and Those Charged With Governance for the financial statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia, other standards and versions endorsed by SOCPA, the requirements of the Investment Fund Regulations as published by Capital Market Authority in Kingdom of Saudi Arabia, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged With Governance, are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 as endorsed in KSA 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 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 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.

Auditor's responsibilities for the audit of the financial statements (Continued)

- 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 Fund Manager's/Fund'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 Fund'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 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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

We also provide Those Charged With Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged With Governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Dr. Mohamed Al-Amri & Co.

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



Riyadh, on 30 Jumada Al-Thani 1440H
Corresponding to: 7 March 2019G

MEFIC SAUDI RIYAL MURABAHA FUND
 Managed by Middle East Financial Investment Company
STATEMENT OF FINANCIAL POSITION
 As at 31 December 2018
 (Saudi Riyals)

| | Notes | 31 December 2018 | 31 December 2017 | 1 January 2017 |
|--|-------|-----------------------------|---------------------|--------------------|
| ASSETS | | | | |
| Cash and cash equivalents | 6 | 183,560,616 | 307,619,372 | 76,557,787 |
| Murabaha placements and accrued profit | 7 | 950,569 | 132,348,289 | 167,688,634 |
| Investments | 8 | 40,263,410 | 102,597,065 | 48,869,343 |
| Total assets | | <u>224,774,595</u> | <u>542,564,726</u> | <u>293,115,764</u> |
| LIABILITIES | | | | |
| Management fee payable | 9&10 | 102,058 | 231,852 | 128,445 |
| Other payable | | 5,103 | - | - |
| Redemption money payable | | - | 143,265,917 | - |
| Total liabilities | | <u>107,161</u> | <u>143,497,769</u> | <u>128,445</u> |
| Net assets attributable to the Unit holders | | <u>224,667,434</u> | <u>399,066,957</u> | <u>292,987,319</u> |
| Units in issue - numbers | | <u>1,952,854</u> | <u>3,545,365</u> | <u>2,664,906</u> |
| Net assets value - per unit | | <u>115.0457</u> | <u>112.5602</u> | <u>109.9428</u> |
| Contingencies and commitments | 11 | | | |

The accompanying notes from 1 to 15 form an integral part of these financial statements.

MEFIC SAUDI RIYAL MURABAHA FUND
 Managed by Middle East Financial Investment Company
STATEMENT OF COMPREHENSIVE INCOME
 For the year ended 31 December 2018
 (Saudi Riyals)

| | Notes | 31 December 2018 | 31 December 2017 |
|---|-------|-----------------------------|---------------------|
| INCOME | | | |
| Profit on Murabaha placements at amortized cost | | 6,119,652 | 9,800,315 |
| Commission income on investments at amortized cost | | 2,687,640 | 3,825,359 |
| Unrealized gain on investments at fair value through profit or loss | 8(a) | 210,875 | 298,196 |
| Realized (loss) / gain on investments at amortized cost | | (423,430) | 456,087 |
| Total income | | <u>8,594,737</u> | <u>14,379,957</u> |
| EXPENSES | | | |
| Management fee | 9&10 | (1,587,850) | (2,530,959) |
| Other investment related expenses | | (332,430) | (219,532) |
| VAT on management fee | | (79,393) | - |
| Bank charges | | (600) | (1,660) |
| Total expenses | | <u>(2,000,273)</u> | <u>(2,752,151)</u> |
| Operating profit for the year | | 6,594,464 | 11,627,806 |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | <u>6,594,464</u> | <u>11,627,806</u> |

The accompanying notes from 1 to 15 form an integral part of these financial statements.

MEFIC SAUDI RIYAL MURABAHA FUND
 Managed by Middle East Financial Investment Company
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
 For the year ended 31 December 2018
 (Saudi Riyals)

| | 31 December 2018 | 31 December 2017 |
|--|-----------------------------|---------------------|
| Net assets value at 1 January | 399,066,957 | 292,987,319 |
| Net income for the year | 6,594,464 | 11,627,806 |
| Changes from unit transactions | | |
| Proceeds from issuance of units | 314,279,453 | 522,578,988 |
| Payment against units redeemed | (495,273,440) | (428,127,156) |
| Net change from unit transactions | (180,993,987) | 94,451,832 |
| Net assets value at 31 December | 224,667,434 | 399,066,957 |

UNIT MOVEMENTS

| | 31 December 2018 | 31 December 2017 |
|--------------------------------|-----------------------------|---------------------|
| | Units | |
| Units at 1 January | 3,545,365 | 2,664,906 |
| Units issued during the year | 2,776,316 | 4,715,056 |
| Units redeemed during the year | (4,368,827) | (3,834,597) |
| Units at 31 December | 1,952,854 | 3,545,365 |

The accompanying notes from 1 to 15 form an integral part of these financial statements.

MEFIC SAUDI RIYAL MURABAHA FUND
 Managed by Middle East Financial Investment Company
STATEMENT OF CASH FLOWS
 For the year ended 31 December 2018
 (Saudi Riyals)

| | 31 December 2018 | 31 December 2017 |
|---|-----------------------------|---------------------|
| <u>CASHFLOW FROM OPERATING ACTIVITIES</u> | | |
| Net income for the year | 6,594,464 | 11,627,806 |
| <i>Adjustments:</i> | | |
| Unrealized gain on investments at fair value through profit or loss | (210,875) | (298,196) |
| Realized loss / (gain) on investments at amortized cost | 423,430 | (456,087) |
| | 6,807,019 | 10,873,523 |
| <i>Changes in operating assets and liabilities:</i> | | |
| Murabaha placements, net | 131,397,720 | 35,340,345 |
| Redemption money payable | (143,265,917) | 143,265,917 |
| Other payable | 5,103 | - |
| Management fee payable | (129,794) | 103,407 |
| Purchase of investments at amortized cost | - | (70,207,514) |
| Proceed from redemption of investments at amortized cost | 62,121,100 | 17,234,075 |
| Net cash generated from operating activities | 56,935,231 | 136,609,753 |
| <u>CASHFLOW FROM FINANCING ACTIVITIES</u> | | |
| Proceeds from subscription of units | 314,279,453 | 522,578,988 |
| Payments against redemption of units | (495,273,440) | (428,127,156) |
| Net cash (used in) / generated from financing activities | (180,993,987) | 94,451,832 |
| Net (decrease) / increase in cash and cash equivalent | (124,058,756) | 231,061,585 |
| Cash and cash equivalent at 1 January | 307,619,372 | 76,557,787 |
| Cash and cash equivalent at 31 December | 183,560,616 | 307,619,372 |

The accompanying notes from 1 to 15 form an integral part of these financial statements.

MEFIC SAUDI RIYAL MURABAHA FUND
Managed by Middle East Financial Investment Company
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018
(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 “Unit holders”).

The objective of the Fund is to achieve capital increase and the provision of liquidity through investment in low-risk Murabaha based trade transactions and Sukuks 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 Unit holders, the Fund Manager considers the Fund as an independent accounting unit.

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 the following day.

4. BASIS OF PREPARATION

4.1 Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organisation for Certified Public Accountants (SOCPA), Capital Market Authority (CMA) and the Fund’s terms and conditions, so far as they relate to the preparation and presentation of the financial statements of the Fund.

Transition to International Financial Reporting Standards (IFRS)

For all periods up to and including the year ended 31 December 2017, the Fund prepared its financial statements in accordance with accounting principles generally accepted in the Kingdom of Saudi Arabia “Saudi GAAP”. These financial statements for the period ended 31 December 2018 are prepared in accordance with IFRS; therefore, these include some additional disclosures required by IFRS 1 “First-time Adoption of International Financial Reporting Standards” to enable the users to understand how the transition to IFRS has affected previously reported amounts. An explanation of transition to IFRSs is provided in note 14 to these financial statements.

4.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain financial assets, which are measured at amortized cost. These financial statements have been prepared following the accruals basis of accounting except for cash flow information.

MEFIC SAUDI RIYAL MURABAHA FUND
Managed by Middle East Financial Investment Company
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018
(Saudi Riyals)

BASIS OF PREPARATION (Continued)

4.3 Functional and presentation currency

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

4.4 Financial year

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

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been adopted by the Fund and applied consistently throughout all periods presented in these financial statements:

a) Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and other short-term liquid investments with original maturities of three months or less from the purchase date, which are available to the Fund without any restriction.

b) Fund management fee and other expenses

Fund management fee and other expenses are measured and recognized as a period cost at the time when they are incurred.

c) Provisions

Provisions are recognized whenever there is present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

d) Zakat and Income Tax

Zakat and Income Tax are the obligation of the Unit holders and have not been provided for in these financial statements.

e) Net asset value

The net assets value per unit disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the number of units in issue at the year-end.

f) Financial instruments

Financial instruments are recognized when the Fund 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.

i) Financial assets

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

MEFIC SAUDI RIYAL MURABAHA FUND
Managed by Middle East Financial Investment Company
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018
(Saudi Riyals)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Classification

The financial assets are classified in the following measurement categories:

- 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 be recorded in the statements of comprehensive income. For investments in equity instruments, this will depend on whether the Fund 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 Fund 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 statement of comprehensive income as incurred.

Debt Instrument

Subsequent measurement of debt instruments depends on the Fund's business model for managing the asset and the cash flow characteristics of the asset. The Fund 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 taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective commission rate ("ECR").

Equity Instrument

If the Fund 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 statements of comprehensive income as other income when the Fund's 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 statements of comprehensive income as applicable.

(III) De-recognition of financial assets

The Fund 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 Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of the transferred financial asset, the Fund continues to recognize the financial asset and also recognizes a collateralized financing for the proceeds received.

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

(IV) Impairment of Financial Assets

The Fund applies 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, receivables. An expected credit loss is 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 Fund expects to receive. The expected credit losses consider the amount and timing of payments and hence, a credit loss arises even if the Fund 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 recognizing allowance for expected credit losses in the statements of comprehensive income even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12 month expected credit losses or lifetime 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.

The Fund uses the practical expedient in IFRS 9 for measuring expected credit losses for receivables or investments using a provision matrix based on ageing of receivables. The Fund uses historical loss experience and derived loss rates based on the past twelve months and adjust 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.

ii) Financial liabilities

The Fund 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 at fair value through profit or loss,
- b) Those to be measured at amortized cost

(II) Measurement

All financial liabilities are recognized initially at fair value. Financial liabilities accounted at amortized cost like loans and financings are accounted at the fair value determined based on the effective commission rate method ("ECR") after considering the directly attributable transaction costs.

The effective commission rate ("ECR") method is a method of calculating the amortized cost of a debt instrument and of allocating commission charge over the relevant effective commission rate period. The effective commission 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 commission 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 financings, payables etc.

The Fund's financial liabilities include management and other payables. Subsequently, the Fund classifies all financial liabilities at amortized cost, except for financial liabilities at fair value through profit or loss which are measured at fair value.

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

(III) De-recognition 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 recognized in the statements of comprehensive income.

iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of Financial Position when there is a legally enforceable right to offset the recognized 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 Fund or the counterparty.

g) Revenue recognition

Commission income on financial assets at amortized cost is calculated using the effective commission rate method and is recognized in the statement of comprehensive income. Commission income is calculated by applying the effective commission rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset i.e. after deduction of the loss allowance.

Gains or losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are recognized in statement of comprehensive income. Details on how the fair value of financial instruments is initially and subsequently measured are disclosed in relevant notes to financial statements.

h) Critical accounting estimates and judgment

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. Significant estimates and judgments used in impairment of financial assets are explained in relevant policy of financial instruments.

6. CASH AND CASH EQUIVALENTS

| | Notes | 31 December 2018 | 31 December 2017 | 1 January 2017 |
|--------------------------------|--------------|-----------------------------|---------------------|-------------------|
| Cash held with custodian | | 15,461,269 | 4,140,663 | 13,577 |
| Cash at banks | (a) | - | 48,040,979 | 16,544,210 |
| Short term Murabaha placements | (b) | 168,099,347 | 255,437,730 | 60,000,000 |
| | | <u>183,560,616</u> | <u>307,619,372</u> | <u>76,557,787</u> |

- a) As per CMA regulations, cash is held with custodian with nil balance in current account.
- b) Short term Murabaha placements are highly liquid investments with original maturities of three months or less from the purchase date and carry commission rates within a range of 2.8% to 4.5% (31 December 2017: 1.9% to 2.85%, 1 January 2017: 3% to 3.85%)

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7. MURABAHA PLACEMENTS AND ACCRUED PROFIT

| | Notes | 31 December 2018 | 31 December 2017 | 1 January 2017 |
|---------------------|-------|---------------------|---------------------|-------------------|
| Murabaha placements | (a) | - | 130,000,000 | 165,176,050 |
| Accrued profit | | 950,569 | 2,348,289 | 2,512,584 |
| | | 950,569 | 132,348,289 | 167,688,634 |

a) These are Murabaha placements with original maturities of more than three months from the purchase date. Commission rates as at 31 December 2017 were within a range of 2.35% to 2.85% and 3.0% to 3.85% as at 1 January 2017.

8. INVESTMENTS

| | Notes | 31 December 2018 | 31 December 2017 | 1 January 2017 |
|---|-------|---------------------|---------------------|-------------------|
| Financial assets - at fair value through profit or loss | (a) | 7,880,344 | 9,564,820 | 9,266,624 |
| Financial asset - at amortized cost | (b) | 32,383,066 | 93,032,245 | 39,602,719 |
| | | 40,263,410 | 102,597,065 | 48,869,343 |

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 31 December 2018 | 6,995.38 | 7,669,469 | 7,880,344 | 210,875 |
| as at 31 December 2017 | 8,724.14 | 9,266,624 | 9,564,820 | 298,196 |
| as at 1 January 2017 | 8,724.14 | 8,960,075 | 9,266,624 | 306,549 |

b) Financial assets at amortized cost

| | Maturity date | Coupon rate | 31 December 2018 | 31 December 2017 | 1 January 2017 |
|--------------------|------------------|----------------|---------------------|---------------------|-------------------|
| Turfin 3.95 Sukuk | 5/2/2018 | 3.950% | - | 35,436,160 | 7,537,364 |
| Tufika 5.375 Sukuk | 24/4/2019 | 5.375% | 24,841,306 | 25,191,021 | 10,056,191 |
| Darala 5.75 Sukuk | 24/5/2018 | 5.750% | - | 15,871,720 | - |
| Darala 6.5 Sukuk | 28/5/2019 | 6.500% | 7,541,760 | 11,302,168 | - |
| Turksk 4.489 Sukuk | 25/11/2024 | 4.489% | - | 5,231,176 | 15,500,543 |
| EIB Sukuk | 18/1/2017 | 4.718% | - | - | 6,508,621 |
| | | | 32,383,066 | 93,032,245 | 39,602,719 |

The par values of Tufika and Darala Sukuks are USD 6.53 million and USD 2 million respectively.

9. 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 (2017: 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.

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10. 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 and balances with related parties are as follows:

| <u>Related Party</u> | <u>Nature of transaction</u> | For the year ended | | |
|--|-------------------------------------|--------------------------------|--------------------------------|------------------------------|
| | | <u>31 December 2018</u> | <u>31 December 2017</u> | |
| Middle East Financial Investment Company (<i>Fund Manager</i>) | Management fee | 1,587,850 | 2,530,959 | |
| | | As at | | |
| <u>Related Party</u> | <u>Balance</u> | <u>31 December 2018</u> | <u>31 December 2017</u> | <u>1 January 2017</u> |
| Middle East Financial Investment Company (<i>Fund Manager</i>) | Management fee payable | 102,058 | 231,852 | 128,445 |
| | Other payable | 5,103 | - | - |

The Fund also has following investment in MEFIC Murabaha Plus Fund, a fund managed by the Fund Manager.

| <u>Related Party</u> | <u>Balance</u> | <u>31 December 2018</u> | <u>31 December 2017</u> | <u>1 January 2017</u> |
|-----------------------------|-----------------------|--------------------------------|--------------------------------|------------------------------|
| MEFIC Murabaha Plus Fund | Investment (SR) | 7,880,344 | 9,564,820 | 9,266,624 |
| | No. of units | 6,995.38 | 8,724.14 | 8,724.14 |

11. CONTINGENCIES AND COMMITMENTS

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

12. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks namely; credit risk and liquidity risk and market risk (including commission rate risk, currency risk and price risk). The Fund's overall risk management policies focuses on the predictability of financial market and seeks to minimize potential adverse effect on the Fund's financial performance. Overall, risks arising from the Fund's financial assets and liabilities are limited. The Fund Manager consistently manages its exposure to financial risk without any material change from previous period in the manner describe in notes below

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and cause other party to incur a financial loss. The Fund is exposed to credit risk on its bank balance, investments which include Murabaha investments and Sukuks and accrued commission income on these investments. Bank balances and investments are maintained with investment companies and reputed local bank in the Kingdom of Saudi Arabia and abroad which have satisfactory credit ratings from approved agencies. The Fund is consequently not exposed to any significant residual credit risk.

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FINANCIAL RISK MANAGEMENT (Continued)

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's total credit risk with respect of financial instruments is distributed with local and foreign banks and investment companies having satisfactory credit ratings.

Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in generating funds to meet commitments associated with financial liabilities. The Fund Manager monitors the liquidity requirements on a regular basis and takes necessary actions to ensure that sufficient funds are available to meet any liabilities as they fall due under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. As at reporting date, there is no maturity mismatch between financial assets and liabilities that exposes the Fund to liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices.

Market risk comprises three types of risk: commission rate risk, currency risk and price risk.

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect the value of or future cash flow of financial instruments. The rate of commission on the Fund's financial asset is fixed. Accordingly, the Fund is not exposed to any commission rate risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Fund's financial instruments are all denominated in either its functional currency or US Dollar. Since the US Dollar is pegged to fixed rate in Kingdom of Saudi Arabia, the Fund is not subject to any currency risks.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Since the value of Fund's financial instruments is not exposed to market prices, Fund is not exposed to price risk.

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FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category

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

| | Notes | 31 December 2018 | 31 December 2017 | 1 January 2017 |
|--|-------|-----------------------------|---------------------|--------------------|
| Financial assets | | | | |
| - at fair value through profit or loss: | | | | |
| MEFIC Murabaha Plus Fund | 7 | 7,880,344 | 9,564,820 | 9,266,624 |
| - at amortized cost: | | | | |
| Cash and cash equivalents | 6 | 183,560,616 | 307,619,372 | 76,557,787 |
| Murabaha placements | 7 | 950,569 | 132,348,289 | 167,688,634 |
| Investments | 8 | 32,383,066 | 93,032,245 | 39,602,719 |
| Total financial assets | | 224,774,595 | 542,564,726 | 293,115,764 |
| Financial liabilities | | | | |
| -at amortized cost: | | | | |
| Management fee payable | 9&10 | 102,058 | 231,852 | 128,445 |
| Other payable | | 5,103 | 0 | - |
| Redemption money payable | | - | 143,265,917 | - |
| Total financial liabilities | | 107,161 | 143,497,769 | 128,445 |

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Currently, investment in MEFIC Murabaha Plus Fund is the only investment carried at fair value and is designated in level 3. The Fund's other financial assets consist of bank balance and investments, which include Murabaha placements, Sukuks, and their accrued commission income which are carried at amortized cost. Its financial liabilities consist of management fee and other liabilities. There was no other material Level 1, 2 or 3 asset or liability during the current and prior year reported.

The carrying values of all other financial assets and liabilities reflected in these financial statements approximate their fair values.

Transfers between fair value hierarchies

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

14. FIRST TIME ADOPTION OF IFRS

Transition to IFRS has not affected the reported financial position, financial performance and cash flows of the Fund as at 31 December 2017, 1 January 2017 or for the year ended 31 December 2017. Consequently, no transition note reconciling the previous statements reported under generally accepted accounting principles (GAAP) and the same statements as reported under IFRS is necessary as all of the transitions relates to presentation and disclosure only. However, as the financial statements for all periods up to and including the year ended 31 December 2017 did not contain an explicit and unreserved statement of compliance with IFRS, the management has applied the guidance given in "IFRS 1 First-time Adoption of International Financial Reporting Standards" in preparing these financial statements and consequently included appropriate disclosures to that effect.

First-time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application of IFRSs. The Fund's application of mandatory and optional exemptions, are set out below.

Mandatory exemptions adopted by the Fund

Estimates

The estimates at 1 January 2017 and at 31 December 2017 are consistent with those made for the same dates in accordance with Saudi GAAP. The estimates used by the Fund to present these amounts in accordance with IFRS reflect conditions at 1 January 2017, the date of transition to IFRS, and as of 31 December 2017.

Optional exemptions adopted by the Fund

The Fund has not used any optional exemptions for retrospective application of IFRS.

15. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board on 30 Jumada Al-Thani 1440H corresponding to 7 March 2019G.

MEFIC SAR MURABAHA FUND

Annual Performance Report

As of 31 Dec 2018

Fund Board of Directors

FUND OBJECTIVE

The main 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 achieve a return above the benchmark SIBOR 3 months.

MONEY MARKET REVIEW - 2018

Saudi Arabia continued to account for the lion's share of regional total fixed income market with the country remaining the third biggest issuer in the GCC market with USD 13.8 billion in new issuances during 2018, an increase of 2.9% from 2017.

Within less-than-three-years, the KSA government has managed to build a robust yield curve, supported by strong investor appetite in both primary and secondary market. The KSA curve is indeed now one of the most active sovereign curves in the GCC & EM. Saudi Arabia has indicated that it would issue USD 32 billion debt during 2019 in the international market to finance its budgeted deficits.

US Federal Reserve bank considered four interest rate hikes during 2018 with Saudi central bank following the suit. Saudi Arabia also raised repo rate and reverse repo rates to by 25 bps to 300 bps and 250 bps, respectively. Going forward, odds for further rate hikes appear minimal down the road.

FUND PERFORMANCE TABLE (December 2018)

| Performance | 3M | 6M | YTD | 1Y | Since Inception |
|-------------------------|-----------|-----------|------------|-----------|------------------------|
| Fund | 2.60% | 2.49% | 2.21% | 2.21% | 15.05% |
| Fund Performance | | | | | |
| Annualized Return | | | | | 1.92% |
| Standard Deviation | | | | | 0.03% |

FUND FINANCIAL STATEMENTS

The audited financial statements for the fund have been prepared & uploaded on the Tadawul Website, within the specified time frame, in compliance with the IFR.

BOARD MEETING DISCUSSION – KEY TAKEAWAYS

- MEFIC Murabaha SAR Fund was ranked the top during the year 2017. The fund generated 2.4% return, which is well above the 3 months SAIBOR rate.
- Our fund outperformed most Murabaha funds in the market; it was ranked as the 2nd best Fund in the Market in 2017.
- The reason for not sustaining the same performance of 2017 is the new regulations of the CMA. We are expecting to see better yields in the coming year as a result of Fed Rate hikes which is expected to be followed by increase in the official policy rate by SAMA.
- The fund had one breach of T&C under investment limitations during the second half of 2018; the breach was caused by redemption from client, where the exposure to Sukuk issuer exceeded 10% limit due to less cash. This was communicated to compliance and communicated to CMA for approval as per article 52.
- It is confirmed to the Fund Board, in accordance the Article 13 of IFR, that the Fund has no conflict of interest.

APPROVALS

- It was mentioned that we have signed the master custody agreement with AlBilad Capital; T&C was updated and announced in Tadawul /MEFIC site.
- Fund T&C has been converted into new IFR format and uploaded.
- The replacement of the board member Amrith Mukkamala with Khloud Al Ghati, and T&C of all funds were updated to reflect the replacement and approved by the CMA.