

MEFIC SAR Murabaha Fund Annual Report - 2022

التقرير السنوي لصندوق ميفك للمرابحة بالريال السعودي 2022

Annex 3

A Investment fund information

1 Name of the Fund	MEFIC SAR MURABAHA FUND
2 Investment Objective & policies	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
3 Distribution of Income & Gain Policy	No Distribution of Dividend
4 Statement of Fund Report	Fund's Annual Financial Report as of December 31, 2022 is available on Tadawul and MEFIC website and available on request to investors at free of charge
5 benchmark	3-month SAIBOR

B Fund Performance Table

1) comparative table covering the last (3) financial years highlighting:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
a) NAV	65,509,562	79,427,441	86,838,046	361,810,636	570,959,702	292,987,318	399,066,956	224,667,433	51,678	51,626	0	0
b) Unit Price	100.2743	101.4324	103.0848	105.4707	106.9415	109.9428	112.5602	115.0457	115.9651	115.8491	0.0000	0.0000
c) NAV per unit High	100.2743	101.4670	103.0848	105.4816	106.9415	109.9428	112.5602	115.0457	116.2612	115.9651	0.0000	0.0000
d) NAV per unit Low	100.0007	100.2743	101.4324	103.0732	105.4707	106.9415	109.9428	112.5602	115.0457	115.8491	0.0000	0.0000
e) Number of Units	653,304	783,058	842,395	3,430,437	5,338,989	2,664,906	3,545,365	1,952,854	446	446	0	0
f) Annualized Return	0.33%	1.15%	1.63%	2.3%	1.39%	2.80%	2.38%	2.21%	0.80%	-0.54%	0.00%	0.00%
g) Income distribution	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%	0.00%
h) Expense Ratio	0.2%	0.8%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.1%	0.8%	0.0%
i) Fund Borrowing %	N/A											

j) results of comparing the performance of the benchmark of the fund with performance of the fund:

	2022	2021	2020	2019
YTD	0.00%	0.00%	-0.54%	0.80%
Benchmark	2.22%	0.70%	0.98%	1.87%
Alpha	-2.22%	-0.70%	-1.51%	-1.07%

2) performance record:

A)	1 Year	3 Year	5 Year	Since Inception
Return	0.00%	-0.54%	2.47%	14.47%

b)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Annualized Return	0.33%	1.15%	1.63%	2.31%	1.39%	2.80%	2.38%	2.21%	0.80%	-0.54%	0.00%	0.00%

C Fund Fees and Expenses

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Management Fee with VAT	246,654	355,666	477,495	826,260	2,359,443	2,157,684	2,530,956	1,667,242	408,717	51.00	33,210	0
Other Expense	113,010	177,835	-	-	-	-	-	-	-	-	-	-
Total Expense Ratio	0.18%	0.76%	0.51%	0.51%	0.51%	0.51%	0.51%	0.53%	0.53%	0.10%	0.81%	0.00%
Cases of waiving or reducing expenses	The fund board approved that MEFIC SAR Murabaha Fund offering Zero Management fees until we reach SAR 100mn AUM.											
Expense ratio of each underlying fund	N/A											
weighted average expense ratio of all	N/A											
Dealing Expenses in the Fund	-											
Fund Manager Investment in the Fund	0											

d) The bases for calculating the performance data and any assumption made is consistently applied.

The measures of performance have been consistently applied: $=(P1/P0)-1)*100\%$

3) Material changes that occurred during the period and that affected the performance of the fund

No Material changes occurred during 2021

4) Exercise of annual voting rights.

No voting has been done

5) The fund Annual report

Please see the attachments

D Fund Manager Information

1) Name & Address	MEFIC Capital, 7702 King Fahad Road – Al-Malqa Mefic Tower #7 – Riyadh 13254 Saudi Arabia MEFIC Capital is an Authorized and regulated by CMA with License # 37-06029
2) Names and addresses of sub- manager or invetment adviser	N.A
Investment Activities	The year 2022 witnessed several hikes in interest rates due to the rise in inflation. which are beneficial for money market and Sukuk instruments.
4) Investment Fund Performance	The fund generated Fund YTD 0% return as compared to benchmark return of 2.22%
5) Changes to the fund T&C	As of 31/07/2022, the fund manager has made several changes: 1. Change of fund auditors. 2. Change of Head office address of Middle East Financial Investment Company (MEFIC Capital).
6) Other Information for Unit Holders	None
7) Investments into other funds	N/A
8) Special commission arrangements	There were no special commission received during the reporting period

MEFIC SAR Murabaha Fund Annual Report - 2022

التقرير السنوي لصندوق ميفك للمرابحة بالريال السعودي 2022



9) Any other data and other information required by these Regulations to be included	None
10) Period for the management of the	Since establishment
11) disclosure of the expense ratio of each underlying fund	N/A

E Custodian Information

1) Name & Address	Albilad Capital, King Fahd Branch Rd, Riyadh 12313.
2) Responsibilites	All necessary measures regarding custody and safe keeping of assets for unit holders.

F Fund Operator Information

1) Name & Address	MEFIC Capital, 7702 King Fahad Road – Al-Malqa Mefic Tower #7 – Riyadh 13254 Saudi Arabia
2) Responsibilites	To mannage the fund in accordance with the approved T&C and devised strategy.

G Auditor Information

Name & Address	PKF Al-Bassam & Co. P. O. Box 69658 Riyadh 11557, Kingdom of Saudi Arabia.
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MEFIC SAR MURABAHA FUND

The fund's board annual report

a) Names of Fund Board members, and indicating membership type:

Ibrahim Al Hedaithy, non-independent Member

Raed Al Rahmah, Independent Member

Abdulraheem Al Tuwaijry, Independent Member

b) A brief about of the fund board members' qualifications:

Name	qualifications
Ibrahim Alhudaithy	More than 30 years of experience in leadership positions: He worked at the General Secretariat of the Gulf Cooperation Council, starting as the Director of Finance for Military Affairs in 1983, and until he became the Director of the Investment Department in 2009. MEFIC Capital: Managing Director since 2009. He has experience in financial and investment management through the positions he has held, and he holds a Bachelor's degree in Accounting from King Saud University.
Abdulraheem Al Tuwaijry	He holds a Bachelor's degree in Mechanical Engineering from King Saud University. He has more than twenty years of experience. He worked for Saudi Aramco and is currently the CEO of Mazaya Development Company.
Raed Alrahmah	More than ten years of experience, starting with SABB Bank in 2002/2004 AD, then Al-Rahma Group for Financial and Economic Consultations (2004/2007), and then Arab Capital Experts as CEO (2007/2010), and currently, since 2010 AD, he holds the position of President of the Impact Consulting Company, where he holds a qualification in MSc Finance from the University of Nottingham, UK.

c) **The roles and responsibilities of the Fund Board.**

The responsibilities of the members of the fund board shall include the following:

1. Approving material changes, decisions and reports involving the public fund, including, but not limited to, changes for the provision of fund management and custody services. Also, changes made in pursuant to investment decisions regarding underlying investments made or to be made by the fund;
2. Approve a written policy in regards to the voting rights related to the public fund assets.
3. Overseeing and, where appropriate, approving or ratifying any conflicts of interest the fund manager has identified;
4. Meeting at least twice annually with the fund manager's compliance committee or its compliance officer to review the fund manager's compliance with all applicable rules, laws and IFRs Regulations .
5. In the case of the fund board of a open-ended public fund, approving, where appropriate, notifiable changes that stated in article (62) of IFRs Regulations before notification by the fund manager to the Authority and the unitholders.

6. Confirming the completeness, accuracy, clarity, not misleading and compliance with IFR Regulations, of the terms and conditions, the information memorandum and of any other document, contractual or otherwise, that includes disclosures relating to the public fund and/or the fund manager and its conduct of the public fund;
7. Ensuring that the fund manager carries out its obligations in the best interests of the unitholders, in accordance with IFRs Regulations , the terms and conditions of the public fund, and information memorandum;
8. Have a fiduciary duty to unitholders, including a duty to act in good faith, a duty to act in the best interests of the unitholders and a duty to exercise all reasonable care and skill;
9. Oversee performance and quality of services provided by the parties concerned providing essential services to the fund referred to in paragraph (1) of Article 9 of the regulations; so as to ensure that the fund manager responsibilities are in the interest of the investors in accordance with the terms and conditions of the fund and the regulations.
10. Evaluate mechanism to deal with the risks associated with the fund's assets in accordance with the policies and procedures of the fund about risk monitoring. Work honestly and in good faith, skillfully with care and keenness to achieve the interests of the investors. Review reports pertaining to all complaints and actions taken on them ensuring that the fund manager's responsibilities in the interest of the investors in accordance with the terms and conditions of the fund and stated CMA IFRs Regulations .

d) Details on the remuneration of fund board members:

The independent members of the fund's board of directors receive a lump sum remuneration estimated at 20,000 riyals, which is 10,000 riyals for each member, which is a reward for attending the assembly that is held twice a year. This bonus is included in the fund's management fee.

e) A statement of any conflict or potential conflict of interest between the interests of a fund board member and the interests of the fund:

We confirm that there is no conflict or potential conflict of interest between the interests of the fund board member and the interests of the fund.

f) all the funds boards that the relevant board member is participating in:

Member name	Membership type	Membership of the boards in other funds
Ibrahim Alhudaithy	The chairman of the fund	MEFIC Saudi Freestyle Equity Fund
		MEFIC SAR Murabaha Fund
		MEFIC REIT Fund
		MEFIC Porto Fund Development (Euro)
		MEFIC Tower Fund
		MEFIC Real Estate Income Fund

Abdulraheem Al Tuwaijryi	independent member	MEFIC Real Estate Income Fund
		MEFIC Saudi Freestyle Equity Fund
		MEFIC SAR Murabaha Fund
Raed Alrahmah		MEFIC Porto Fund Development (Euro)
		MEFIC Tower Fund

- g) Topics discussed and issued resolutions, as well as the fund performance and fund achievement of its objectives.

FUND 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.

MEFIC SAR MURABAHA FUND 1st half meeting:

Key developments related to the Fund

- MEFIC SAR Murabaha Fund had no breaches since the last Fund Board Meeting.
- The fund's AUM change throughout the year was discussed.
- To begin activating the fund, the fund seeks to raise initial capital.
- It is confirmed to the Fund Board, in accordance with the Article 13 of IFR, that the Fund has no conflict of interest.

MEFIC SAR MURABAHA FUND 2nd half meeting:

Key developments related to the Fund

- MEFIC SAR Murabaha Fund had no breaches since the last Fund Board Meeting.
- The fund board discussed ways to raise capital in the fund.
- It is confirmed to the Fund Board, in accordance with the Article 13 of IFR, that the Fund has no conflict of interest.

MEFIC SAUDI RIYAL MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Middle East Financial Investment Company)
financial statements
For the year ended 31 December 2022
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)
Financial Statements
For the year ended 31 December 2022

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INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS

MEFIC SAUDI RIYAL MURABAHA FUND

Report on the Audit of the Financial Statements

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the MEFIC Saudi Riyal Murabaha Fund (the "Fund") managed by MEFIC Capital (the Fund Manager) as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the financial statements of the Fund, which comprise of the following:

- ✦ The statement of financial position as at 31 December 2022;
- ✦ The statement of comprehensive income for the year then ended;
- ✦ The statement of changes in equity for the year then ended;
- ✦ The statement of cash flows for the year then ended, and;
- ✦ The notes to the financial statements, including a summary of significant accounting policies

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are 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 in accordance with the code of professional conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Fund's financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTER

The financial statements of the Fund for the year ended 31 December 2021 were audited by another auditor, who expressed an unmodified opinion dated 24 February 2022.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and to comply with the applicable provisions of the investment Funds Regulations issued by the Capital Market Authority ("CMA"), the Fund's terms and conditions and for such internal control as 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, 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 management either intends to liquidate the Fund or to cease operations or has no realistic alternative but to do so.

Those charged with governance, i.e. the Fund Board, are responsible for overseeing the Fund's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS

MEFIC SAUDI RIYAL MURABAHA FUND

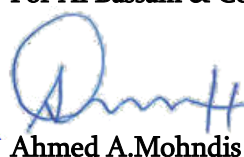
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk 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;
- 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's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by the 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 the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in 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 auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern; and
- 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.

For Al Bassam & Co.



Ahmed A. Mohndis

Certified Public Accountant

Registration No. 477

Riyad: 5 Ramadan 1444

Corresponding to: 27 March 2023



MEFIC SAUDI RIYAL MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Middle East Financial Investment Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(Amounts in Saudi Arabian Riyal)

	<u>Note</u>	31 December 2022	31 December 2021
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		-	-

MEFIC SAUDI RIYAL MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Middle East Financial Investment Company)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022
(Amounts in Saudi Arabian Riyal)

	<u>Note</u>	31 December 2022	31 December 2021
<u>Investment income</u>			
Realized and unrealized gain from the sale of investments carried at FVPL		-	40,794
		-	40,794
<u>Expenses</u>			
Management fees		-	(33,290)
Total operating expenses		-	(33,290)
Net income for the year		-	7,504
Other comprehensive income for the year		-	-
Total comprehensive income for the year		-	7,504

MEFIC SAUDI RIYAL MURABAHA FUND**Open-Ended Mutual Fund****(Managed by Middle East Financial Investment Company)****STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS****For the year ended 31 December 2022****(Amounts in Saudi Arabian Riyal)**

	31 December 2022	31 December 2021
Net assets (equity) attributable to the unit holders at the beginning of the year	-	12,743,000
Total comprehensive income for the year	-	7,504
Contributions and redemptions by the unit holders		
Issuance of units	-	4,658,732
Redemption of units	-	(17,409,236)
Net changes from unit transactions	-	(12,750,504)
Net assets (equity) attributable to the unit holders at the end of the year	-	-
Unit transactions	31 December 2022	31 December 2021
	Units	
As at the beginning of the year	-	127,430
Issuance of units	-	46,566
Redemption of units	-	(173,996)
Net changes in number of units	-	(127,430)
Net number of units (equity) attributable to the unit holders at the end of the year	-	-

MEFIC SAUDI RIYAL MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Middle East Financial Investment Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(Amounts in Saudi Arabian Riyal)

	<u>Note</u>	31 December 2022	31 December 2021
Cash flows from operating activities:			
Net income for the year		-	7,504
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		-	7,504
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		-	4,658,732
Redemptions of the units		-	(17,409,236)
Net cash from / (used in) financing activities		-	(12,750,504)
Net changes in cash and cash equivalents		-	(12,743,000)
Cash and cash equivalents at beginning of the year		-	12,743,000
Cash and cash equivalents at end of the year		-	-

MEFIC SAUDI RIYAL MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Middle East Financial Investment Company)
Notes to the financial statements
For the year ended 31 December 2022
(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 Funds Regulations (“Regulations”) issued by the Capital Market Authority on 17 Rajab 1442 H (corresponding to 1 March 2021), which details the requirements for all funds within the Kingdom of Saudi Arabia. The amended regulations will take effect from 19 Ramadan 1442 H (corresponding to 1 May 2021).

3- BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements of the Fund have been prepared in accordance with International Accounting Standard (IAS) 34 - 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 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 2021. The results for the year ended 31 December 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

3.2 Basis of measurement

These 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 statement of financial position in the order of liquidity.

3.3 Functional and Presentation Currency

Items included in the 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.

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.

3.4 Critical accounting judgments, estimates and assumption

The preparation of the 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 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

The Fund Manager has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a 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

4.1 New standards, interpretations and amendments

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 2021. Certain new standards, amendments and interpretations apply for the first time in 2022, but do not have an impact on the 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 financial statements. In the opinion of the Fund's Board, these will have no significant impact on the financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

MEFIC SAUDI RIYAL MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Middle East Financial Investment Company)
Notes to the financial statements
For the year ended 31 December 2022
(Amounts in Saudi Arabian Riyal)

4- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 New standards, interpretations and amendments (continued)

Amendment

A number of new amendments to standards, enlisted below, are effective this reporting year but they do not have a material effect on the Fund's financial statements, except for where referenced below.

New amendments to standards issued and applied effective 1 January 2022

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

MEFIC SAUDI RIYAL MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Middle East Financial Investment Company)
Notes to the financial statements
For the year ended 31 December 2022
(Amounts in Saudi Arabian Riyal)

4- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 New standards, interpretations and amendments (continued)

4.1.1 New standards, amendments and revised IFRS issued but not yet effective

The Fund has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.
IFRS 17	Insurance Contracts	January 1, 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to definition of accounting estimate	January 1, 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

Management anticipates that these new standards interpretations and amendments will be adopted in the Fund's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Fund in the period of their initial application.

4- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalent consists cash in investments account and Murabaha deposits with an original maturity of less than three months at the date of acquisition. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

4.3 Financial instruments

4.3.1 Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the instrument. At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in the statement of comprehensive income. Allowance for expected credit loss is recognized for financial assets measured at amortized cost, as described in Note 3.4, which results in a financial loss being recognized in the statement of comprehensive income when a new asset is created.

4.3.2 Classification and measurement of financial assets

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 profit in the issuer's net assets.

The Fund classifies its financial assets at fair value through profit or loss (FVPL). The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund Manager 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 FVOCI when those investments are held for purposes other than to trade.

When this election is used, fair value gains and Losses are recognized in OCI and are not subsequently reclassified to the statement of comprehensive income, 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 recognized in the statement of comprehensive income when the Fund's right to receive payments is established.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

- The Fund's business model for managing the asset; and
- The cash flow characteristics of the asset.

4- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3.2 Classification and measurement of financial assets (continued)

Debt instruments (continued)

Based on these factors, the Fund classifies its debt instruments into one of the following three measurement categories:

Amortized cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit (SPPI), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Profit earned from these financial assets is recognized in the statement of comprehensive income using the effective profit rate method.

FVTPL:

If a financial asset's cash flows do not represent solely SPPI or if it is not held within the held to collect or the held to collect and sell business model, then it is measured at FVTPL.

A gain or loss on a debt investment measured at FVTPL is recognized in the statement of comprehensive income, within "Net gain / (loss) in investments mandatorily measured at FVTPL", in the period in which it arises. A gain or loss from debt instruments that were designated at fair value, or which are not held for trading are presented separately from debt investments that are mandatorily measured at FVTPL, within "Net gain / (loss) in investments designated at FVTPL". Profit earned from these financial assets is recognized in the statement of comprehensive income using the effective profit rate method.

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 internally evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. 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. These assets are classified in 'other' business model and measured at FVTPL.

SPPI:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent Solely Payment of Principal and Profit (the "SPPI" test). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement 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 FVTPL.

The fund reclassifies debt investments when its business model changes to manage only those assets. The reclassification process takes place from the beginning of the first reporting period after the change. These changes are expected to be very rare and nothing happened during this period.

4- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3.3 Impairment of financial assets

The Fund assesses on a forward-looking basis the Expected Credit Loss (“ECL”) associated with its financial assets arrived at amortized cost. The Fund recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

4.3.4 Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund’s continuing involvement in the asset. In that case, the Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained. The Fund derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

4.3.5. Financial liabilities

The Fund classifies its financial liabilities at amortized cost unless it has designated liabilities at FVTPL. The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

4.4 Trade date accounting

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 marketplace.

4.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Accrued expenses

Accrued expenses are recognized initially at fair value and subsequently measured at amortized cost using the effective profit rate method.

4.7 Provision

A provision is recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognized for future operating loss.

4.8 Redeemable Units

The fund is open for subscriptions or redemptions of units every business day. The Fund's net asset value is determined on each business day (all of which are valuation days). The fund's net asset value for the purposes of buying or selling units is determined by dividing the net asset value (the fair value of the fund's assets minus the fund's liabilities) by the total number of outstanding fund units on the relevant evaluation day.

The Fund classifies redeemable units as equity instruments if the redeemable units have the following characteristics:

The redeemable units entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.

- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments.
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

Subscription and redemption of redeemable units are accounted for as transactions between unit holders as long as the units are classified as equity instruments.

4.9 Zakat / taxation

Taxation / zakat is the obligation of the unitholders and therefore, no provision for such liability is made in these financial statements.

4.10 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is being made. Revenue is carried at the fair value of the consideration received, excluding discounts, taxes and rebates.

MEFIC SAUDI RIYAL MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Middle East Financial Investment Company)
Notes to the financial statements
For the year ended 31 December 2022
(Amounts in Saudi Arabian Riyal)

4- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Dividend income

Dividend income, if any is recognized in the statement of comprehensive income on the date on which the right to receive the payment for dividend is established. For quoted equity securities, this is usually the ex-dividend date. Dividend income from equity securities designated as at FVPL, is recognized in the statement of comprehensive income in a separate line item.

4.12 Management fees

The fund manager receives 2% annually of the net asset value of the fund.

4.13 Other expenses

The Fund shall pay expenses attributable to the Fund's activities from the Fund's assets up to a maximum of 1% of the Fund's net asset value.

Including, but not limited to: expenses related to the valuation of the fund's assets by third parties, expenses of the Sharia Supervisory Board, financing fees, fees of consultants, tax advisors, legal advisors, other professional advisors and government expenses and fees.

4.14 Net asset value per unit

The net asset value per unit as disclosed in the statement of financial position is calculated by dividing the net assets of the fund by the number of units outstanding at year end.

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% 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, board 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.

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.

7- FINANCIAL RISK MANAGEMENT

7.1 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 Board supervises the Fund Manager 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 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 31 December 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

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full. 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.

7- FINANCIAL RISK MANAGEMENT (CONTINUED)

7.1 Financial risk factors (continued)

(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.

7.2 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.

Investments whose values are based on quoted market prices in active markets

8- SUBSEQUENT EVENTS

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

9- LAST VALUATION DAY

The last valuation day for the year was 31 December 2022.

10- SIGNIFICANT EVENTS

During the year ending on 31 December 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. The fund management conducts an assessment of the possibility of increasing 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.

11- APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Fund's Board of Directors on 26 March 2023 (corresponding to 5 Ramadan 1444H).