

MEFIC SAUDI FREESTYLE EQUITY FUND
Open-Ended Mutual Fund
(Managed By Middle East Financial Investment Company)
Financial statements
For the year ended 31 December 2023
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 2023

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**PKF****Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants**

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF THE 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 Middle East Financial Investment Company (the Fund Manager) as of December 31, 2023, its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia. And other standards and publications issued by the Saudi Organization for Auditors and Accountants (SOCPA).

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

- The statement of financial position as on December 31, 2023;
- The statement of comprehensive income for the year then ended;
- The statement of changes in net assets (equity) of unit holders 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 OF 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 from the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the 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 provide a basis for our opinion.

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 International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the SOCPA. It is responsible for the internal control it deems necessary to enable it to prepare financial statements free of material misstatements, whether resulting from fraud or error.

In preparing the financial statements, management is responsible for assessing the fund ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, especially the fund board, are responsible for overseeing the fund financial reporting process.

**PKF****Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants**

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF THE MEFIC Saudi Freestyle Equity Fund REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 misstatement, 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 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 the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF THE MEFIC Saudi Freestyle Equity Fund REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

- 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 Abdul Majeed Mohandis
Certified Public Accountant
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MEFIC SAUDI FREESTYLE EQUITY FUND
Open-Ended Mutual Fund
(Managed By Middle East Financial Investment Company)
STATEMENT OF FINANCIAL POSITION
As of 31 December 2023
(Amounts in SAR)

	Note	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	6	9,698	119,514
Investments carried at fair value through profit or loss (FVTPL)	7	5,017,228	4,605,532
Dividends receivable		-	3,105
Total assets		5,026,926	4,728,151
LIABILITIES			
Management fees payable	8	7,242	7,120
Accrued expenses	8	3,465	3,407
Total liabilities		10,707	10,527
Net assets (equity) attributable to the unitholders		5,016,219	4,717,624
Units in issue (number)		20,320.82	25,185.10
Net assets (equity) attributable to each unit		246,8512	187.3180

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 2023
(Amounts in SAR)

	<u>Note</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
INVESTMENT INCOME			
Realized gain on the sale of investments carried at FVTPL	7	249,020	2,384,822
Unrealized gain on investments carried at FVTPL	7	1,041,119	(61,938)
Dividends income		145,676	126,069
		1,435,815	2,448,953
EXPENSES			
Management fees	8	97,019	147,294
Other expenses	8	27,720	41,953
		124,739	189,247
Net income for the year		1,311,076	2,259,706
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,311,076	2,259,706

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 2023****(Amounts in SAR)**

	31 December 2023	31 December 2022
Net assets (equity) attributable to the unitholders at the beginning of the year	4,717,624	19,943,452
Total comprehensive income for the year	1,311,076	2,259,706
Contributions and redemptions by the unitholders		
Issuance of units	-	420,000
Redemption of units	(1,012,481)	(17,905,534)
Net changes from unit transaction	(1,012,481)	(17,485,534)
Net assets (equity) attributable to the unitholders at the end of the year	5,016,219	4,717,624
UNITS TRANSACTIONS	31 December 2023	31 December 2022
	<i>(units)</i>	
As at the beginning of the year	25,185	115,211
Units issued	-	2,096
Units redeemed	(4,864)	(92,122)
Net change in units	(4,864)	(90,026)
Net units (equity) attributable to the unitholders at the end of the year	20,320,82	25,185.10

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 2023
(Amounts in SAR)

	<u>Note</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income for the year		1,311,076	2,259,706
Adjustments for:			
Realized gain on the sale of investments carried at FVTPL	7	(249,020)	(2,384,822)
Unrealized gain on investments carried at FVTPL	7	(1,041,119)	61,938
		20,937	(63,178)
Net changes in operating assets and liabilities:			
Dividends receivable		3,105	(3,105)
Management fees payable	8	122	(22,767)
Accrued expenses	8	58	(10,896)
Net cash generated from (used in) / operating activities		3,285	(36,768)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments carried at fair value through profit or loss (FVTPL)	7	(469,722)	(11,564,898)
Proceeds from the sale of investments carried at fair value through profit or loss (FVTPL)	7	1,348,165	27,186,821
Net cash generated from investing activities		878,443	15,621,923
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of units		-	420,000
Redemptions of units		(1,012,481)	(17,905,534)
Net cash (used in) / generated from financing activities		(1,012,481)	(17,485,534)
Net changes in cash and cash equivalents		(109,816)	(1,963,557)
Cash and cash equivalents at beginning of the year		119,514	2,083,071
Cash and cash equivalents at end of the year		9,698	119,514

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 2023

(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 operates in accordance with Real Estate Investment Fund Regulations issued by the CMA. The regulations detail requirements for real estate funds and publicly traded real estate funds within the Kingdom of Saudi Arabia.

The Minister of Finance, pursuant to Ministerial Resolution No. (29791) dated 9 Jumada al-Awwal 1444 (corresponding to December 3, 2022), approved the zakat rules for the investment fund permitted by the Capital Market Authority.

The rules apply from 1 January 2023 and require investment funds to register with the Zakat, Tax and Customs Authority (ZATCA). The rules also require investment funds to submit a zakat information declaration to the Authority within 120 days of the end of their financial year, including audited financial statements, records of transactions with related parties, and any other data required by the Authority. Under the rules, investment funds are not subject to zakat provided that they do not engage in unconditional economic or investment activities in accordance with the terms and conditions approved by the Capital Market Authority. Zakat will be collected from the fund’s unit holders.

During the current year, the Fund Manager has completed the Fund’s registration with Zakat and will submit the Zakat information declaration in due course.

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.

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3. BASIS OF PREPARATION (CONTINUED)

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.

3.4 Material Accounting Judgements, Estimates and Assumptions

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. MATERIAL 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 2022. There are new standards, amendments and interpretations that apply for the first time in 2023, 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. MATERIAL 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 2023

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts and its amendments	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) which 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 the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	January 1, 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

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4. MATERIAL 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, 2024	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 liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	January 1, 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IAS 21	Lack of Exchangeability	January 1, 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

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. MATERIAL 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. MATERIAL 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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For the year ended 31 December 2023

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4. MATERIAL 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. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (Continued)

4.3.5 Financial liabilities

The fund derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability that is derecognized, and the new financial liability on modified terms, is recognized in the statement of profit or loss.

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. MATERIAL 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

According to the zakat rules for investment funds, the fund is not subject to zakat provided that it does not engage in economic or investment activities not stipulated in accordance with the terms and conditions approved by the Capital Market Authority. Zakat will be collected from the fund's unit holders. The Fund is required to submit an annual Zakat Information Return to the Zakat, Tax and Customs Authority ("ZATCA"). The fund manager has registered the fund and will submit the annual zakat information return to the Authority.

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 2023</u>	<u>31 December 2022</u>
Cash in investment account	9,698	119,514

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 2023</u>	<u>31 December 2022</u>
Investments at the beginning of the year	4,605,532	17,904,571
Purchase of investments during the year	469,722	11,564,898
Disposal of investments during the year	(1,348,165)	(27,186,821)
Realized Gain on disposal of investments carried at FVTPL	249,020	2,384,822
Unrealized Gain on investments carried at FVTPL	1,041,119	(61,938)
Investments at the end of the year	<u>5,017,228</u>	<u>4,605,532</u>

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

	<u>31 December 2023</u>		
	<u>Cost</u>	<u>Market value</u>	<u>% of market value</u>
Banks	1,574,645	1,741,140	%35
Telecommunication Services	288,847	318,837	%6
Investment and financing	46,336	47,821	%1
Technical applications and services	182,600	448,250	%9
Energy	543,569	688,604	%14
Basic materials	841,326	871,003	%17
Transportation	277,391	470,866	%9
Retail of luxury goods	45,533	104,094	%2
pharmaceutical	71,880	137,770	%3
Commercial and professional services	103,981	188,842	%4
Total	<u>3,976,109</u>	<u>5,017,228</u>	<u>100%</u>

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

	31 December 2022		
	Cost	Market value	% of market value
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	4,667,339	4,605,532	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 2023	31 December 2022	31 December 2023	31 December 2022
		Middle East Financial Investment Company (Fund manager)	management fees	97,019	147,294
	Other expenses	27,720	41,953	3,465	3,407

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 2023	31 December 2022
		<hr/>	<hr/>
Net gain on investments	+5%	250,861	230,277
Carried at fair value through profit or loss (FVTPL)	-5%	(250,861)	(230,277)

(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 2023	31 December 2022
	<hr/>	<hr/>
Cash and cash equivalents	9,698	119,514

(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	7,242	7,242	-	-
Other accrued expenses	3,465	3,465	-	-
As of 31 December 2023	10,707	10,707	-	-

	<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	-	-

(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 2023				
Investments carried at fair value through profit or loss (FVTPL) (note 7)	5,017,228	-	-	5,017,228
Total	<u>5,017,228</u>	<u>-</u>	<u>-</u>	<u>5,017,228</u>
	<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)	4,605,532	-	-	4,605,532
Total	<u>4,605,532</u>	<u>-</u>	<u>-</u>	<u>4,605,532</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 2023		
Financial assets		
Investments carried at fair value through profit or loss (FVTPL)	-	5,017,228
Cash and cash equivalent	9,698	-
Dividends receivable	-	-
Total	<u>9,698</u>	<u>5,017,228</u>
Financial liabilities		
Management fees payable	7,242	-
Accrued expenses	3,465	-
Total	<u>10,707</u>	<u>-</u>

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

31 December 2022	<u>Amortized cost</u>	<u>FVTPL</u>
Financial assets		
Investments carried at fair value through profit or loss (FVTPL)	-	4,605,532
Cash and cash equivalent	119,514	-
Dividends receivable	3,105	-
Total	<u>122,619</u>	<u>4,605,532</u>
Financial liabilities		
Management fees payable	7,120	-
Accrued expenses	3,407	-
Total	<u>10,527</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 2023

13. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Fund's Board on March 13, 2024 (corresponding to Ramadan 3, 1445H).