

MEFIC SAR Murabaha Fund Semi-Annual Report - 2023

التقرير النصف سنوي لصندوق ميفك للمرابحة بالريال السعودي 2023



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's Semi Annual Financial Report as of Jun 30, 2023 is available on Tadawul and MEFIC website and available on request to investors at free of charge

D Fund Manager Information

Name & Address	MEFIC Capital, 7702 King Fahed Road , MEFIC Tower, Riyadh 13524 MEFIC Capital is an Authorized and regulated by CMA with License # 37-06029
Investment Activities	The global market is in the recovery phase of the business cycle. This implies an increase in interest rates, which creates a favorable environment for money markets and Sukuk over equities.
Investment Fund Performance	The fund generated an annualized return of 0.0% .
Changes in the T&C	The fund manager has made several changes: - Updating the Fund's Board of Directors after the Resignation. - Updating the Fund's Board of Directors after the Appointment of the new board members.
Material Changes	- Resignation of the fund's board members. - Appointing new members of the fund's board of directors.

There is no other information that would enable unitholders to make an informed judgment about the fund's activities during the period.

MEFIC SAR Murabaha Fund aims to invest with the counterparties, local and GCC banks.

There is no special commission received by the fund manager during the period.

There is no other data and other information required by these Regulations to be included in this report.

Financial statement	Financial statements for the annual accounting period (or the interim period covered in the report) of the investment fund must be prepared in accordance with the accounting standards approved by the Saudi Organisation of Certified Public Accountants.
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MEFIC SAUDI RIYAL MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Middle East Financial Investment Company)
Interim condensed financial statements (Un-audited)
For the six-months period ended 30 June 2023
Together with the
Independent Auditor's Report to the Unitholders

MEFIC SAUDI RIYAL MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Middle East Financial Investment Company)
Interim Condensed Financial Statements (Un-audited)
For the six-months period ended 30 June 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

**TO: THE UNIT HOLDERS OF
MEFIC SAUDI RIYAL MURABAHA FUND**

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of MEFIC Saudi Riyal Murabaha FUND (the "Fund") Managed by Middle East Financial Investment Company (the "Fund Manager") as at 30 June 2023 and the related interim statements of comprehensive income, changes in net assets (Equity) attributable to the Unitholders and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement (2410), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed 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 that are endorsed in the Kingdom of Saudi Arabia 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.

Material Uncertainty Related to Going Concern

We draw attention to note No. (3) attached to the financial statements, which states that in the year ending on December 31, 2021, all the units of the fund were redeemed by the unit holders and as a result there are no units subscribed to them as on the date of the report. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the fund's ability to continue as a going concern. and our conclusion is not modified in respect of this matter.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.



Ahmed Abdul Majeed Mohandis
Certified Public Accountant
License No. 477
Riyadh: 16 Muharram 1445H
Corresponding to: 3 August 2023



MEFIC SAUDI RIYAL MURABAHA FUND
OPEN-ENDED MUTUAL FUND
(MANAGED BY MIDDLE EAST FINANCIAL INVESTMENT COMPANY)
INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2023
(Amounts in Saudi Arabian Riyal)

	<u>Note</u>	30 June 2023 (Un-audited)	31 December2022 (Audited)
ASSETS			
Cash and cash equivalents		-	-
Total assets		-	-
LIABILITIES			
Management fees payable		-	-
Total liabilities		-	-
Net assets (equity) attributable to the Unit Holders		-	-
Units in issue (number)		-	-
Net assets (equity) attributable to each unit		-	-

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

MEFIC SAUDI RIYAL MURABAHA FUND
OPEN-ENDED MUTUAL FUND
(MANAGED BY MIDDLE EAST FINANCIAL INVESTMENT COMPANY)
INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
For the six-month period ended 30 June 2023
(Amounts in Saudi Arabian Riyal)

	<u>Note</u>	<u>30 June 2023</u>	<u>30 June 2022</u>
Investment income			
Realized and unrealized gain from the sale of investments carried at FVPL		-	-
		-	-
Expenses			
Fund management fees	6	-	-
Total operating expenses		-	-
Net income for the period		-	-
Other comprehensive income for the period		-	-
Total comprehensive income for the period		-	-

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

MEFIC SAUDI RIYAL MURABAHA FUND
OPEN-ENDED MUTUAL FUND
(MANAGED BY MIDDLE EAST FINANCIAL INVESTMENT COMPANY)
INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE
UNIT HOLDERS (UN-AUDITED)
For the six-month period ended 30 June 2023
(Amounts in Saudi Arabian Riyal)

	<u>30 June 2023</u>	<u>30 June 2022</u>
Net assets (equity) attributable to the unit holders at the beginning of the period	-	-
Total comprehensive income for the period	-	-
Contributions and redemptions by the unit holders		
Issuance of units	-	-
Redemption of units	-	-
Net changes from unit transactions	-	-
Net assets (equity) attributable to the unit holders at the end of the period	-	-
Unit transactions	<u>30 June 2023</u>	<u>30 June 2022</u>
	Units	
As at the beginning of the period	-	-
Issuance of units	-	-
Redemption of units	-	-
Net changes in number of units	-	-
Net number of units (equity) attributable to the unit holders at the end of the period	-	-

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

MEFIC SAUDI RIYAL MURABAHA FUND
OPEN-ENDED MUTUAL FUND
(MANAGED BY MIDDLE EAST FINANCIAL INVESTMENT COMPANY)
INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
For the six-month period ended 30 June 2023
(Amounts in Saudi Arabian Riyal)

	<u>Note</u>	<u>30 June 2023</u>	<u>30 June 2022</u>
Cash flows from operating activities:			
Net income for the period		-	-
Adjustments for:			
Realized and unrealized gain from the sale of investments carried at FVPL		-	-
		-	-
Net changes in operating assets and liabilities:			
Management fees payable		-	-
Net cash from operating activities		-	-
Cash flows from investing activities:			
purchase of investments carried at FVPL		-	-
Proceeds from the sale of investments carried at FVPL		-	-
Net cash from investing activities		-	-
Cash flows from financing activities:			
Proceeds from issuance of units		-	-
Redemptions of the units		-	-
Net cash from financing activities		-	-
Net changes in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of the period		-	-

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

MEFIC SAUDI RIYAL MURABAHA FUND

Open-Ended Mutual Fund

(Managed by Middle East Financial Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)

For the six-month period ended 30 June 2023

(Amounts in Saudi Arabian Riyal)

1- FUND AND ITS ACTIVITIES

The MEFIC Saudi Riyal Murabaha Fund (the “Fund”) is an Open-Ended Mutual Fund managed through an agreement between Middle East Financial Investment Company (the “Fund Manager”) and the Fund investors (the “Unitholders”).

The objective of the Fund is to achieve capital growth and provide liquidity through investment in low-risk financial instruments not contradict the principles of Islamic Sharia, as well as achieving a higher return than the standard return, which represents the three-month SAIBOR.

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

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

2- REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulation (the “Regulation”) published by CMA on 17 Rajab 1442H (corresponding to 1 March 2021) detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulation have effective dates starting from 19 Ramadan 1442H (corresponding to 1 May 2021).

3- BASIS OF PREPARATION

3.1 Statement of compliance

These interim condensed financial statements of the Fund have been prepared in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

These interim condensed financial statements do not include all the information required in the annual financial statements and should be read in conjunction with the Fund’s annual financial statement for the year ended 31 December 2022. The results for the six-month period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

3.2 Basis of measurement

These interim condensed financial statements have been prepared under the historical cost basis, as amended. using the accrual basis of accounting except for investments carried at fair value through profit or loss which are carried at their fair value. The Fund presents its interim statement of financial position in the order of liquidity.

3.3 Functional and Presentation Currency

Items included in the interim condensed financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These financial statements are presented in Saudi Arabian Riyal (“SAR”) which is the Fund’s functional and presentation currency.

MEFIC SAUDI RIYAL MURABAHA FUND

Open-Ended Mutual Fund

(Managed by Middle East Financial Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)

For the six-month period ended 30 June 2023

(Amounts in Saudi Arabian Riyal)

3- BASIS OF PREPARATION (CONTINUED)

3.3 Functional and Presentation Currency (continued)

Transactions and balances

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates.

As at the date of the interim statement of financial position foreign exchange gains and losses arising from translation are included in the interim statement of comprehensive income.

3.4 Critical accounting judgments, estimates and assumption

The preparation of the interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are described below. The Fund based its assumptions and estimates on parameters available when the interim condensed financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Going concern

During the period ending on 31 December 2021, all units of the Fund have been redeemed, and therefore there are no units subscribed to as on the date of the report. The fund's management has made an estimate of the possibility of increasing the assets through subscriptions, and the management is satisfied with its ability to secure the necessary contributions to continue the fund's operations in the near future.

4- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these financial statements are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2022. Certain new standards, amendments and interpretations apply for the first time in 2023, but do not have an impact on the interim condensed financial statements of the Fund.

There are other several amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's interim condensed financial statements. In the opinion of the Fund's Board, these will have no significant impact on the interim condensed financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

5- MANAGEMENT FEE, CUSTODY AND OTHER CHARGES

On each valuation day, the Fund Manager charges the Fund, a management fee at the rate of 0.5% per annum of the Fund's net assets value. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit and legal fees, and other similar charges. In addition, on a daily basis the Fund Manager charges the Fund, custody fees of 0.03% per annum of the Fund's.

MEFIC SAUDI RIYAL MURABAHA FUND**Open-Ended Mutual Fund****(Managed by Middle East Financial Investment Company)****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)****For the six-month period ended 30 June 2023****(Amounts in Saudi Arabian Riyal)****6- TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Related parties of the Fund include are shareholder, 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. The related parties' transactions are governed by limits set by the regulations issued by the CMA. All related party transactions are approved by the Fund's Board of Directors.

The significant related party transactions entered into by the Fund during the period and the balances resulting from such transactions are as follows:

Related party	Nature of transactions	Amount of transaction during the period		Balance as in (credit)	
		30 June 2023 (Un-audited)	30 June 2022 (Un-audited)	30 June 2023 (Un-audited)	31 December 2022 (Audited)
Middle East Financial Investment Company (fund manager)	Management fee	-	-	-	-
	VAT on				
	Management fee	-	-	-	-
	Accrued				
	Management fee	-	-	-	-

7- FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2023 (Un-audited)	Amortized cost	FVPL
Assets as per statement of assets and liabilities		
Cash and cash equivalents	-	-
Investments carried at FVPL	-	-
Total	-	-

31 December 2022 (Audited)	Amortized cost	FVPL
Assets as per statement of assets and liabilities		
Cash and cash equivalents	-	-
Investments carried at FVPL	-	-
Total	-	-

MEFIC SAUDI RIYAL MURABAHA FUND

Open-Ended Mutual Fund

(Managed by Middle East Financial Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)

For the six-month period ended 30 June 2023

(Amounts in Saudi Arabian Riyal)

8- FINANCIAL RISK MANAGEMENT

8.1 Financial risk factors

The objective of the Fund is to safeguard its ability to continue as a going concern so that it can continue to provide optimum returns to its Unit Holders and to ensure reasonable safety to the Unit Holders.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

The Fund Manager is responsible for identifying and controlling risks. The fund management board supervises the fund and is ultimately responsible for the overall management of the fund.

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

(a) Market risk

(i) Price risk

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. The Fund Manager diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments. As of the interim statement of financial position date, the Fund has equity investments.

The effect on the net assets value (as a result of the change in the fair value of investments as at 30 June due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constants.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. the Fund is exposed to credit risk on its cash and cash equivalents. Bank balances are deposited in local banks, which is considered a good financial rating bank.

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on cash and cash equivalent, investments carried at amortized cost and accrued special commission income is limited as:

MEFIC SAUDI RIYAL MURABAHA FUND

Open-Ended Mutual Fund

(Managed by Middle East Financial Investment Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)

For the six-month period ended 30 June 2023

(Amounts in Saudi Arabian Riyal)

8- FINANCIAL RISK MANAGEMENT (CONTINUED)

8.1 Financial risk factors (continued)

(b) Credit risk (continued)

- All financial assets of the Fund are held with counterparties with sound credit ratings.

It is the Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

(c) Liquidity risk

It is the risk that the fund is exposed to difficulties in obtaining the financing necessary to meet commitments related to financial liabilities. The fund manager monitors the liquidity requirements on an ongoing basis in order to ensure the adequacy of the available funding to meet any obligations when they occur.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unit holders.

8.2 Fair value estimation

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales were reported on the valuation day are valued at the most recent bid price.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The carrying value less impairment provision of financial instruments carried at amortized cost are assumed to approximate their fair values.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

MEFIC SAUDI RIYAL MURABAHA FUND**Open-Ended Mutual Fund****(Managed by Middle East Financial Investment Company)****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)****For the six-month period ended 30 June 2023****(Amounts in Saudi Arabian Riyal)**

8- FINANCIAL RISK MANAGEMENT (CONTINUED)**8.2 Fair value estimation (continued)**

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equity instruments. The Fund does not adjust the quoted price for these instruments.

Fund classifies all of its financial assets except for those carried at amortized cost, at fair value as level 1.

9- SUBSEQUENT EVENTS

As of the date of approval of these interim condensed interim financial statements, there have been no significant subsequent events requiring disclosure to or adjustment in these interim condensed financial statements.

10- LAST VALUATION DAY

The last valuation day for the period was 30 June 2023

11- APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were authorized for issue by the Fund's Board of Directors on 30 July 2023 (corresponding to 12 Muharram 1445 H).