

MEFIC IPO FUND
Managed by
MIDDLE EAST FINANCIAL INVESTMENT COMPANY
UNAUDITED CONDENSED INTERIM FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2018
together with the
INDEPENDENT AUDITOR'S REVIEW REPORT

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

**INDEX TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

For the six-month period ended 30 June 2018

	PAGE
Independent auditor's review report	2
Condensed interim statement of financial position	3
Condensed interim statement of comprehensive income	4
Condensed interim statement of changes in net assets attributable to Unit holders	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial statements	7 - 18



**INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM
FINANCIAL STATEMENTS**

**To the Unit holders of
MEFIC IPO Fund
Managed by Middle East Financial Investment Company
Riyadh, Kingdom of Saudi Arabia**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **MEFIC IPO Fund** ("the Fund") as of 30 June 2018 and the related condensed interim statements of comprehensive income, changes in net assets attributable to unit holders and cash flows for the six-month period then ended, together with a summary of significant accounting policies and other explanatory notes from 1 to 15.

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" as 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 as 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: 1 Thul Hijjah 1439 (H)
Corresponding to: 12 August 2018 (G)

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

		<u>30 June</u>	<u>31 December</u>	<u>1 January</u>
		<u>2018</u>	<u>2017</u>	<u>2017</u>
	<u>Notes</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
<u>ASSETS</u>				
Financial assets at fair value through profit or loss "FVTPL"	7, 14	18,568,137	30,657,355	53,578,706
Other receivables		351,756	-	45,000
Cash and cash equivalent	8	508,834	6,682,077	25,458,635
Total assets		<u>19,428,727</u>	<u>37,339,432</u>	<u>79,082,341</u>
<u>LIABILITIES</u>				
Management fee payable	10	39,662	66,342	119,396
Other expenses payable	10	41,865	18,955	34,113
Total liabilities		<u>81,527</u>	<u>85,297</u>	<u>153,509</u>
Net assets attributable to unit holders		<u>19,347,200</u>	<u>37,254,135</u>	<u>78,928,832</u>
Units in issue (Numbers)		<u>152,954</u>	<u>308,751</u>	<u>581,958</u>
Net assets value - per unit (SR)		<u>126.49</u>	<u>120.66</u>	<u>135.63</u>

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

		30 June 2018	30 June 2017
	<i>Notes</i>	SR	SR
<u>INCOME</u>			
Dividend income		956,501	1,296,140
Net gain from financial assets at FVTPL	9	1,028,640	(5,162,466)
Total income/ (loss)		1,985,141	(3,866,326)
<u>EXPENSES</u>			
Management fee	10	(298,825)	(655,549)
Transaction costs	14	(33,215)	(99,318)
Other expenses		(85,459)	(187,887)
Total operating expenses		(417,499)	(942,754)
Operating profit / (loss) for the period		1,567,642	(4,809,080)
Other comprehensive income for the period		-	-
Total comprehensive income / (loss) for the period		1,567,642	(4,809,080)

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDER
(UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

	<u>30 June 2018</u>	<u>30 June 2017</u>
	<u>SR</u>	<u>SR</u>
Net assets at 1 January	37,254,135	78,928,832
Total comprehensive income / (loss) for the period	1,567,642	(4,809,080)
Changes from unit transactions		
Proceeds from units issued	-	1,484,999
Payments for units redeemed	(19,474,577)	(3,180,534)
Net assets at 30 June	<u>19,347,200</u>	<u>72,424,217</u>

UNIT TRANSACTIONS

Transactions in units are summarized as follows:

	<u>Numbers</u>	
Units at 1 January	<u>308,751</u>	<u>581,958</u>
Units issued	-	11,346
Units redeemed	(155,797)	(24,137)
Net decrease in units	(155,797)	(12,791)
Units at 30 June	<u>152,954</u>	<u>569,167</u>

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

	<u>30 June 2018</u>	<u>30 June</u>
	<u>SR</u>	<u>2017</u>
		<u>SR</u>
OPERATING ACTIVITIES		
Operating profit / (loss) for the period	1,567,642	(4,809,080)
<i>Adjustment for:</i>		
Other net changes in fair value of financial assets at FVTPL	(1,028,640)	5,162,466
Dividend income	(956,501)	(1,296,140)
Changes in operating assets and liabilities:		
Purchase of financial assets at FVTPL	(9,106,133)	(57,100,899)
Proceeds from disposal of financial assets at FVTPL	22,223,991	34,254,026
Other receivables	(243,834)	-
Management fee payable	(26,680)	(14,921)
Other expenses payable	22,910	(4,263)
Net increase / (decrease) in operating assets and liabilities	12,452,755	(23,808,811)
Dividend received	848,579	1,210,797
Net cash generated from / used in operating activities	13,301,334	(22,598,014)
FINANCING ACTIVITIES		
Proceeds from units issued	-	1,484,999
Payments for units redeemed	(19,474,577)	(3,180,534)
Net cash used in financing activities	(19,474,577)	(1,695,535)
Net decrease in cash and cash equivalents	(6,173,243)	(24,293,549)
Cash and cash equivalents at 1 January	6,682,077	25,458,635
Cash and cash equivalents at 30 June	508,834	1,165,086

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

1. THE FUND AND ITS ACTIVITIES

MEFIC IPO Fund (the “Fund”) is an open-ended investment fund established and managed through an agreement between Middle East Financial Investment Company (the “Fund Manager”) and the Fund Investors (the “Unit holders”).

The objective of the Fund is to achieve absolute return through capital growth over medium to long term by investing mainly in the shares of listed companies during the first five years of listing and during their Initial Public Offering (IPO) in the Kingdom of Saudi Arabia.

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

The Fund commenced its operations on 16 Rajab 1435 H (corresponding to 15 May 2014 G). The approval from Capital Market Authority (“CMA”) for the establishment of the Fund was granted in its letter number 2014/4486/5 dated 16 Rajab, 1435 H (corresponding to 15 May 2014 G)

2. REGULATORY FRAMEWORK

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 investment funds operating in the Kingdom of Saudi Arabia.

3. SUBSCRIPTION / REDEMPTION (DEALING DAY AND VALUATION DAY)

Subscription / redemption requests are accepted on all days on which the Saudi Stock Market is open.

The value of the Fund’s portfolio is determined twice a week on Monday and Thursday (each being a “Valuation Day”). The net asset value of the Fund for the purpose of purchase or sale of units is determined by dividing the net value of assets (fair value of the Fund’s assets minus fund’s liabilities) by the total number of outstanding fund units on the relevant valuation day.

4. BASIS OF PREPARATION

4.1 Statement of compliance

These condensed interim financial statements are the first general purpose financial statements prepared in accordance with International Accounting Standard IAS-34 “Interim Financial Reporting” 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 (IFRSs)

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 condensed interim financial statements for the period ended 30 June 2018 are the first the Fund has 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, refer note 14 for details.

These condensed interim financial statements do not include all of the information required for a full set of annual Financial Statements prepared under IFRS.

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

BASIS OF PREPARATION (Continued)

4.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except for the financial assets at fair value through profit or loss which are carried at fair value, using the accrual basis of accounting and going concern concept.

4.3 Functional and presentation currency

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

4.4 Financial year

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

4.5 Use of estimates and judgments

In the ordinary course of business, the preparation of 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 year in which the estimates are revised and in future years affected. Major areas where estimates or judgments made are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are as follows:

Classification and valuation of investments

The Fund at initial recognition determines the relevant classification of financial assets and financial liabilities based on the business model for managing the financial asset and the terms of contractual cash flows.

The Fund has classified its investments in equity securities at fair value through profit or loss "FVTPL". Gain or loss arising from subsequent changes in fair value and on sale of financial assets at FVTPL is recognised in the condensed interim statement of comprehensive income.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below which, in the opinion of the management, will clearly not impact the Fund.

- IFRS 16 Leases
- IFRIC 23 Uncertainty over income tax treatments

6. SIGNIFICANT ACCOUNTING POLICIES

Following are the significant accounting policies applied by the Fund throughout all periods presented in these first IFRS financial statements.

Financial instruments

Initial recognition and measurement

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Fund commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

6. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All other financial assets and liabilities (including assets and liabilities designated at fair value through income statement) are initially recognized on trade date at which the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. For all other financial assets and financial liabilities transaction costs are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Classification and subsequent measurement of financial assets

Financial assets are classified into the following specified categories:

- Financial assets at fair value through profit or loss (FVTPL);
- Financial assets at fair value through other comprehensive income (FVTOCI); or
- Financial assets at amortised cost.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate Sukuk, Murabaha placement.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Fund's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

• **Amortised cost:** Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised in profit or loss statement. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method. Currently there is no debt instrument held by the fund at amortised cost.

• **Fair value through other comprehensive income (FVTOCI):** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVTPL are measured at fair value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortised cost are recognised in profit or loss statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss statement. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method. Currently there is no debt instrument held by the fund at FVTOCI.

• **Fair value through profit or loss (FVTPL):** Financial assets that do not meet the criteria for amortised cost or FVTOCI are classified as fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value is presented in the condensed interim statement of income in the year in which it arises. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method. Currently there is no debt instrument held by the fund at FVTPL.

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

6. **SIGNIFICANT ACCOUNTING POLICIES** (*Continued*)

Business model

The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Fund in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

For example, the liquidity portfolio of assets, which is held by the Fund as part of liquidity management, is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Solely payments of principal and profit

Where the business model is to hold assets solely to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assess whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Fund considers whether the contractual cash flows are consistent with the lending agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting year following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Fund's policy is to designate equity investments as FVTOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to the statement of profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of income as 'Dividend income' when the Fund's right to receive payments is established.

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

6. **SIGNIFICANT ACCOUNTING POLICIES** (*Continued*)

Derecognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Fund transfers substantially all the risks and rewards of ownership, or (ii) the Fund neither transfers nor retains substantially all the risks and rewards of ownership and the Fund has not retained control.

The Fund enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

On derecognition of a financial asset measured at FVTPL and amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of profit or loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing its financial assets.

Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at the market price, because this price provides a reasonable approximation of the exit price.

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the condensed interim statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Cash and cash equivalents

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

Revenue recognition

Net gain from financial instruments at fair value through profit or loss

Net gain from financial instruments at FVTPL includes all realised and unrealised fair value changes, but excludes interest and dividend income.

Realised gain from financial instruments at FVTPL is calculated on a weighted average cost basis.

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividend income

Dividend income or other income is recognized when the Fund's right to receive dividend payment is established.

Management fee and other expenses

Management fees and other expenses are charged at rates/amounts within limits mentioned in terms and conditions of the Fund. These charges are calculated and accrued on each valuation day.

Subscription fee

The Fund Manager charges each investor a subscription fee of a percentage not exceeding 1.5% of the subscribed amount to cover administration costs and is netted off against proceeds from issuance of units.

Under the terms and conditions of the Fund, the Fund is liable to pay the following expenses to the Fund Manager:

▪ *Management fee*

Management fee is accrued at the rate of 1.75% per annum of net assets value of the Fund at each valuation day and is payable monthly.

▪ *Other expense*

Other expenses are accrued at the rate of 0.5% of the net asset value of the fund at each valuation day and is payable monthly.

Zakat / taxation

Zakat / taxation are the obligation of the Unit holders and are not provided for in these condensed interim financial statements.

Subscription and redemption of units

Units issued and redeemed are recorded at the net assets value per unit on the valuation day for which the subscription request and redemption applications are received.

Net assets 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 period / year end.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Note</i>	<u>30 June</u> <u>2018</u> <u>SR</u>	<u>31 December</u> <u>2017</u> <u>SR</u>
Opening balance		30,657,355	53,578,706
Purchased during the year		9,106,133	63,417,238
Sold during the year		(22,223,991)	(78,171,380)
Realised (loss) / gain		1,386,885	(5,665,289)
Change in fair value		(358,245)	(2,501,920)
Closing balance	7.1	<u>18,568,137</u>	<u>30,657,355</u>

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018****FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)**

7.1. The classification of investments at FVTPL into industry groups specified by Saudi Stock Exchange is summarized as follows:

<u>Industry group</u>	<u>Cost</u>	<u>Market value</u> 30 June 2018	<u>% of market value</u>
Materials	3,787,653	3,733,096	20%
Health Care Equipment and Service	3,167,087	3,572,380	19%
Retailing	3,324,446	3,333,814	18%
REITs	2,857,350	2,633,423	14%
Transportation	1,657,467	1,522,120	8%
Real Estate Management and Development	1,643,462	1,476,411	8%
Consumer Services	1,643,930	1,426,510	8%
Insurance	440,886	475,948	3%
Consumer Durables and Apparel	404,101	394,435	2%
	<u>18,926,382</u>	<u>18,568,137</u>	<u>100%</u>
<u>Industry group</u>	<u>31 December 2017</u>		
Health Care Equipment and service	8,210,204	7,550,481	25%
Retailing	6,476,216	6,864,355	22%
Consumer Services	6,292,540	4,255,197	14%
Transportation	4,303,294	3,741,337	12%
Real Estate Management and Development	3,195,761	3,397,021	11%
Materials	2,610,410	2,797,840	9%
Insurance	1,399,450	1,447,950	5%
Consumer Durables and Apparel	671,400	603,174	2%
	<u>33,159,275</u>	<u>30,657,355</u>	<u>100%</u>
<u>Industry group</u>	<u>1 January 2017</u>		
Health Care Equipment and services	21,092,877	23,558,566	44%
Materials	6,598,762	7,925,090	15%
Consumer Services	5,012,989	5,686,942	11%
Commercial and Professional Services	3,609,537	3,765,473	7%
Insurance	3,115,866	3,733,941	7%
Transportation	2,218,831	3,389,681	6%
Energy	2,764,166	3,166,421	5.7%
Real Estate Management and Development	1,680,178	1,901,592	3.5%
Capital Goods	397,786	451,000	0.8%
	<u>46,490,992</u>	<u>53,578,706</u>	<u>100%</u>

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018****8. CASH AND CASH EQUIVALENTS**

	<u>30 June</u> <u>2018</u> <u>SR</u>	<u>31 December</u> <u>2017</u> <u>SR</u>	<u>1 January</u> <u>2017</u> <u>SR</u>
Cash at bank	-	93,722	484,310
Cash held with custodian	508,834	6,588,355	24,974,325
	<u>508,834</u>	<u>6,682,077</u>	<u>25,458,635</u>

9. NET GAIN FROM FINANCIAL ASSETS AT FVTPL

	<u>30 June 2018</u> <u>SR</u>	<u>30 June 2017</u> <u>SR</u>
Unrealised loss, net	(358,245)	(3,651,683)
Realised gain / (loss), net	1,386,885	(1,510,783)
	<u>1,028,640</u>	<u>(5,162,466)</u>

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties of the Fund include the Unit holders, the Fund Manager and other funds managed by the Fund Manager. In the ordinary course of its activities, the Fund transacts business with related parties. 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 unit holders' account included units held by Fund Manager as follows:

	<u>Units</u> <u>(number)</u>	<u>Net Assets Value</u> <u>SR</u>	<u>% of total</u> <u>units</u> <u>%</u>
Held by the Fund Manager			
30 June 2018	72,224	9,135,614	47%
31 December 2017	72,224	8,714,548	23%
1 January 2017	72,224	9,795,741	12%

Related party transactions for the year are described as under:

<u>Related party</u>	<u>Nature of transaction</u>	<u>30 June</u> <u>2018</u>	<u>30 June</u> <u>2017</u>
Middle East Financial Investment Company (the "Fund Manager")	Management fee	298,825	655,549
	Other expenses	85,379	187,300

The above transactions during the period resulted in the following balances due to related party as of;

<u>Related party</u>	<u>Nature of balance</u>	<u>30 June</u> <u>2018</u>	<u>31 December</u> <u>2018</u>	<u>1 January</u> <u>2017</u>
Middle East Financial Investment Company ("the Fund Manager")	Management fee	39,662	66,342	119,396
	Other expenses	37,983	18,955	34,113

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

11. SEGMENT REPORTING

The Fund carries a portfolio of equity instruments of companies listed on Saudi Stock Exchange. The chief operating decision maker (CODM) periodically assesses the performance and allocates resources to the business as one unit and, as such, no separate operating segments were identified for financial reporting purposes. Consequently, segment reporting as required by IFRS 8 'Operating Segments' has not been disclosed. The CODM, however, periodically receives fair valuation of its holding in equity instruments. Please refer to Note 8 where this valuation information has been disclosed in this condensed interim financial information.

12. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of the following financial risks; market risk (including special commission rate risk, currency risk and price risk), credit risk and liquidity risk. The Fund's overall risk management programme focuses on the predictability of financial market and seeks to minimise potential adverse effect on the Fund's financial performance.

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.

The Fund manager manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the risk management/investment committee.

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

Special commission rate risk

Special commission rate risk arises from the possibility that changes in market commission rates will affect future profitability or the fair value of the financial instruments.

The Fund does not have commission bearing assets and liabilities, including Murabaha placements and bank balance at current period end; consequently it is not exposed to special 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. As the Fund's financial instruments are denominated in its functional currency, the Fund is not subject to 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.

Price risk is managed by the investment manager by diversifying the portfolio and limiting concentration of investments in financial instruments specified in term and conditions of the Fund and specified by CMA investment fund regulations.

The internal procedures require the investment manager to manage price risk on a daily basis by monitoring fund's portfolio exposure.

If the price risk is not in accordance with the investment policy or investment fund regulations, then the fund investment manager is required to rebalance the portfolio within 5 days of such breach.

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

FINANCIAL RISK MANAGEMENT (continued)

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 investment portfolio, cash and cash equivalents and other receivables. The cash and cash equivalents and dividend receivables represents cash held with custodian which are maintained with a reputed local bank and dividend receivable from Brokerage Company, fund's exposure to associated credit risk is not significant. The Fund Manager seeks to limit its credit risk on equity portfolio by monitoring credit exposures and setting limits for individual investments. Therefore, the Fund Manager believes that the Fund does not have any significant credit risk at 30 June 2018, 31 December 2017 and 1 January 2017.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities.

The Fund's terms and conditions provide for the subscriptions and redemptions of units throughout the week and it is, therefore, exposed to the liquidity risk of meeting unit holder redemptions. The Fund's financial assets comprise bank balance and equity investments which are considered to be readily realizable. The Fund Manager monitors liquidity requirements on a regular basis and seeks to ensure that funds are available to meet commitments as they arise.

All the financial assets and liabilities disclosed above are within the maturity profile of one year.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at fair value in the statement of assets and liabilities are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- **level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- **level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2018, December 31, 2017 and January 01, 2017, the Fund held the following financial assets measured at fair value.

	30 June 2018	31 December 2017	01 January 2017
	<u>SR</u>	<u>SR</u>	<u>SR</u>
Level 1			
Listed equity securities	18,568,137	30,657,355	53,578,706

14. FIRST TIME ADOPTION OF IFRSs

New and revised IFRSs adopted during the period

The Fund applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The relative impact of the new standards on these financial statements is discussed as below:

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

14. FIRST TIME ADOPTION OF IFRSs

- **IFRS 9 Financial Instruments**

IFRS 9 is effective from 1 January 2018. The standard contains requirements in the following areas:

Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments such as Murabaha placements having original maturity period of more than three months.

Upon transition the fund has classified all of its equity investments at fair value through profit or loss. Subsequent changes in the fair value of such financial assets at FVTPL are recognised in other gains/ (losses) in the statement of profit or loss.

Impairment: At 30 June 2018, 31 December 2017 and 1 January 2017 the Fund does not have significant exposure to financial assets that require estimation of expected credit losses under IFRS 9.

Hedge accounting: The Fund does not apply hedge accounting; therefore, IFRS 9 hedge accounting-related changes do not have an impact on the interim financial statements of the fund.

Derecognition: Upon transition to IFRS none of the financial assets or liabilities previously recognized under Saudi GAAP require derecognition under IFRS.

The effect of adopting IFRS 9 on previously recognized financial assets and financial liabilities relates solely to classification and disclosure requirements. Details of the designations and relevant reclassifications applied from the date of transition to IFRS i.e. 1 January 2017 prospectively are as follows:

Financial instrument	Classification		Carrying value under		
	Saudi GAAP	IFRS 9	Note	Saudi GAAP SR	IFRS 9 SR
Listed equity investments	Held for trading	Financial assets at FVTPL	7	30,657,355	30,657,355

Statement of comprehensive income	For six-month ended 30 June 2017		
	Reported under Saudi GAAP SR	Reclassification under IFRS transition SR	Under IFRS 9 SR
Unrealized loss	(3,697,191)	45,508	(3,651,683)
Realized loss	(1,564,593)	53,810	(1,510,783)
Transaction costs	-	(99,318)	(99,318)

- **IFRS 15 Revenue from Contracts with Customers**

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

MEFIC IPO FUND

Managed by Middle East Financial Investment Company

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

FIRST TIME ADOPTION OF IFRSs (Continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Adoption of IFRS 15 does not have any impact on the revenue recognized by the Fund.

First-time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application of IFRSs. The Fund has applied mandatory exceptions and certain optional exemptions, as set out below.

Mandatory exceptions 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 exceptions adopted by the Fund

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

15. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund's Board on 1 Thul-Hijjah 1439H corresponding to 12 August 2018G.
