

**MEFIC Saudi Freestyle Equity 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 Freestyle Equity Fund**  
**(Managed by Middle East Financial Investment Company)**  
**Kingdom of Saudi Arabia**

**Opinion:**

We have audited the financial statements of MEFIC Saudi Freestyle Equity 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.

**Other of Matter:**

The financial statements of MEFIC Saudi Freestyle Equity 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.

**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 Freestyle Equity 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.
<b>Assets</b>			
Cash and cash equivalents	(7)	2,083,071	36,013
Dividend receivable		--	13,679
Investment at FVTPL	(8)	17,904,571	8,457,799
<b>Total Assets</b>		<u>19,987,642</u>	<u>8,507,491</u>
<b>Liabilities</b>			
Management fees payable	(9,10)	29,887	12,395
Other expenses payable	(9,10)	14,303	5,932
<b>Total Liabilities</b>		<u>44,190</u>	<u>18,327</u>
<b>Net assets attributable to the Unitholders</b>		<u>19,943,452</u>	<u>8,489,164</u>
<b>Units in issue – (numbers)</b>		<u>115,211,58</u>	<u>55,136,3975</u>
<b>Net assets value – per unit</b>		<u>173,1028</u>	<u>153,9666</u>
<b>Contingencies and commitments</b>	(9)	--	--

**The Accompanying Notes from (1) to (15) Constitute an Integral Part of  
These Financial Statements**

MEFIC Saudi Freestyle Equity 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.
<b>Income</b>			
Dividend income		237,438	172,914
Realized gain on disposal of investments at FVTPL	(8)	1,047,668	155,110
Unrealized (loss) / gain on investments at FVTPL	(8)	(467,950)	781,707
Other income		--	116
<b>Total Income</b>		<b>817,156</b>	<b>1,109,847</b>
<b>Expenses</b>			
Management fees	(9,10)	264,218	105,079
Other expenses	(9,10)	126,447	44,485
Transaction cost		--	28,003
<b>Total expenses</b>		<b>390,665</b>	<b>177,567</b>
<b>Profit for the year</b>		<b>426,491</b>	<b>932,280</b>
Other comprehensive income for the year		--	--
<b>Comprehensive income for the year</b>		<b>426,491</b>	<b>932,280</b>

The Accompanying Notes from (1) to (15) Constitute an Integral Part of  
 These Financial Statements

MEFIC Saudi Freestyle Equity 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

	<b>31 December 2021</b>	31 December 2020
	SR.	SR.
Net assets value at 1 January	8,489,164	7,251,431
Comprehensive income for the year	426,491	932,280
<b>Changes from unit transactions</b>		
Proceeds from units issued	19,927,200	3,219,254
Payments for units redeemed	(8,899,403)	(2,913,801)
Net change from unit transactions	11,027,797	305,453
Net assets as at 31 December	<b>19,943,452</b>	<b>8,489,164</b>
Changes in Units	<b>2021</b>	2020
	Units	Units
Units at 1 January	55,136,3975	53,456,5930
Units issued during the year	108,782,2985	22,447,2177
Units redeemed during the year	(48,707,1154)	(20,767,4133)
Net increase in units	60,075,1831	1,679,8044
Units at 31 December	<b>115,211,5808</b>	<b>55,136,3975</b>

The Accompanying Notes from (1) to (15) Constitute an Integral Part of  
 These Financial Statements

**MEFIC Saudi Freestyle Equity 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**

	<b>31 December 2021</b>	31 December 2020
	SR.	SR.
<b>Cash Flow from Operating Activities</b>		
Profit for the year	426,491	932,280
<b>Adjustments for:</b>		
Realized (gain) on disposal of investments at FVTPL	(1,047,668)	(155,110)
Unrealized loss / (gain) on investments at FVTPL	467,950	(781,707)
	<u>(153,227)</u>	<u>(4,537)</u>
<b>Changes in operating assets and liabilities:</b>		
Dividend receivable	13,679	(13,679)
Management fee payable	17,492	1,844
Other expenses payable	8,371	2,239
Purchase of investments at fair value through profit or loss	(191,077,239)	(8,674,351)
Proceeds from sale of investments at fair value through profit or loss	182,210,185	8,158,396
<b>Net cash (used in) operating activities</b>	<u>(8,980,739)</u>	<u>(530,088)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from subscription of units	19,927,200	3,219,254
Payments against redemption of units	(8,899,403)	(2,913,801)
<b>Net cash from / (used in) financing activities</b>	<u>11,027,797</u>	<u>305,453</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>2,047,058</u>	<u>(224,635)</u>
Cash and cash equivalents at Beginning of the year	36,013	260,648
<b>Cash and Cash equivalents at the end of the year – Exhibit A</b>	<u>2,083,071</u>	<u>36,013</u>

**The Accompanying Notes from (1) to (15) Constitute an Integral Part of  
These Financial Statements**



**MEFIC Saudi Freestyle Equity Fund**  
**Managed by (Middle East Financial Investment Company)**  
**Kingdom of Saudi Arabia**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2021**

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**1- Formation and Nature of Business:**

MEFIC Saudi Freestyle Equity Fund (the "Fund") is an open-ended investment fund established and managed through an agreement between Middle East Financial Investment Company (the "Fund Manager") and the Fund 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 Fund aims to achieve capital growth over the long term through investing primarily in stocks of Shariah compliant companies that are listed on the main and parallel stock market of Saudi Arabia and included in Standard and Poor's Shariah index.

The Fund commenced its operations on 14 Rabi' Al-Thani 1439H (corresponding to 1 January 2018G). The approval from Capital Market Authority ("CMA") for the establishment of the Fund was granted in its letter number 17/3403/5/3 dated 18 Ramadan 1438H (corresponding to 13 June 2017G).

The Fund is required to maintain minimum net assets of SR.10 million however, the Funds registered under CMA received an exemption to meet the said requirement until 31 December 2020 by way of circular dated 29 November 2018. The exemption was further extended till 01 May 2021 by of CMA Circular dated 29 December 2020.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit.

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). Covid19 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, the management does not believe that the Covid-19 outbreak significantly affects the Fund's operations. The Company 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 12/07/1442H. (corresponding to 24/02/2021G.) detailing requirements for investment funds operating in the Kingdom of Saudi Arabia.

**3- Subscription / Redemption (Dealing Day and Evaluation Day):**

Subscription / redemption requests are accepted on all days on which the Tadawul (Saudi stock market) is open. The value of the Fund's portfolio is determined twice a week on Monday and Thursday (each being a "Valuation Day"). The net asset value of the Fund for the purpose of purchase or sale of units is determined by dividing the net value of assets (Fund's assets minus Fund's liabilities) by the total number of outstanding Fund units on the next valuation 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"> <li>- 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);</li> <li>- 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.</li> </ul>	June 1, 2020 / April 1, 2021

**MEFIC Saudi Freestyle Equity Fund**  
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**Notes to the Financial Statements**  
**For the Year Ended 31 December 2021**

<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"> <li>- 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.</li> <li>- 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.</li> </ul>	<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.

**MEFIC Saudi Freestyle Equity Fund**  
**Managed by (Middle East Financial Investment Company)**  
**Kingdom of Saudi Arabia**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2021**

**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 at held with custodian - Exhibit A	<u>2,038,071</u>	<u>36,013</u>

**8- Investments at FVTPL:**

a) The details of this item are as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
	SR.	SR.
Opening balance	8,457,799	7,005,027
Purchase of investments during the period	191,077,239	8,674,351
Realized gain on disposal of investments at FVTPL	1,047,668	155,110
Unrealized (loss) / gain on investments at FVTPL	(467,950)	781,707
Sold investment during the year	<u>(182,210,185)</u>	<u>(8,158,396)</u>
Investment value at end year	<u>17,904,571</u>	<u>8,457,799</u>

b) The classification of investments at FVTPL into industry groups specified by Saudi Stock Exchange is summarized as follows:

**Industry Group:**

	<u>Market value</u>	<u>Market value %</u>
	<u>31 December 2021</u>	
	SR.	SR.
Banks	4,006,925	22.38%
Telecommunications	4,094,211	22.87%
Health care equipment and services	1,252,000	6.99%
Retail sale	293,115	1.64%
Technology applications and services	469,559	2.62%
Real estate management and development	1,567,940	8.76%
Consumer Services	1,737,000	9.70%
Materials	4,236,472	23.66%
Retailing	247,349	1.38%
<b>Total</b>	<u>17,904,571</u>	<u>100%</u>

**Industry Group:**

	<u>Market value</u>	<u>Market value %</u>
	<u>31 December 2020</u>	
	SR.	SR.
Banks	1,777,045	21.01%
Insurance	227,216	2.69%
Health care equipment and services	1,201,885	14.21%
Software and Services	240,500	2.84%
Telecommunications Services	1,485,600	17.57%
Foods	1,097,032	12.97%
Consumer Services	161,330	1.91%
Materials	1,884,563	22.28%
Energy	<u>382,628</u>	<u>4.52%</u>
<b>Total</b>	<u>8,457,799</u>	<u>100%</u>

c) The valuation date was approved 30 December 2021, the last working day in the Saudi Stock Exchange.

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**9- Management fees and Others Charges:**

The Fund Manager charges the following fee as per the terms and conditions of the Fund:

**Subscription fee:**

The Fund Manager charges each investor a subscription fee of a percentage not exceeding 2% of the subscribed amount to cover administration costs and is netted off against proceeds from issuance of units.

**Management fee:**

Management fee at the rate of 1.75% per annum of the net assets value of the Fund at each valuation day and is payable monthly.

**Other expenses:**

Other expenses at the rate of 0.5% per annum of the net assets value of the Fund at each valuation day and is payable monthly.

**10- Transactions and Balances with Related Parties:**

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

<b>Related Party</b>	<b>Nature of transactions</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Middle East Financial Investment Company (Fund Manager)	Management fee	<b>264,218</b>	105,079
	Other expenses	<b>126,447</b>	44,485

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

<b>Related Party</b>	<b>Nature of transactions</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Middle East Financial Investment Company (Fund Manager)	Management fee payable	<b>29,887</b>	12,395
	Other expenses payable	<b>14,303</b>	5,932

**11- Contingencies and Commitments:**

There were no contingencies and commitments as at the reporting date (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.



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**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.

<b>Financial liabilities at amortized cost</b>	<b>Carrying amount</b>	<b>On demand or less from 6 months</b>	<b>6-12 months</b>	<b>More than one year</b>
	<b>SR.</b>	<b>SR.</b>	<b>SR.</b>	<b>SR.</b>
Management fee payable	29,887	29,887	--	--
Other expenses payable	14,303	14,303	--	--
<b>As at 31 December 2021</b>	<b>44,190</b>	<b>44,190</b>	<b>--</b>	<b>--</b>

  

<b>Financial liabilities at amortized cost</b>	<b>Carrying amount</b>	<b>On demand or less from 6 months</b>	<b>6-12 months</b>	<b>More than one year</b>
	<b>SR.</b>	<b>SR.</b>	<b>SR.</b>	<b>SR.</b>
Management fee payable	12,395	12,395	--	--
Other expenses payable	5,932	5,932	--	--
<b>As at 31 December 2020</b>	<b>18,327</b>	<b>18,327</b>	<b>--</b>	<b>--</b>

**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.

**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.

Price risk is managed by the investment manager by diversifying the portfolio and limiting concentration of investments in financial instruments specified in Term and Conditions of the Fund and specified by CMA investment fund regulations.

The internal procedures require the investment manager to manage price risk on a daily basis by monitoring fund's portfolio exposure.

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If the price risk is not in accordance with the Fund's investment policy or Investment Fund Regulations, then the Fund Manager is required to rebalance the portfolio within 5 days of such breach.

**Sensitivity analysis:**

The table below set out the effect on net assets attributable to unitholders of a reasonably possible weakening / strengthening in the individual equity market prices of 5% at reporting date. The estimates are made on an individual investments basis. The analysis assumes that all other variables, in particular interest and foreign currency rates, remain constant.

		<u>2021</u>	<u>2020</u>
		SR.	SR.
Net profit from investments	%5+	895,229	422,890
FVTPL	%5-	(895,229)	(422,890)

**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:

	<u>31 December</u>	<u>31 December</u>
	2021	2020
	SR.	SR.
<b>Financial assets</b>		
<b>At fair value through profit or loss:</b>		
Investments	17,904,571	8,457,799
<b>Amortization cost:</b>		
Cash and cash equivalents	2,083,071	36,013
Dividend payable	--	13,679
<b>Total financial assets</b>	<u>19,987,642</u>	<u>8,507,491</u>
<b>Financial Liabilities</b>		
<b>Amortized cost:</b>		
Accounts payable – Management fee	29,887	12,395
Accounts payable – other expenses	14,303	5,932
<b>Total financial liabilities</b>	<u>44,190</u>	<u>18,327</u>

**Maturity Analysis of Assets and Liabilities:**

**As of 31 December 2021:**

	<u>Within 12</u>	<u>After 12</u>	<u>Total</u>
	months	months	
	SR.	SR.	SR.
<b>Assets</b>			
Investments	17,904,571	--	17,904,571
Cash and cash equivalents	2,038,071	--	2,038,071
<b>Total assets</b>	<u>19,987,642</u>	<u>--</u>	<u>19,987,642</u>
<b>Liabilities</b>			
Accounts payable – management fees	29,887	--	29,887
Accounts payable – other expenses	14,303	--	14,303
<b>Total Liabilities</b>	<u>44,190</u>	<u>--</u>	<u>44,190</u>

**Maturity Analysis of Assets and Liabilities:**

**As of 31 December 2020:**

	<u>Within 12</u>	<u>After 12</u>	<u>Total</u>
	months	months	
	SR.	SR.	SR.
<b>Assets</b>			
Investments	8,457,799	--	8,457,799
Cash and cash equivalents	36,013	--	36,013
Dividend payable	13,679	--	13,679
<b>Total assets</b>	<u>8,507,491</u>	<u>--</u>	<u>8,507,491</u>
<b>Liabilities</b>			
Accounts payable – management fees	12,395	--	12,395
Accounts payable – other expenses	5,932	--	5,932
<b>Total Liabilities</b>	<u>18,327</u>	<u>--</u>	<u>18,327</u>

**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 was 30 December 2021.

**14- Subsequent Events:**

The management believes that no significant events have occurred since the end of the year that could have a material impact on the financial position of the Fund and this appeared in these financial statements.

**15- Approval of Financial Statements:**

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