

MEFIC SAUDI FREESTYLE EQUITY 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 FREESTYLE EQUITY 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 FREESTYLE EQUITY 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 Freestyle Equity 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.



PKF

Ibrahim Ahmed Al-Bassam & Co.
Certified Public Accountants
(Member of PKF International)

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS

MEFIC SAUDI FREESTYLE EQUITY 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 FREESTYLE EQUITY FUND
Open-Ended Mutual Fund
(Managed By Middle East Financial Investment Company)
STATEMENT OF FINANCIAL POSITION
As of 31 December 2022
(Amounts in SAR)

	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	6	119,514	2,083,071
Investments carried at fair value through profit or loss (FVTPL)	7	4,605,532	17,904,571
Dividends receivable		3,105	-
Total assets		4,728,151	19,987,642
LIABILITIES			
Management fees payable	8	7,120	29,887
Accrued expenses	8	3,407	14,303
Total liabilities		10,527	44,190
Net assets (equity) attributable to the unitholders		4,717,624	19,943,452
Units in issue (number)		25,185.10	115,211.58
Net assets (equity) attributable to each unit		187.3180	173.1028

The accompanying notes 1 to 13 form an integral part of these financial statements

MEFIC SAUDI FREESTYLE EQUITY 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 SAR)

	<u>Note</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
INVESTMENT INCOME			
Realized gain on the sale of investments carried at FVTPL	7	2,384,822	1,047,668
Unrealized loss on investments carried at FVTPL	7	(61,938)	(467,950)
Dividends income		126,069	237,438
		2,448,953	817,156
EXPENSES			
Management fees	8	147,294	264,218
Other expenses	8	41,953	126,447
		189,247	390,665
Net income for the year		2,259,706	426,491
Other comprehensive income for the year		-	-
Total comprehensive income for the year		2,259,706	426,491

The accompanying notes 1 to 13 form an integral part of these financial statements

MEFIC SAUDI FREESTYLE EQUITY FUND**Open-Ended Mutual Fund**

(Managed By Middle East Financial Investment Company)

STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS**For the year ended 31 December 2022****(Amounts in SAR)**

	31 December 2022	31 December 2021
Net assets (equity) attributable to the unitholders at the beginning of the year	19,943,452	8,489,164
Total comprehensive income for the year	2,259,706	426,491
Contributions and redemptions by the unitholders		
Issuance of units	420,000	19,927,200
Redemption of units	(17,905,534)	(8,899,403)
Net changes from unit transaction	(17,485,534)	11,027,797
Net assets (equity) attributable to the unitholders at the end of the year	4,717,624	19,943,452
UNITS TRANSACTIONS	31 December 2022	31 December 2021
	<i>(units)</i>	
As at the beginning of the year	115,211	55,136
Units issued	2,096	108,782
Units redeemed	(92,122)	(48,707)
Net change in units	(90,026)	60,075
Net units (equity) attributable to the unitholders at the end of the year	25,185.10	115,211.58

The accompanying notes 1 to 13 form an integral part of these financial statements

MEFIC SAUDI FREESTYLE EQUITY 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 SAR)

	<u>Note</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income for the year		2,259,706	426,491
Adjustments for:			
Realized gain on the sale of investments carried at FVTPL	7	(2,384,822)	(1,047,668)
Unrealized loss on investments carried at FVTPL	7	61,938	467,950
		<u>(63,178)</u>	<u>(153,227)</u>
Net changes in operating assets and liabilities:			
Dividends receivable		(3,105)	13,679
Management fees payable	8	(22,767)	17,492
Accrued expenses	8	(10,896)	(8,371)
Net cash (used in) / generated from operating activities		<u>(36,768)</u>	<u>22,800</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments carried at fair value through profit or loss (FVTPL)	7	(11,564,898)	(191,077,239)
Proceeds from the sale of investments carried at fair value through profit or loss (FVTPL)	7	27,186,821	182,210,185
Net cash generated from / (used in) investing activities		<u>15,621,923</u>	<u>(8,980,739)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of units		420,000	19,927,200
Redemptions of units		(17,905,534)	(8,899,403)
Net cash (used in) / generated from financing activities		<u>(17,485,534)</u>	<u>11,027,797</u>
Net changes in cash and cash equivalents		(1,963,557)	2,047,058
Cash and cash equivalents at beginning of the year		2,083,071	36,013
Cash and cash equivalents at end of the year		<u>119,514</u>	<u>2,083,071</u>

The accompanying notes 1 to 13 form an integral part of these financial statements

MEFIC SAUDI FREESTYLE EQUITY 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 SAR)

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 (Unitholders).

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards “IFRS” that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization of Chartered and Professional Accountants (“SOCPA”).

3.2 Basis of measurement

The financial statements have been prepared on 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 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.

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.

As of the date of the statement of financial position, gains and losses resulting from the exchange rate conversion are included in the comprehensive income statement.

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NOTES TO THE FINANCIAL STATEMENTS

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3. BASIS OF PREPARATION (CONTINUED)

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 contingencies. 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

4.1 New Standards, Interpretations and Amendments

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 financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 New Standards, Interpretations and Amendments (Continued)

Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the fund's Financial Statements, except for were referenced below.

4.1.1 New amendments to standards issued and applied effective in the year 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 New Standards, Interpretations and Amendments (Continued)

4.1.2 New standards, Interpretations and revised but not yet effective

The fund has not applied the following new and revised IFRSs 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 a 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 initial application.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of balances in an investment account and Murabaha deposits with maturities of three months or less from the date of acquisition. Cash and cash equivalents are measured 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 entity 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 fair value through profit or loss, 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 fair value through profit or loss are expensed in the statement of comprehensive income. Upon initial recognition, an expected credit loss allowance 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 Comprehensive income statement when an asset is newly created.

4.3.2 Classification and measurement of financial assets

Equity instruments

Equity instruments are instruments that meet the concept of ownership from the perspective of the issuer, ie those that do not contain contractual obligations to pay and that demonstrate a residual interest in the net assets of the issuer.

The fund classifies its financial assets at fair value through profit or loss. The fund then measures all equity investments at fair value through profit and loss except when the fund manager has elected on initial recognition to designate the equity investment as at fair value through other comprehensive income. It is the Fund's policy to designate investments when applying this option in equity at fair value through other comprehensive income when those investments are held for purposes other than trading.

The losses are recognized in other comprehensive income and are not subsequently reclassified to comprehensive income, including when derecognised. 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

These are those instruments that meet the definition of financial liability from the issuer's perspective, such as Murabaha contracts and sukuk.

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.

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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 in one of the following three measurement categories:

Amortized cost:

Assets held to collect contractual cash flows where those cash flows represent payments of principal and interest/profit on the amount outstanding, which are not categorized into FVTPL measurement, are measured at amortized cost. The carrying amount of these assets is adjusted by any allowances for expected credit losses recognized and measured as described in note 3.4. Gains on these financial assets are recognized in the statement of comprehensive income using the effective interest rate method.

Fair value through profit or loss:

If the cash flows of a debt instrument do not represent payments of principal and interest / accrued profit outstanding, or if they are not among the assets held for collection or held for business combination and sale, or if they are designated at fair value through profit or loss, then they are measured at fair value through profit or loss.

Gains or losses on debt investments measured at fair value through profit or loss are recognized through the statement of comprehensive income. Within 'Net gain / (Loss) on Investments Mandatorily Measured at Fair Value', in the period in which they arise. A gain or loss on debt instruments that are designated at fair value or that are not held for trading separately from debt investments that are mandatorily measured at fair value through profit or loss, is presented under "net gain/(loss) on investments at fair value". Commission income from these financial assets is recognized in the statement of comprehensive income using the effective interest rate method.

The business model:

reflects how the fund manages assets in order to generate cash flows. That is, whether the objective of the Fund is only to collect contractual cash flows from assets or to collect contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (for example, the financial assets are held for trading purposes), the financial assets are classified as part of the 'other' business model and measured at fair value through other comprehensive income. The factors considered by the fund in determining the business model for a group of assets include past experience on how to collect cash flows for these assets, how the performance of the assets is evaluated internally and reported to key management personnel, and how risks are assessed and managed. And managers are compensated Securities held for trading are held primarily 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 profit taking in the short term. These securities are classified under the 'other' business model and measured under the fair value through profit or loss model.

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(Amounts in SAR)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (Continued)

4.3.2 Classification and measurement of financial assets (Continued)

Debt instruments (Continued)

SPPI:

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 fair value through profit or loss.

A 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.

4.3.3 impairment of financial assets

The Fund evaluates on a prospective basis the expected credit losses ("ECL") associated with financial assets carried at amortized cost. A loss allowance recognizes for such losses at each reporting date, expected credit losses are measured to reflect:

- 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 ownership 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 recognized an associated liability. The transferred assets and the associated liabilities are measured on a basis that reflects the rights and obligations that the Fund has retained. The Fund recognized a financial liability when the obligation under the liability is discharged, cancelled or expired.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (Continued)

4.3.5 Financial liabilities

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

4.4 Trade date accounting

All 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, the fund has a currently enforceable legal right to offset the recognized amounts of financial assets and liabilities and it intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.6 Accrued expenses

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

4.7 Provisions

provision is recognized when the Fund has a present legal or constructive obligation as a result from 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Redeemable Units (Continued)

- 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 and taxation

Zakat and Taxation 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.

4.11 Dividend income

Dividend income, if any, is recognized in the comprehensive income statement, on the date the right to receive it is established. For quoted equity securities, it is usually recognized on the date of the dividends from quoted securities at fair value through profit or loss in a separate item in the statement of comprehensive income.

4.12 Management fees

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

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 fund's net asset value by the number of units outstanding at year-end.

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5. MANAGEMENT FEES, AND OTHER EXPENSES

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 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.

6. CASH AND CASH EQUIVALENTS

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cash in investment account	119,514	2,083,071

The fund holds the investment account with Albilad Capital Company (the custodian of the fund. The Fund does not earn profits from investment accounts.

7. INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	<u>31 December 2022</u>	<u>31 December 2021</u>
Investments at the beginning of the year	17,904,571	8,457,799
Purchase of investments during the year	11,564,898	191,077,239
Disposal of investments during the year	(27,186,821)	(182,210,185)
Realized Gain on disposal of investments carried at FVTPL	2,384,822	1,047,668
Unrealized loss on investments carried at FVTPL	(61,938)	(467,950)
Investments at the end of the year	<u>4,605,532</u>	<u>17,904,571</u>

Components of investments carried at fair value through profit or loss are summarized by industry sector as follows:

	<u>31 December 2022</u>		
	<u>Cost</u>	<u>Market value</u>	<u>% of market value</u>
Banks	1,834,292	1,742,713	38%
Telecommunication Services	356,934	288,847	6%
Financial investment	116,330	110,048	2%
cement	126,379	123,702	3%
Software & services	128,000	332,000	7%
Commercial & professional services	117,241	99,975	2%
Capital goods	97,008	81,780	2%
Energy	442,673	433,928	9%
utilities	54,878	55,952	2%
Materials	1,037,543	1,061,544	23%
Transportation	113,562	73,251	2%
Luxury Retail	242,499	201,792	4%
Total	<u>4,667,339</u>	<u>4,605,532</u>	<u>100%</u>

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7. INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) (CONTINUED)

	31 December 2021	
	Market value	% of market value
Banks	4,006,925	22.38%
Materials	4,236,472	23.66%
Telecommunication Services	4,094,211	22.87%
Software & services	469,559	2.62%
Retailing	293,115	1.64%
Real estate development and management	1,567,940	8.76%
Luxury retail	247,349	1.38%
Health care equipment & services	1,252,000	6.99%
Consumer services	1,737,000	9.70%
Total	17,904,571	100%

8. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties of the fund are the unitholders, the fund manager and other funds managed by the fund manager. In the course of normal activity, transactions with related parties are carried out in accordance with the provisions issued by the Capital Market Authority. All related party transactions are approved by the Fund's Board.

The significant related party transactions carried out by the fund during the year and the resulting balances are as follows:

Related Party	Nature of transaction	Amount of transaction during the year		Balance as of	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Middle East Financial Investment Company (Fund manager)	management fees	147,294	264,218	7,120	29,887
	Other expenses	41,953	126,447	3,407	14,303

9. FINANCIAL RISK MANAGEMENT

9.1 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 Unitholders and to ensure reasonable safety to the Unitholders.

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.

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9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Financial risk factors (Continued)

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

(1) Price risk

Price risk is the risk that the value of the Fund's financial instrument 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 financial position date, the Fund has equity and mutual funds' investments.

The effect on the net assets (equity) attributable to the unitholders due to a reasonably possible decrease / increase in individual equity indices by 5% on reporting date is based on the individual investments. This analysis assumes that all other variables are constant, specifically commissions.

		31 December 2022	31 December 2021
Net gain on investments	+5%	230,277	895,229
Carried at fair value through profit or loss (FVTPL)	-5%	(230,277)	(895,299)

(b) Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund is exposed to credit risk for cash and cash equivalents. Cash and cash equivalents are deposited in local banks, which are banks with sound credit rating. The following table shows the maximum exposure to credit risk for the components of the statement of financial position:

	31 December 2022	31 December 2021
Cash and cash equivalents	119,514	2,083,071

(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.

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9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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.

All financial liabilities are due within less than a year.

	<u>Carrying value</u>	<u>On demand or less than 6 months</u>	<u>6 to 12 months</u>	<u>More than 1 year</u>
<u>Financial liabilities at amortized cost:</u>				
management fees payable	7,120	7,120	-	-
Other accrued expenses	3,407	3,407	-	-
As of 31 December 2022	10,527	10,527	-	-

	<u>Carrying value</u>	<u>On demand or less than 6 months</u>	<u>6 to 12 months</u>	<u>More than 1 year</u>
<u>Financial liabilities at amortized cost:</u>				
management fees payable	29,887	29,887	-	-
Other accrued expenses	14,303	14,303	-	-
As of 31 December 2021	44,190	44,190	-	-

(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.

9.2 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 less impairment of the financial instruments carried at amortized cost are assumed to approximate their fair values.

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9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.2 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 within level 1.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
As of 31 December 2022				
Investments carried at fair value through profit or loss (FVTPL) (note 7)	<u>4,605,532</u>	-	-	<u>4,605,532</u>
Total	<u>4,605,532</u>	-	-	<u>4,605,532</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
As of 31 December 2021				
Investments carried at fair value through profit or loss (FVTPL) (note 7)	<u>17,904,571</u>	-	-	<u>17,904,571</u>
Total	<u>17,904,571</u>	-	-	<u>17,904,571</u>

10. FINANCIAL ASSETS AND LIABILITIES CLASSIFICATION BY CATEGORY

The amounts included in the statement of financial position relate to the following categories of financial assets and financial liabilities:

	<u>Amortized cost</u>	<u>FVTPL</u>
31 December 2022		
Financial assets		
Investments carried at fair value through profit or loss (FVTPL)	-	<u>4,605,532</u>
Cash and cash equivalent	<u>119,514</u>	-
Dividends receivable	<u>3,105</u>	-
Total	<u>122,619</u>	<u>4,605,532</u>
Financial liabilities		
Management fees payable	<u>7,120</u>	-
Accrued expenses	<u>3,407</u>	-
Total	<u>10,527</u>	-

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10. FINANCIAL ASSETS AND LIABILITIES CLASSIFICATION BY CATEGORY
(CONTINUED)

31 December 2021	<u>Amortized cost</u>	<u>FVTPL</u>
Financial assets		
Investments carried at fair value through profit or loss (FVTPL)	-	17,904,571
Cash and cash equivalent	2,083,071	-
Dividends receivable	-	-
Total	<u>2,083,071</u>	<u>17,904,571</u>
Financial liabilities		
Management fees payable	29,887	-
Accrued expenses	14,303	-
Total	<u>44,190</u>	<u>-</u>

11. SUBSEQUENT EVENTS

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

12. LAST VALUATION DAY

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

13. APPROVAL OF THE FINANCIAL STATEMENTS

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