

MEFIC SAUDI FREESTYLE EQUITY 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 2022
Together with the
Independent Auditor's Review Report to the Unit Holders

MEFIC SAUDI FREESTYLE EQUITY 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 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**TO THE UNITHOLDERS OF
MEFIC SAUDI FREESTYLE EQUITY FUND
RIYADH, KINGDOM OF SAUDI ARABIA****INTRODUCTION**

We have reviewed the accompanying interim statement of financial position of MEFIC Saudi Freestyle Equity Fund (the "Fund") managed by Middle East Financial Investment Company (the "Fund Manager") as at 30 June 2022 and the related interim statement of comprehensive income, interim statement of changes in net assets (Equity) attributable to the unitholders and interim statement of 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.


OTHER MATTER

The financial statements of the Fund for the year ended 31 December 2021 and for the six-months period ended 30 June 2021 were audited and reviewed by another auditor who have expressed an unmodified opinion and conclusions thereon vide their reports dated 24 February 2022 and 7 August 2021 respectively.

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 Mohandis
Certified Public Accountant
License No. 477**10 Muharram 1444 H
8 August 2022
Riyadh, Kingdom of Saudi Arabia**

MEFIC SAUDI FREESTYLE EQUITY FUND
Open-Ended Mutual Fund
(Managed By Middle East Financial Investment Company)
INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2022
(Amounts in Saudi Arabian Riyal)

	<u>Note</u>	30 June 2022 (Un-audited)	31 December 2021 (Audited)
ASSETS			
Cash and cash equivalents	6	6,596	2,083,071
Investments carried at fair value through profit or loss (FVPL)	8,7	4,825,233	17,904,571
Total assets		4,831,829	19,987,642
LIABILITIES			
Fund management fees payable	10	7,543	29,887
Accrued expenses	10	3,610	14,303
Total liabilities		11,153	44,190
Net assets (equity) attributable to the unit holders		4,820,676	19,943,452
Units in issue (number)		25,593.60	115,211.58
Net assets (equity) attributable to each unit		188.3547	173.1028

MEFIC SAUDI FREESTYLE EQUITY 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 2022
(Amounts in Saudi Arabian Riyal)

	<u>Note</u>	<u>30 June 2022</u>	<u>30 June 2021</u>
Investment income			
Dividend income		67,000	83,400
Realized gain from the sale of investments carried at FVPL	8	2,209,817	1,674,708
Unrealized gain from investments carried at FVPL	8	94,738	468,963
Other income		108	-
		<u>2,371,663</u>	<u>2,227,071</u>
Expenses			
Fund management fees	10	95,711	116,899
Other expenses	9	27,346	33,400
		<u>123,057</u>	<u>150,299</u>
Net income for the period		<u>2,248,606</u>	<u>2,076,772</u>
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>2,248,606</u>	<u>2,076,772</u>

MEFIC SAUDI FREESTYLE EQUITY 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 2022****(Amounts in Saudi Arabian Riyal)**

	<u>30 June 2022</u>	<u>30 June 2021</u>
Net assets (equity) attributable to the unit holders at the beginning of the period	19,943,452	8,489,164
Total comprehensive income for the period	2,248,606	2,076,772
Contributions and redemptions by the unit holders		
Issuance of units	-	3,000,000
Redemption of units	(17,371,382)	(2,026,739)
Net changes from unit transactions	(17,371,382)	973,261
Net assets (equity) attributable to the unit holders at the end of the period	<u>4,820,676</u>	<u>11,539,197</u>

Units Transactions	<u>30 June 2022</u>	<u>30 June 2021</u>
	<i>(Units)</i>	
As at the beginning of the period	115,211.58	55,136.40
Issuance of units	-	19,484.7452
Redemption of units	(89,617.98)	(11,938.8155)
Net change in number of units	(89,617.98)	7,545.9297
The net number of units (equity) attributable to the unit holders at the end of the period	<u>25,593.60</u>	<u>62,682.33</u>

MEFIC SAUDI FREESTYLE EQUITY FUND
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(Managed By Middle East Financial Investment Company)
INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
For The Six-Month Period Ended 30 June 2022
(Amounts in Saudi Arabian Riyal)

	Note	<u>30 June 2022</u>	<u>30 June 2021</u>
Cash flows from operating activities:			
Net income for the period		2,248,606	2,076,772
Adjustments for:			
Realized gain from the sale of investments carried at FVPL	8	(2,209,817)	(1,674,708)
Unrealized gain from investments carried at FVPL	8	(94,738)	(468,963)
		<u>(55,949)</u>	<u>(66,899)</u>
Net changes in operating assets and liabilities:			
Dividend receivable		-	13,679
Management fees payable		(22,344)	6,699
Accrued expenses		(10,693)	(477)
Net cash used in operating activities		<u>(88,986)</u>	<u>(46,998)</u>
Cash flows from investing activities:			
Purchase investments at fair value through profit or loss	7	(10,537,711)	(29,394,380)
Proceeds from the sale of investments at fair value through profit or loss	7	25,921,604	30,414,115
Net cash generated from investing activities		<u>15,383,893</u>	<u>1,019,735</u>
Cash flows from financing activities:			
Proceeds from issuance of units		-	3,000,000
Redemptions of units		(17,371,382)	(2,026,739)
Net cash (used in) / generated from financing activities		<u>(17,371,382)</u>	<u>937,261</u>
Net changes in cash and cash equivalents		<u>(2,076,475)</u>	<u>1,945,998</u>
Cash and cash equivalents at beginning of the period		<u>2,083,071</u>	<u>36,013</u>
Cash and cash equivalents at end of the period		<u><u>6,596</u></u>	<u><u>1,982,011</u></u>

MEFIC SAUDI FREESTYLE EQUITY 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 2022

(Amounts in Saudi Arabian Riyal)

1. FUND AND ITS ACTIVITIES

The MEFIC Saudi Freestyle Equity Fund (the “Fund”) is an open-ended mutual fund established and managed by agreement between Middle East Financial Investment Company (the “Fund Manager”) and the fund’s investors (Unit Holders).

The fund's objective is to achieve capital returns through long-term capital development by investing in the Saudi stock market, public listed funds, IPO funds and money market funds. All investments of the Fund are compliant with Shariah provisions.

The Fund started its activities on 14 Rabi’ Al-Thani 1439 H, corresponding to 1 January 2018. The Capital Market Authority approved the establishment of the fund by letter No. 17/3403/5/3 dated 18 Ramadan 1438 H corresponding to 13 June 2017.

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 have been prepared in accordance with International Accounting Standard No. (34) “Initial Financial Report” approved in the Kingdom of Saudi Arabia and other standards and issuances approved 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 statements for the year ended 31 December 2021. The results for the six-month period ended 30 June 2022 are not necessarily indicative of the financial statements as at 31 December 2022.

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 functional currency in which the Fund operates (the “functional currency”). These financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Fund.

MEFIC SAUDI FREESTYLE EQUITY FUND

Open-Ended Mutual Fund

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

For The Six-Month Period Ended 30 June 2022

(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 the transactions. Assets and liabilities denominated in foreign currencies are translated into Saudi Riyals using exchange rates.

3.4 Critical accounting judgments, estimates and assumption

The preparation of financial statements requires management to use judgments, estimates and assumptions that affect the amounts of assets and liabilities, income and expenses, the accompanying disclosures and the disclosure of potential liabilities. Uncertainty about these assumptions and estimates could lead to results that require a material adjustment to the carrying amounts of assets or liabilities that affect future periods.

The uncertainty of key assumptions about the future and other key sources of estimation 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 financial period are described below. In its assumptions and estimates, the Fund relied on the indicators available when preparing the financial statements. The current cases and assumptions are subject to development in the future as they may arise as a result of market changes or situations outside 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 doubt on the Fund's ability to continue as a going concern. Therefore, these financial statements have been prepared on the going concern basis.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing these financial statements are consistent with those used and disclosed in the Fund's annual financial statements for the year ended 31 December 2021. There are new standards, amendments and interpretations that apply for the first time in 2022, but they have no 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 interim condensed financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

5. MANAGEMENT FEE, AND OTHER CHARGES

On each valuation day, the fund manager charges the fund a management fee of 1.75% of the fund's net asset value, deducted on a monthly basis.

The fund manager recovers from the fund any expenses incurred on behalf of the fund such as audit fees, legal fees, board of directors fees and any other similar fees. And it is not expected in their total to exceed 0.5% of the fund's net asset value.

MEFIC SAUDI FREESTYLE EQUITY FUND

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

For The Six-Month Period Ended 30 June 2022

(Amounts in Saudi Arabian Riyal)

6. CASH AND CASH EQUIVALENTS

	<u>30 June 2022</u> (Un-audited)	<u>31 December</u> 2021(Audited)
Cash in investment account	6,596	2,038,071

The Fund does not earn profits from investment accounts.

7. INVESTMENTS CARRIED AT FVPL

	<u>30 June 2022</u> (Un-audited)	<u>31 December</u> 2021(Audited)
Opening balance	17,904,571	8,457,799
Purchase of investments during the period / year	10,537,711	191,077,239
Gain on disposal of investments carried at fair value through profit or loss	2,209,817	1,047,668
Unrealized gain / (loss) on investments carried at fair value through profit or loss	94,738	(467,950)
Disposal of investments of the period / year	<u>(25,921,604)</u>	<u>(182,210,185)</u>
Investment at the end of the period / year	<u>4,825,233</u>	<u>17,904,571</u>

8. NET GAIN FROM INVESTMENTS CARRIED AT FVPL

	<u>30 June 2022</u> (Un-audited)	<u>30 June 2021</u> (Un-audited)
Realized gain from sale of investments carried at FVPL	2,209,817	1,674,708
Unrealized gain on investments carried at FVPL	94,738	468,963
	<u>2,304,555</u>	<u>2,143,671</u>

9. OTHER EXPENSES

	<u>30 June 2022</u> (Un-audited)	<u>30 June 2021</u> (Un-audited)
Other expenses	23,779	29,044
VAT expense	3,567	4,356
	<u>27,346</u>	<u>33,400</u>

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties to the fund are unit holders, the fund manager and other funds managed by the fund manager. In the normal course of business, transactions with related parties are carried out in accordance with the provisions issued by the CMA. All related party transactions are approved by the Fund's Board of Directors.

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For The Six-Month Period Ended 30 June 2022

(Amounts in Saudi Arabian Riyal)

10. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

Related party	Nature of transactions	Amount of transaction during the period		Closing balance	
		30 June 2022	30 June 2021	30 June 2022	31 December 2021
Middle East Financial Investment Company (Fund Manager)	Fund management fee	95,711	116,899	7,543	29,887
	Other expenses	27,346	33,400	3,610	14,303

11. FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2022 (Un-audited)	Amortized cost	FVPL
Assets as per statement of assets and liabilities		
Cash and cash equivalents	6,596	-
Investments carried at FVPL	-	4,825,233
Total	6,596	4,825,233
<hr/>		
31 December 2021 (Audited)	Amortized cost	FVPL
Assets as per statement of assets and liabilities		
Cash and cash equivalents	2,083,071	-
Investments carried at FVPL	-	17,904,571
Total	2,083,071	17,904,571

12. FINANCIAL RISK MANAGEMENT

12.1 Financial risk factors

The objective of the Fund is to maintain 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.

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

For The Six-Month Period Ended 30 June 2022

(Amounts in Saudi Arabian Riyal)

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

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 30 June) due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constants is as follows:

	30 June 2022 (Un-audited)		31 December 2021 (Audited)	
	% of market value	Market value	% of market value	Market value
Banks	43.70%	2,108,760	22.38%	4,006,926
Materials	23.52%	1,134,872	23.66%	4,236,472
Telecommunication Services	6.35%	306,545	22.87%	4,094,211
Software and services	6.39%	308,550	2.62%	469,559
Retailing	-	-	1.64%	293,115
Real estate management and development	1.26%	60,885	8.76%	1,567,940
Retailing	5.10%	245,971	1.38%	247,349
Health Care Equipment & Services	-	-	6.99%	1,252,000
Consumer Services	-	-	9.70%	1,737,000
Energy	9.85%	475,494	-	-
Transportation	1.84%	88,713	-	-
Business and professional services	1.98%	95,443	-	-

(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 in cash and cash equivalents and receivables. Bank balances are deposited in local banks, which is considered a good financially rated bank. The following table shows the maximum exposure to credit risk for the components of the statement of financial position

	30 June 2022 (Un-audited)	31 December 2021(Audited)
Cash and cash equivalents	6,596	2,083,071

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

For The Six-Month Period Ended 30 June 2022

(Amounts in Saudi Arabian Riyal)

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

Credit risk on cash is limited as:

- All financial assets of the Fund are held with counterparties with sound credit ratings.
- The Fund applies the IFRS 9 simplified approach to measure expected credit losses

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.

12.2 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 values of the Fund's financial instruments carried at amortized cost are assumed to approximate their fair values.

MEFIC SAUDI FREESTYLE EQUITY 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 2022

(Amounts in Saudi Arabian Riyal)

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.2 Fair value estimation (continued)

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: and
- Level 3 inputs are unobservable inputs for the asset or liability.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equity and debt 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.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation for the current period.

14. 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.

15. LAST VALUATION DAY

The last valuation day for the period was 30 June 2022

16. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were authorized for issue by the Fund's Board of Directors on 7 August 2022 (corresponding to 9 Muharram 1443 H).