

MEFIC SAR Murabaha Fund Annual Report - 2021

التقرير السنوي لصندوق ميفك للمرابحة بالريال السعودي 2021



Annex 3

A Investment fund information

1 Name of the Fund	MEFIC SAR MURABAHA FUND
2 Investment Objective & policies	To provide capital increase and liquidity through investment in low risk money market instruments which are shariah compliant and provide a return above 3-month SAIBOR
3 Distribution of Income & Gain Policy	No Distribution of Dividend
4 Statement of Fund Report	Fund's Annual Financial Report as of December 31, 2021 is available on Tadawul and MEFIC website and available on request to investors at free of charge
5 benchmark	3-month SAIBOR

B Fund Performance Table

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

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

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

	2021	2020	2019
YTD	0.00%	-0.54%	0.80%
Benchmark	0.81%	1.19%	2.63%
Alpha	-0.81%	-1.73%	-1.83%

2) performance record:

A)	1 Year	3 Year	5 Year	Since Inception
Return	0.00%	0.26%	4.85%	14.47%

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

C Fund Fees and Expenses

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

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

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

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

No Material changes occurred during 2021

4) Exercise of annual voting rights.

No voting has been done

5) The fund Annual report

Please see the attachments

D Fund Manager Information

1) Name & Address	MEFIC Capital, 7758 King Fahed Road Olaya Riyadh 11323 MEFIC Capital is an Authorized and regulated by CMA with License # 37-06029
2) Names and addresses of sub-manager or investment adviser	N.A
Investment Activities	The global market are coming out of the impacts posed by COVID-19 pandemic. Interest rate hikes in the foreseeable future are expected to be beneficial for money market and Sukuk products.
4) Investment Fund Performance	The fund generated Fund YTD 0% return as compared to benchmark return of 0.81%
5) Changes to the fund T&C	As of 06/07/2021, the fund manager has made several changes: 1. Changing the auditor from "BDO Dr. Mohamed Al-Amri & Co" to "Talal Abu-Ghazaleh & Co." 2. Change the auditor's fees from 30,000 Saudi Riyals to 32,200 Saudi Riyals.
6) Other Information for Unit Holders	None
7) Investments into other funds	The fund was invested in 2 Murabaha funds during 2021: 1- Alkhair Murabah Fund. Redeemed all units on 25-April-2021. 2- Alpha Murabaha Fund. Redeemed all units on 13-Dec-2021.
8) Special commission arrangements	There were no special commission received during the reporting period

MEFIC SAR Murabaha Fund Annual Report - 2021

التقرير السنوي لصندوق ميفك للمرابحة بالريال السعودي 2021



9) Any other data and other information required by these Regulations to be included	There were two breach during 2021:		
	Date of Breach	Type of Breach	Action Taken
	28/01/2021	Passive breach i.e. single counterparty exposure reaching 25%.	Reduced our exposure with that counterparty to the allowed limit on the next business day.
	5/5/2021	Non-financial penalty regarding not publishing the net asset value per unit on the business day following the dealing day on MEFIC's website and on the exchange's website.	Published the net asset value on the next business day.
	13\12\2021	Wrong evaluation or pricing of the units of MEFIC SAR Murabaha Fund on December 13, 2021 the price published was (99.9513) and the correct prices (99.9497) with diffrences of 0.0016% on MEFIC's website and on the exchange's website.	Published the net asset value on the next business day. There was no impact to the fund unit holders as there were no transactions on the fund units during the period.
10) Period for the management of the person registered as fund manager	Six months (aprox.) since June 2021		
11) disclosure of the expense ratio of each underlying fund	Management Fees of Invested Funds: Alpha Murabaha Fund: 0.45% of the NAV Alkhair Murabah Fund: 0.25% of the NAV		

E Custodian Information

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

F Fund Operator Information

1) Name & Address	MEFIC Capital, 7758 King Fahed Road Olaya Riyadh 11323
2) Responsibilities	To manange the fund in accordance with the approved T&C and devised strategy.

G Auditor Information

Name & Address	Talal Abu-Ghazaleh & Co P.O. Box 9767, Riyadh 11423, Kingdom of Saudi Arabia.
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MEFIC SAR MURABAHA FUND

The fund's board annual report

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

Ibrahim Al Hedaithy, non-independent Member

Raed Al Rahmah, Independent Member

Abdulraheem Al Tuwaijryri, Independent Member

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

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

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

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

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

5. In the case of the fund board of a open-ended public fund, approving, where appropriate, notifiable changes that stated in article (62) of IFRs Regulations before notification by the fund manager to the Authority and the unitholders.
6. Confirming the completeness, accuracy, clarity, not misleading and compliance with IFR Regulations, of the terms and conditions, the information memorandum and of any other document, contractual or otherwise, that includes disclosures relating to the public fund and/or the fund manager and its conduct of the public fund;
7. Ensuring that the fund manager carries out its obligations in the best interests of the unitholders, in accordance with IFRs Regulations , the terms and conditions of the public fund, and information memorandum;
8. Have a fiduciary duty to unitholders, including a duty to act in good faith, a duty to act in the best interests of the unitholders and a duty to exercise all reasonable care and skill;
9. Oversee performance and quality of services provided by the parties concerned providing essential services to the fund referred to in paragraph (1) of Article 9 of the regulations; so as to ensure that the fund manager responsibilities are in the interest of the investors in accordance with the terms and conditions of the fund and the regulations.
10. Evaluate mechanism to deal with the risks associated with the fund's assets in accordance with the policies and procedures of the fund about risk monitoring. Work honestly and in good faith, skillfully with care and keenness to achieve the interests of the investors. Review reports pertaining to all complaints and actions taken on them ensuring that the fund manager's responsibilities in the interest of the investors in accordance with the terms and conditions of the fund and stated CMA IFRs Regulations .

d) Details on the remuneration of fund board members:

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

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

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

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

Member name	Membership type	Membership of the boards in other funds
Ibrahim Alhudaithy	The chairman of the fund	MEFIC Saudi Freestyle Equity Fund
		MEFIC SAR Murabaha Fund
		MEFIC REIT Fund

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

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

MEFIC SAUDI FREESTYLE EQUITY FUND 1st half meeting:

MEFIC SAR MURABAHA FUND

Key developments related to the Fund

- MEFIC SAR Murabaha Fund breaches were discussed with the Fund Board Members.
- We are offering Zero Management fees until we reach SAR 100Mn AUM.
- Fund Board Members were informed with the last updated Board Members Responsibilities that provided by CMA.
- MEFIC SAR Murabaha Fund Financial Statement was discussed.
- It is confirmed to the Fund Board, in accordance with the Article 13 of IFR, that the Fund has no conflict of interest.

MEFIC SAUDI FREESTYLE EQUITY FUND 2nd half meeting:

MEFIC SAR MURABAHA FUND

Key developments related to the Fund

- MEFIC SAR Murabaha Fund had no breaches since the last Fund Board Meeting.
- To begin activating the fund, the fund seeks to raise 15 million.
- The asset management team is in the process of updating fund terms and conditions.
- The fund's board of directors reviewed and approved:
 - *The assessment of the performance and quality of services provided by the parties involved in providing material services to the fund.*
 - *Complaint report*
 - *The fund's policies and procedures.*
- It is confirmed to the Fund Board, in accordance with the Article 13 of IFR, that the Fund has no conflict of interest.

MEFIC Saudi Riyal Murabaha Fund
Managed by Middle East Financial Investment Company
Kingdom of Saudi Arabia

Financial Statements
For the Year Ended 31 December 2021
And Independent Auditor's Report

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Independent Auditor's Report

The Unitholders

MEFIC Saudi Riyal Murabaha Fund
(Managed by Middle East Financial Investment Company)
Kingdom of Saudi Arabia

Opinion:

We have audited the financial statements of MEFIC Saudi Riyal Murabaha Fund ("the Fund") – Managed by Middle East Financial Investment Company ("Fund Manager"), which comprise the statement of financial position as at 31 December 2021 and the statements of comprehensive income, changes in net assets attributable to unitholders and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) endorsed in the Kingdom of Saudi Arabia and other pronouncements and Standards endorsed by the Saudi Organization of Chartered and Professional Accountants (SOCPA).

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 professional code of conduct and ethics 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 to provide a basis for our opinion.

Emphasis of Matter:

As mentioned in note (1) to these financial statements, The Fund's manager has redeemed all issued units and distributed all the fund's assets to the unit holders, which decreased the fund's assets to zero. Therefore, the terms and conditions of the Fund have not been complied with, which require that the fund manager takes corrective action and immediately notify the Capital Market Authority when the Fund's assets decrease to less than 10 million Saudi Riyals.

Other of Matter:

The financial statements of MEFIC Saudi Riyal Murabaha Fund (the Fund) – Managed by the Middle East Financial Investment Company ("Fund Manager") for the year ended 31 December 2020 have been audited by another auditor who has issued an unmodified opinion on the financial statements dated 07 April 2021.

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 the Financial Reporting Standard on Liquidation basis as adopted in the Kingdom of Saudi Arabia and other pronouncements and Standards endorsed by the Saudi Organization of Chartered and Professional Accountants (SOCPA) as well as the requirements of the Investment Funds Regulations as published by CMA and the Fund's terms and conditions, so far as they relate to the preparation and presentation of these financial statements 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 (The Funds board of directors) are responsible for overseeing the Fund's financial reporting process.

Independent Auditor's Report to the unit holders of MEFIC Saudi Riyal Murabaha Fund ("the Fund") – Managed by Middle East Financial Investment Company ("Fund Manager") for the year ended 31 December 2021:

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 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 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Talal Abu-Ghazaleh & Co.


Abdulqadir A. Al-Wohaib
Certified Public Accountant
(License No. 48)

23 Rajab 1443 H.
24 February 2022 G.



MEFIC Saudi Riyal Murabaha Fund
Managed by (Middle East Financial Investment Company)
Kingdom of Saudi Arabia
Statement of Financial Position as of 31 December 2021

Exhibit A

	<u>Note</u>	<u>31 December 2021</u> SR.	<u>31 December 2020</u> SR.
Assets			
Cash and cash equivalents	(7)	--	12,743,000
Total Assets		<u> --</u>	<u>12,743,000</u>
Net assets attributable to the Unitholders			
Units in issue – (numbers)		<u> --</u>	<u>127,430</u>
Net assets value – per unit		<u> --</u>	<u>100,0000</u>
Contingencies and commitments	(10)	--	--

**The Accompanying Notes from (1) to (14) Constitute an Integral Part of
These Financial Statements**

MEFIC Saudi Riyal Murabaha Fund
 Managed by (Middle East Financial Investment Company)
 Kingdom of Saudi Arabia
 Statement of Comprehensive Income
 For the year ended 31 December 2021

Exhibit B

	Note	31 December 2021 SR.	31 December 2020 SR.
<u>Income</u>			
Realized gain on investments at FVTPL		40,794	--
Gross Income		<u>40,794</u>	<u>--</u>
<u>Expenses</u>			
Management fees	(8)	(33,290)	(51)
Total expenses		<u>(33,290)</u>	<u>(51)</u>
Profit / (loss) for the year		7,504	(51)
Other comprehensive income for the year		--	--
Comprehensive income / (loss) for the year		<u>7,504</u>	<u>(51)</u>

The Accompanying Notes from (1) to (14) Constitute an Integral Part of
 These Financial Statements

MEFIC Saudi Riyal Murabaha Fund
Managed by (Middle East Financial Investment Company)
Kingdom of Saudi Arabia
Statement of Changes in Net Assets Attributable to Unit Holders
For the year ended 31 December 2021

Exhibit C

	31 December 2021	31 December 2020
	SR.	SR.
Net assets value at 1 January	12,743,000	51,678
Comprehensive income / (loss) for the year	7,504	(51)
Changes from unit transactions		
Proceeds from issuance of units	4,658,732	12,743,000
Payment against units redeemed	(17,409,236)	(51,627)
Net change from unit transactions	(12,750,504)	12,691,373
Net assets value at 31 December	--	12,743,000
Changes in units issued		
	2021	2020
	Units	Units
Units at 1 January	127,430	446
Units issued during the year	46,566	127,430
Units redeemed during the year	(173,996)	(446)
Net (decrease) / increase in units	(127,430)	126,984
Units at 31 December	--	127,430

**The Accompanying Notes from (1) to (14) Constitute an Integral Part of
These Financial Statements**

MEFIC Saudi Riyal Murabaha Fund
Managed by (Middle East Financial Investment Company)
Kingdom of Saudi Arabia
Statement of Cash Flows for the year ended 31 December 2021

Exhibit D

	31 December 2021	31 December 2020
	SR.	SR.
Cash Flow from Operating Activities		
Profit / (Loss) for the year	<u>7,504</u>	<u>(51)</u>
	7,504	(51)
Changes in operating assets and liabilities:		
Accounts payable - management fees	<u>--</u>	<u>(44)</u>
Net cash (used in) operating activities	<u>7,504</u>	<u>(95)</u>
Cash Flows from Financing Activities		
Proceeds from subscription of units	4,658,732	12,743,000
Payments against redemption of units	<u>(1,740,923)</u>	<u>(51,627)</u>
Net cash (used in) / from financing activities	<u>(12,750,504)</u>	<u>12,691,373</u>
Net (decrease) / increase in cash and cash equivalents	<u>(12,743,000)</u>	<u>12,691,278</u>
Cash and cash equivalents at beginning of the year	<u>12,743,000</u>	<u>51,722</u>
Cash and Cash equivalents at the end of the year – Exhibit A	<u>-</u>	<u>12,743,000</u>

**The Accompanying Notes from (1) to (14) Constitute an Integral Part of
These Financial Statements**

1- Formation and Nature of Business:

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

The fund manager is licensed by the Capital Market Authority and is subject to its regulations under license number 37-06029 dated 06/21/1427H. to practice the activities of dealing as principal and underwriter, managing, arranging, advising and custody in securities.

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

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

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

During the year 2021G., all the issued units were redeemed and the fund's assets were distributed in full to the unit holders. The fund is still active, and no decisions and procedures have yet been taken regarding future investments.

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

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

As of the date of the issuance of the financial statements for the year ended 31 December 2021, management believes that the Covid-19 outbreak has not significantly affected the Fund. The Fund's manager will continue to evaluate the nature and extent of the impact on its business and financial results.

2- Regulatory Authority:

The Fund is governed by the Investment Funds Regulations ("the Regulations") issued by CMA as amended up to 12 Jumada II 1442 (corresponding to 24 February 2021G) detailing requirements for investment funds operating in the Kingdom of Saudi Arabia.

3- Subscription/Redemption:

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

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

4- Basis of Preparation:

4/1 Statement of compliance:

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA"), and requirements of the Investment Fund. Regulations as published by the Capital Market Authority (CMA) and the Fund's Terms and Conditions, so far as they relate to the preparation and presentation of the financial statements of the Fund.

4/2 Basis of measurement and going concern assumption:

These financial statements have been prepared under the historical cost convention, using the accrual basis of accounting and the going concern concept except for cash flow information.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and noncurrent assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

4/3 Functional and presentation currency:

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

4/4 Financial year:

The financial year of the Fund commences on 1 January and ends on 31 December of each calendar year, unless otherwise stated.

5- Significant Accounting Policies:

The accounting policies set out below have been adopted by the Fund and applied consistently throughout all periods presented in these financial statements:

a) Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and other short-term liquid investments with original maturities of three months or less from the purchase date, which are available to the Fund without any restriction.

b) Fund management fee and other expenses

Fund management fee and other expenses are measured and recognized as a period cost at the time when they are incurred.

c) Provisions

Provisions are recognized whenever there is present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

d) Zakat and Income Tax

Zakat and Income Tax are the obligation of the Unitholders and have not been provided for in these financial statements.

e) Net asset value

The net assets value per unit disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the number of units in issue at the year-end.

f) Financial instruments

Financial instruments are recognized when the Fund becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets:

The Fund determines the classification of its financial assets at initial recognition. The classification depends on the Fund's business model for managing the financial assets and the contractual terms of the cash flows.

Classification:

The financial assets are classified in the following measurement categories:

a) Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss).

b) Those to be measured at amortized cost.

For assets measured at fair value, gains and losses will be recorded in the statements of comprehensive income. For investments in equity instruments, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Measurement of financial assets:

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income as incurred.

– ***Debt Instrument:***

Subsequent measurement of debt instruments depends on the Fund's business model for managing the asset and the cash flow characteristics of the asset. The Fund classifies debt instruments at amortized cost based on the below:

- a) The asset is held within a business model with the objective of collecting the contractual cash flows.
- b) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and commission on the principal outstanding.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective commission rate ("ECR").

– ***Equity Instrument***

If the Fund elects to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments shall continue to be recognized in the statements of comprehensive income as other income when the Fund's right to receive payments is established. There are no impairment requirements for equity investments measured at fair value through other comprehensive income. Changes in the fair value of financial assets at fair value through profit or loss shall be recognized in other gain/ (losses) in the statements of comprehensive income as applicable.

De-recognition of financial assets:

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of the transferred financial asset, the Fund continues to recognize the financial asset and also recognizes a collateralized financing for the proceeds received.

Impairment of Financial Assets:

The Fund applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost e.g., loans, deposits, receivables. An expected credit loss is the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that the Fund expects to receive. The expected credit losses consider the amount and timing of payments and hence, a credit loss arises even if the Fund expects to receive the payment in full but later than when contractually due. The expected credit loss method requires assessing credit risk, default and timing of collection since initial recognition. This requires recognizing allowance for expected credit losses in the statements of comprehensive income even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12 month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. '12 month expected credit losses' represent the expected credit losses resulting from default events that are possible within 12 months after the reporting date. 'Lifetime expected credit losses' represent the expected credit losses that result from all possible default events over the expected life of the financial asset.

The Fund uses the practical expedient in IFRS 9 for measuring expected credit losses for receivables or investments using a provision matrix based on ageing of receivables. The Fund uses historical loss experience and derived loss rates based on the past twelve months and adjust the historical loss rates to reflect the information about current conditions and reasonable and supportable forecasts of future economic conditions. The loss rates differ based on the ageing of the amounts that are past due and are generally higher for those with the higher ageing.

Financial liabilities:

The Fund determines the classification of its financial liabilities at initial recognition.

Classification financial liabilities:

The financial liabilities are classified in the following measurement categories:

- a) Those to be measured at fair value through profit or loss.
- b) Those to be measured at amortized

Measurement financial liabilities:

All financial liabilities are recognized initially at fair value. Financial liabilities accounted at amortized cost like loans and financings are accounted at the fair value determined based on the effective commission rate method ("ECR") after considering the directly attributable transaction costs.

The effective commission rate ("ECR") method is a method of calculating the amortized cost of a debt instrument and of allocating commission charge over the relevant effective commission rate period. The effective commission rate is the rate that exactly discounts estimated future cash outflow (including all fees and points paid or received that form an integral part of the effective commission rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. This category generally applies to financings, payables etc.

The Fund's financial liabilities include management and other payables. Subsequently, the Fund classifies all financial liabilities at amortized cost, except for financial liabilities at fair value through profit or loss which are measured at fair value.

De-recognition of financial liabilities:

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount reported in the statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

g) Revenue recognition:

Commission income on financial assets at amortized cost is calculated using the effective commission rate method and is recognized in the statement of comprehensive income. Commission income is calculated by applying the effective commission rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset i.e. after deduction of the loss allowance.

Gains or losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are recognized in statement of comprehensive income. Details on how the fair value of financial instruments is initially and subsequently measured are disclosed in relevant notes to financial statements.

h) **Critical accounting estimates and judgment:**

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. Significant estimates and judgments used in impairment of financial assets are explained in relevant policy of financial instruments.

6- **Standards and Interpretations issued that became effective:**

The Fund has adopted all the applicable new and revised International Financial Reporting Standards and interpretations that are relevant to its operations and effective for the period beginning on or after 1 January 2021. These amendments had no impact on the financial statements of the fund:

Standard number or interpretation	Description	Effective date
Amendments to IFRS 16 Covid-19-related Rent Concessions.	<p>As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments.</p> <p>In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.</p> <p>Main Changes:</p> <ul style="list-style-type: none"> - Permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021); - Require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment. 	June 1, 2020 / April 1, 2021

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<p>Interest Rate Benchmark Reform Phase 2 Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39.</p>	<p>In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7 IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.</p> <p>The Phase 2 amendments provide the following reliefs:</p> <ul style="list-style-type: none"> - When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. - The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. 	<p>January 1, 2021</p>
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New and revised IFRSs and interpretations not yet effective:

The Fund has not implemented any of the following new and amended international standards issued or not yet effective:

Standard or Interpretation No.	Effective Date
International Financial Reporting Standard No. (17) Insurance Contracts	1 January 2023 (postponed from 1 January 2021)
Amendments to Accounting Standard No. (16). Property, plant and equipment.	1 January 2022
Reference to the conceptual framework Amendments to International Financial Reporting Standard No. (3). Business Combinations.	1 January 2022
IAS 37 amendments, Provisions, Contingent Assets and Liabilities – Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual improvements to IFRS for the years 2018 to 2020.	1 January 2022
Classification of liabilities as current and non-current Amendments to International Accounting Standard No. (1).	1 January 2023 (postponed from 1 January 2022)
Disclosure of Accounting Policies Amendments to International Accounting Standard No. (1) and Statement of Practice No. (2).	1 January 2023
Definition of Accounting Estimates Amendments to International Accounting Standard No. (8).	1 January 2023
Deferred taxes on assets and liabilities arising from a single transaction Amendments to International Accounting Standard No. (12) Income Taxes.	1 January 2023
Initial Application of IFRS 17 and IFRS 9 - Comparative Figures (Amendment to IFRS 17)	1 January 2023
Amendments to International Financial Reporting Standard No. (10) and International Accounting Standard No. (28) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponing the effective date indefinitely, with the possibility of early implementation

The fund manager does not expect that these standards will have a material impact on the financial statements when they are applied in future periods.

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7- Cash and Cash Equivalents:

The details of this item are as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
	SR.	SR.
Cash held with custodian - Exhibit A	--	12,743,000

8- Management fees and Others Charges:

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

Management fee:

The Fund Manager charges the Fund a management fee at the rate of 0.5% per annum (2020: 0.5% per annum) of the net asset value of the Fund, which is calculated on daily basis and payable monthly.

Other expenses:

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

9- Transactions and Balances with Related Parties:

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

<u>Related Party</u>	<u>Nature of transactions</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Middle East Financial Investment Company (<i>Fund Manager</i>)	Management fee	--	49
	VAT added tax on management fees	--	2

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

<u>Related Party</u>	<u>Nature of transactions</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
		<u>Unaudited</u>	<u>Audited</u>
Middle East Financial Investment Company (<i>Fund Manager</i>)	Management fee payable	--	--

10- Contingencies and Commitments

There were no contingencies and commitments as at the reporting date (2020: Nil).

11- Dividend:

The Fund Board has not declared any dividend for the current year (2020: Nil).

12- Financial Risk Management:

The Fund's activities expose it to a variety of financial risks namely; credit risk and liquidity risk and market risk (including commission rate risk, currency risk and price risk). The Fund's overall risk management policies focuses on the predictability of financial market and seeks to minimize potential adverse effect on the Fund's financial performance. Overall, risks arising from the Fund's financial assets and liabilities are limited. The Fund Manager consistently manages its exposure to financial risk without any material change from previous period in the manner describe in notes below;

Credit risk:

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and cause other party to incur a financial loss. The Fund is exposed to credit risk on its bank balance. Bank balances are maintained with reputed local bank in the Kingdom of Saudi Arabia and abroad which have satisfactory credit ratings from approved agencies. The Fund is consequently not exposed to any significant residual credit risk.

Concentration of credit risk:

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's total credit risk with respect of financial instruments is distributed with local and foreign banks having satisfactory credit ratings.

Liquidity risk:

Liquidity risk is the risk that the Fund may encounter difficulty in generating funds to meet commitments associated with financial liabilities. The Fund Manager monitors the liquidity requirements on a regular basis and takes necessary actions to ensure that sufficient funds are available to meet any liabilities as they fall due under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. As at reporting date, there is no maturity mismatch between financial assets and liabilities that exposes the Fund to liquidity risk.

Financial liabilities at amortized cost	On demand carrying	On demand or less from 6 months	6-12 months	More than one year
	SR.	SR.	SR.	SR.
Management fee payable	--	--	--	--
As at 31 December 2021	--	--	--	--
Financial liabilities at amortized cost	On demand carrying	On demand or less from 6 months	6-12 months	More than one year
	SR.	SR.	SR.	SR.
Management fee payable	--	--	--	--
As at 31 December 2020	--	--	--	--

Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices.

Market risk comprises three types of risk: commission rate risk, currency risk and price risk.

Commission rate risk:

Commission rate risk arises from the possibility that changes in commission rates will affect the value of or future cash flow of financial instruments. The rate of commission on the Fund's financial asset is fixed. Accordingly, the Fund is not exposed to any commission rate risk.

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Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Fund's financial instruments are all denominated in either its functional currency or US Dollar. Since the US Dollar is pegged to fixed rate in Kingdom of Saudi Arabia, the Fund is not subject to any currency risks.

Price risk:

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Since the value of the Fund's financial instruments is not exposed to market prices, the Fund is not exposed to price risk.

Financial instruments by category

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

The details of this item are as follows:

	31 December 2021	31 December 2020
Financial assets	SR.	SR.
- At amortized cost:		
Cash and cash equivalent	--	12,743,000
Total Financial Assets	--	12,743,000
	SR.	SR.
- At amortized cost:		
Management fees payable	--	--
Total Liabilities	--	--

Maturity Analysis of Assets and Liabilities:

As at 31 December 2021	Within 12 months	After 12 months	Total
<u>Assets</u>	SR.	SR.	SR.
Cash and cash equivalent	--	--	--
Total Assets	--	--	--
	Within 12 months	After 12 months	Total
<u>As at 31 December 2020</u>	SR.	SR.	SR.
<u>Assets</u>	SR.	SR.	SR.
Cash and cash equivalent	12,743,000	--	12,743,000
Total Assets	12,743,000	--	12,743,000

Fair Value of Financial Instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Underlying the definition of fair value is the presumption that the Fund is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable;

The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values.

Transfers between fair value hierarchies:

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred. However, there were no transfers between fair value hierarchies during the current or any of the prior years reported.

13- Last Valuation Day:

The last valuation date of the period was 31 December 2021.

14- Approval of Financial Statements:

These interim condensed financial statements were approved by the Fund Board on 23 Rajab 1443H. corresponding to 24 February 2022G.