

**MEFIC SAUDI RIYAL MURABAHA FUND**  
Managed by  
**MIDDLE EAST FINANCIAL INVESTMENT COMPANY**  
**UNAUDITED INTERIM CONDENSED FINANCIAL**  
**STATEMENTS FOR THE SIX MONTHS PERIOD ENDED**  
**30 JUNE 2020**  
together with the  
**INDEPENDENT AUDITOR'S REVIEW REPORT**

**MEFIC SAUDI RIYAL MURABAHA FUND**  
Managed By Middle East Financial Investment Company  
**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REVIEW REPORT**  
For the six months period ended 30 June 2020

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## INDEPENDENT AUDITOR'S REVIEW REPORT

**The Unitholders of  
MEFIC Saudi Riyal Murabaha Fund**  
Managed by **Middle East Financial Investment Company**  
**Riyadh, Kingdom of Saudi Arabia**

### **Introduction**

We have reviewed the accompanying interim condensed financial statements of **MEFIC Saudi Riyal Murabaha Fund** ("the Fund") managed by Middle East Financial Investment Company ("MEFIC") that include the interim condensed statement of financial position as of 30 June 2020 and the related interim condensed statements of comprehensive income, changes in net assets attributable to Unitholders and cash flows for the six months period then ended, and a summary of selected significant accounting policies and other explanatory notes from (1) to (14).

Management is responsible for the preparation and fair presentation of these Interim condensed financial statements in accordance with International Accounting Standard 34 ("IAS 34") - "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these Interim condensed 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 interim financial information 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 interim condensed financial statements are not prepared in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

### **Emphasis of matter**

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

Our review conclusion is not modified in respect of this matter.

**For Dr. Mohamed Al-Amri**



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



Riyadh, on: 01 Muharram 1442 (H)  
Corresponding to: 20 August 2020 (G)

**MEFIC SAUDI RIYAL MURABAHA FUND**  
 Managed by Middle East Financial Investment Company  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
 As at 30 June 2020  
 (Saudi Riyals)

	<b>Notes</b>	<b>30 June 2020 Unaudited</b>	<b>31 December 2019 Audited</b>
<b>ASSETS</b>			
Cash and cash equivalents	7	-	51,722
<b>Total assets</b>		-	-
<b>LIABILITIES</b>			
Management fee payable	10&11	-	44
<b>Total liabilities</b>		-	44
<b>Net assets attributable to the Unitholders</b>		-	51,678
<b>Units in issue (numbers)</b>		-	446
<b>Net assets value – per unit</b>		-	115.9651
<b>Contingencies and commitments</b>	8		

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

**MEFIC SAUDI RIYAL MURABAHA FUND**  
 Managed by Middle East Financial Investment Company  
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
 For the six months period ended 30 June 2020  
 (Saudi Riyals)

	Notes	<u>30 June 2020</u>	<u>30 June 2019</u>
<b>INCOME</b>			
Profit on Murabaha placements at amortized cost		-	1,497,194
Commission income on investments at amortized cost		-	382,967
Realized loss on investments at amortized cost		-	(69,685)
Realized gain on investments at FVTPL		-	92,095
<b>Total income</b>		<u>-</u>	<u>1,902,571</u>
<b>EXPENSES</b>			
Management fee	11&12	(52)	(371,051)
Other investment related expenses		-	(21,001)
<b>Total expenses</b>		<u>(52)</u>	<u>(392,052)</u>
<b>(Loss)/profit for the period</b>		<b>(52)</b>	<b>1,510,519</b>
<b>Other comprehensive income for the period</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive (loss)/income for the period</b>		<u><b>(52)</b></u>	<u><b>1,510,519</b></u>

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

**MEFIC SAUDI RIYAL MURABAHA FUND**  
 Managed by Middle East Financial Investment Company  
**INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS**  
**ATTRIBUTABLE TO UNITHOLDERS (UNAUDITED)**  
 For the six months period ended 30 June 2020  
 (Saudi Riyals)

	<u>2020</u>	<u>2019</u>
<b>Net assets value at 1 January</b>	<b>51,678</b>	224,667,434
Total comprehensive (loss)/income for the period	<b>(52)</b>	1,510,519
<b>Changes from unit transactions</b>		
Proceeds from issuance of units	-	134,553,335
Payment against units redeemed	<b>(51,626)</b>	(360,556,982)
<b>Net change from unit transactions</b>	<b>(51,626)</b>	(226,003,647)
<b>Net assets value at 30 June</b>	<u>-</u>	<u>174,306</u>

**UNIT TRANSACTIONS**

	<u>2020</u>	<u>2019</u>
	<u>UNITS</u>	
<b>Units at 1 January</b>	<b>446</b>	1,952,854
Units issued during the period	-	1,162,455
Units redeemed during the period	<b>(446)</b>	(3,113,807)
<b>Units at 30 June</b>	<u>-</u>	<u>1,502</u>

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

**MEFIC SAUDI RIYAL MURABAHA FUND**  
 Managed by Middle East Financial Investment Company  
**INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)**  
 For the six months period ended 30 June 2020  
 (Saudi Riyals)

	Notes	30 June 2020	30 June 2019
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>			
<b>(Loss)/profit for the period</b>		<b>(52)</b>	1,510,519
<i>Adjustments:</i>			
Realized gain on investments at amortized cost		-	(92,095)
		<b>(52)</b>	1,418,424
<i>Changes in operating assets and liabilities:</i>			
Murabaha placements, net		-	950,569
Management fee payable	11	<b>(44)</b>	(71,211)
VAT payable		-	(3,561)
Proceed from redemption of investments at amortized cost		-	32,383,066
Proceed from redemption of investments at FVTPL		-	7,972,439
<b>Net cash (used in)/generated from operating activities</b>		<b>(96)</b>	42,649,726
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from subscription of units		-	134,553,335
Payments against redemption of units		<b>(51,626)</b>	(360,556,982)
<b>Net cash used in financing activities</b>		<b>(51,626)</b>	(226,003,647)
<b>Net cash and cash equivalent</b>		<b>(51,722)</b>	(183,353,921)
<b>Cash and cash equivalent at the beginning of the period</b>		<b>51,722</b>	183,560,616
<b>Cash and cash equivalent at the end of the period</b>		-	206,695

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

**MEFIC SAUDI RIYAL MURABAHA FUND**  
Managed by Middle East Financial Investment Company  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
For the six month period ended 30 June 2020  
*(Saudi Riyals)*

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**1. THE FUND AND ITS ACTIVITIES**

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

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

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

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

The Fund Manager along with the Fund Board are in the process of developing a plan for continuance of the Fund. The Fund manager is rebuilding the team to increase assets under management in current year and therefore, the interim condensed financial statements are prepared on going concern basis.

A novel strain of coronavirus (Covid-19) was first identified at the end of December 2019 and subsequently declared as a pandemic in March 2020 by the World Health Organization (WHO). Covid-19 continues to spread in some regions around the world, including the Kingdom of Saudi Arabia and resulted in travel restrictions and curfew in the cities and hence a slowdown of economic activities and shutdown of many sectors at global and local levels.

The extent to which coronavirus pandemic impacts the Fund’s business, operations, and financial results is uncertain and depends on many factors and future developments, that the Fund may not be able to estimate reliably during the current period. These factors include the virus transmission rate, the duration of the outbreak, precautionary actions that may be taken by governmental authorities to reduce the spread of the epidemic and the impact of those actions on economic activity.

As of the date of the issuance of the interim condensed financial statements for the six months ended 30 June 2020, management believes that the Covid-19 outbreak has not significantly affected the Fund. The Fund’s manager will continue to evaluate the nature and extent of the impact on its business and financial results.

**MEFIC SAUDI RIYAL MURABAHA FUND**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
For the six month period ended 30 June 2020  
*(Saudi Riyals)*

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**2. REGULATORY AUTHORITY**

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

**3. SUBSCRIPTION / REDEMPTION**

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

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

**4. BASIS OF PREPARATION**

**4.1 *Statement of compliance***

These interim condensed financial statements have been prepared in accordance with International Accounting Standard - 34 “Interim Financial Reporting” as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (“SOCPA”) as well as the requirements of the Investment Funds Regulations as published by CMA and the Fund’s terms and conditions, so far as they relate to the preparation and presentation of the financial statements.

These Interim condensed financial statements are unaudited. The disclosures made in these interim condensed financial statements have been limited in accordance with the requirements of “International Accounting Standard - 34 “Interim Financial Reporting”. This does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statements of the Fund for the year ended 31 December 2019.

The comparative statement of financial position presented in this interim condensed financial statements has been extracted from the annual audited financial statements of the Fund for the year ended 31 December 2019, whereas the comparative interim condensed statement of comprehensive income, interim condensed statement of changes in net assets attributable to unitholders, and interim condensed statement of cash flows are extracted from the unaudited interim condensed financial statements of the Fund for the six months period ended 30 June 2019.

**4.2 *Basis of measurement***

These financial statements have been prepared under the historical cost convention. These financial statements have been prepared following the accruals basis of accounting.

The Fund’s interim statement of financial position is not presented using a current / non-current classification. All balances of the Fund would generally be classified as current.

**4.3 *Functional and presentation currency***

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

**MEFIC SAUDI RIYAL MURABAHA FUND**  
 Managed by Middle East Financial Investment Company  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
 For the six month period ended 30 June 2020  
 (Saudi Riyals)

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**5. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and the methods of computation adopted in the preparation of these interim condensed financial statements are the same as those applied in the preparation of audited annual financial statements of the Fund for the year ended 31 December 2019.

The Fund has adopted all the new standards and amendments to existing standards, including any consequential amendments to other standards which are applicable for the financial period beginning on or after 1 January 2019. The adoption of these new and amended standards do not have any material effect on these interim condensed financial statements.

**6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of these interim condensed financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.

During the preparation of this interim condensed financial statements, the significant judgements made by the management in applying the Fund's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the audited annual financial statements of the Fund for the year ended 31 December 2019.

**7. CASH AND CASH EQUIVALENTS**

	<b>Notes</b>	<b>30 June 2020 Unaudited</b>	<b>31 December 2019 Audited</b>
Cash held with custodian		-	51,722
		-	51,722

**8. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at the reporting date (2019: Nil).

**9. DIVIDEND**

The Fund Board has not declared any dividend for the current period (2019: Nil).

**10. MANAGEMENT FEE AND OTHER CHARGES**

The Fund Manager charges fees as per the terms and conditions of the Fund as described below.

***Management fee***

The Fund Manager charges the Fund a management fee at the rate of 0.5% per annum (2019: 0.5% per annum) of the net asset value of the Fund, which is calculated on daily basis and payable monthly.

***Other expenses***

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

**MEFIC SAUDI RIYAL MURABAHA FUND**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
 For the six month period ended 30 June 2020  
 (Saudi Riyals)

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**11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Related parties of the Fund include the Unitholders, the Fund Manager and other funds managed by the Fund manager. In the ordinary course of its activities, the Fund transacts business with the Fund Manager. Related party transactions are in accordance with the terms and conditions of the Fund. All transactions with related parties are carried out based on mutually agreed prices under formal agreement.

The transactions with related parties for the period are as follows:

<u>Related Party</u>	<u>Nature of transaction</u>	<u>30 June 2020</u>	<u>30 June 2019</u>
	Management fee	52	371,051
Middle East Financial Investment Company ( <i>Fund Manager</i> )	Other investment related expenses	-	21,001

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

<u>Related Party</u>	<u>Balance</u>	<u>30 June 2020 Unaudited</u>	<u>31 December 2019 Audited</u>
Middle East Financial Investment Company ( <i>Fund Manager</i> )	Management fee payable	-	44

**12. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**

The Fund's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest rate risk).

This interim condensed financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Fund's audited annual financial statements for the year ended 31 December 2019.

There have been no significant changes in the risk management policies since the year end.

**13. LAST VALUATION DAY**

The last valuation date of the period was 30 June 2020.

**14. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS**

These interim condensed financial statements were approved by the Fund Board on 01 Muharram 1442 H corresponding to 20 August 2020 G.

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