

MEFIC SAUDI FREESTYLE EQUITY FUND
Open-Ended Mutual Fund
(Managed By Middle East Financial Investment Company)
Financial statements
For the year ended 31 December 2024
Together with
The Independent Auditor's Report to the Unitholders

MEFIC SAUDI FREESTYLE EQUITY FUND
Open-Ended Mutual Fund
(Managed By Middle East Financial Investment Company)
Financial Statements
For the year ended 31 December 2024

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INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF MEFIC SAUDI FREESTYLE EQUITY FUND OPEN-ENDED MUTUAL FUND

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the MEFIC Saudi Freestyle Equity Fund (the "Fund") as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

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

- The statement of financial position as at 31 December 2024;
- The statement of comprehensive income for the year then ended;
- The statement of changes in assets (equity) attributable to the unitholders for the year then ended;
- The statement of cash flows for the year then ended, and;
- The notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 International Code of Ethics for Professional Accountants that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Fund's financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.~

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA, the fund's terms and conditions, Investment funds regulations issued by Capital Market Authority (CMA) and for such internal control as the Fund Manager 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, the Fund Manager 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 the Fund Manager either intends to liquidate the Fund or to cease operations or has no realistic alternative but to do so.

Those charged with governance, i.e. the Fund Manager, is responsible for overseeing the Fund's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF MEFIC SAUDI FREESTYLE EQUITY FUND OPEN-ENDED MUTUAL FUND

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by the Fund Manager;
- Conclude on the appropriateness of Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern;

INDEPENDENT AUDITOR'S REPORT

**TO THE UNITHOLDERS OF MEFIC SAUDI FREESTYLE EQUITY FUND
OPEN-ENDED MUTUAL FUND**

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 PKF Albassam Chartered Accountants



Ahmed Mohandis
Certified Public Accountant
License No. 477
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26 Ramadhan 1446H
Corresponding to: 26 March 2025



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

(Managed By Middle East Financial Investment Company)

STATEMENT OF FINANCIAL POSITION**As of 31 December 2024****(Amounts in SAR)**

	Note	31 December 2024	31 December 2023
ASSETS			
Cash and cash equivalents	6	1,094,390	9,698
Financial assets at fair value through profit or loss (FVTPL)	7	3,887,640	5,017,228
Trade and other receivable	8	99,155	-
Total assets		5,081,185	5,026,926
LIABILITIES			
Management fee payable	9	8,763	8,327
Accrued expenses	9	2,504	2,380
Total liabilities		11,267	10,707
Net assets (equity) attributable to the unitholders		5,069,918	5,016,219
Units in issue (number)		19,012	20,321
Net assets (equity) attributable to each unit		266.6743	246.8511

The accompanying notes 1 to 16 form an integral part of these financial statements

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

(Managed By Middle East Financial Investment Company)

STATEMENT OF COMPREHENSIVE INCOME**For the year ended 31 December 2024****(Amounts in SAR)**

	<u>Note</u>	31 December 2024	31 December 2023
INVESTMENT INCOME			
Realized (loss) / gain on the disposal of financial asset carried at FVTPL		355,650	249,020
Unrealized gain from financial asset at fair value through profit or loss (FVTPL)		33,848	1,041,119
Dividends income		147,430	145,676
		536,928	1,435,815
EXPENSES			
Management fees	9	104,786	97,019
Other expenses	9	29,939	27,720
		134,725	124,739
Net income for the year		402,203	1,311,076
Other comprehensive income for the year		-	-
Total comprehensive income for the year		402,203	1,311,076

The accompanying notes 1 to 16 form an integral part of these financial statements

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

(Managed By Middle East Financial Investment Company)

STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS**For the year ended 31 December 2024****(Amounts in SAR)**

	31 December 2024	31 December 2023
Net assets (equity) attributable to the unitholders at the beginning of the year	5,016,219	4,717,624
Total comprehensive income for the year	402,203	1,311,076
Contributions and redemptions by the unitholders		
Issuance of units	-	-
Redemption of units	(348,500)	(1,012,481)
Net changes from unit transaction	(348,500)	(1,012,481)
Net assets (equity) attributable to the unitholders at the end of the year	5,069,922	5,016,219
UNITS TRANSACTIONS	31 December 2024	31 December 2023
	<i>(units)</i>	
As at the beginning of the year	20,321	25,185
Units issued	-	-
Units redeemed	(1,309)	(4,864)
Net change in units	(1,309)	(4,864)
Net units (equity) attributable to the unitholders at the end of the year	19,012	20,321

The accompanying notes 1 to 16 form an integral part of these financial statements

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

(Managed By Middle East Financial Investment Company)

STATEMENT OF CASH FLOWS**For the year ended 31 December 2024****(Amounts in SAR)**

	<u>Note</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income for the year		402,203	1,311,076
Adjustments for:			
Unrealized gain from financial asset at fair value through profit or loss (FVTPL)	7	(33,848)	(1,041,119)
		<u>368,355</u>	<u>269,957</u>
Net changes in operating assets and liabilities:			
Financial assets at fair value through profit & loss (FVTPL)		1,163,433	629,423
Dividends receivable		-	3,105
Trade and other receivable		(99,155)	-
Management fee payable	8	435	122
Accrued expenses	8	124	58
Net cash generated from operating activities		<u>1,433,192</u>	<u>902,665</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Redemptions of units		(348,500)	(1,012,481)
Net cash (used in) financing activities		<u>(348,500)</u>	<u>(1,012,481)</u>
Net changes in cash and cash equivalents		1,084,692	(109,816)
Cash and cash equivalents at beginning of the year	6	9,698	119,514
Cash and cash equivalents at end of the year	6	<u>1,094,390</u>	<u>9,698</u>

The accompanying notes 1 to 16 form an integral part of these financial statements

MEFIC SAUDI FREESTYLE EQUITY FUND

Open-Ended Mutual Fund

(Managed By Middle East Financial Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Amounts in SAR)

1. GENERAL

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

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

The Fund started its activities on 14 Rabi’ Al-Thani 1439 H, corresponding to 01 January 2018. The Capital Market Authority approved the establishment of the fund by letter No. 17/3403/5/3 dated 18 Ramadan 1438 H corresponding to 13 June 2017.

2. REGULATING FRAMEWORK

The Fund is governed by the Investment Fund Regulations (the “Regulations”) published by CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) thereafter amended on 16 Sha’ban 1437H (corresponding to 23 May 2016). The regulation was further amended (the “Amended Regulations”) on 17 Rajab 1442H (corresponding to 1 March 2021) detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations have effective dates starting from 19 Ramadan 1442H (corresponding to 1 May 2021).

3. BASIS OF PREPARATION

3.1. Statement of compliance

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

The Fund has also complied with Investment Fund Regulations published by CMA in Kingdom of Saudi Arabia, the private placement memorandum and the Fund’s terms and conditions with respect to preparation and presentation of these financial statements.

3.2. Basis of measurement

The financial statements have been prepared on a going concern basis under the historical cost convention. Using the accrual basis of accounting except for financial asset carried at fair value through profit or loss, which are carried at their fair value. The Fund presents its statement of financial position in the order of liquidity.

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3. BASIS OF PREPARATION (CONTINUED)

3.3. Functional and Presentation Currency

These financial statements are presented in Saudi Riyal (SAR), which is also the functional currency of the Fund. All financial information presented have been rounded off to nearest SAR unless otherwise stated.

3.3.1. Foreign currency transaction and balances

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates prevailing at the statement of financial position date. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

3.4. Critical Accounting Judgements, Estimates and Assumptions

In preparing these financial statements, management has made the judgements, estimates, and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The estimates and judgments are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods in which they are affected. The main areas in which estimates or judgments are important to the fund's financial statements or in which judgments have been made in applying accounting policies are as follows:

Use of estimates

Impairment of financial assets

The Fund Manager applies and determines expected credit loss (ECL) model for the 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., bank balances. 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. For the determination of the expected credit loss, the Fund evaluates among other factors, the credit risk, default and timing of collection since initial recognition. This requires recognizing allowance for expected credit losses in the statements of profit or loss.

Recognition and measurement of provisions

Key assumptions are made about the likelihood and magnitude of an outflow of resources.

Measurement of fair values

The Fund's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Fund Manager uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted priced included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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3- BASIS OF PREPARATION (CONTINUED)

Use of estimates (continued)

Measurement of fair values (continued)

3.4 Critical accounting judgements, estimates and assumptions (continued)

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Fund Manager recognizes transfers between the levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 10 of these financial statements.

Use of judgements

Classification of investments

The Fund Manager at initial recognition determines the relevant classification of financial assets and financial liabilities based on the business model for managing the financial asset and the terms of its contractual cash flows.

Business model assessment

Classification and measurement of financial assets depend on the results of the SPPI and the business model test. The Fund Manager determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Fund Manager monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Monitoring is part of the Fund Manager continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund Manager compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Fund Manager considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Fund Manager debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks, and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relates to the Fund Manager core operations.

Going concern

The Fund's management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Fund ability to continue as a going concern. Accordingly, these financial statements have been prepared on a going concern basis.

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(Amounts in SAR)

4. MATERIAL ACCOUNTING POLICIES

4.1 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalent consists cash in investments account. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

4.2 Financial instruments

4.2.1 Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the instrument. At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in the statement of comprehensive income. Allowance for expected credit loss is recognized for financial assets measured at amortized cost, as described in Note 3.4, which results in a financial loss being recognized in the statement of comprehensive income when a new asset is created.

4.2.2 Classification and measurement of financial assets

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual profit in the issuer's net assets.

The Fund classifies its financial assets at fair value through profit or loss (FVTPL). The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade.

When this election is used, fair value gains and Losses are recognized in OCI and are not subsequently reclassified to the statement of comprehensive income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of comprehensive income when the Fund's right to receive payments is established.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

- The Fund's business model for managing the asset; and
- The cash flow characteristics of the asset.

MEFIC SAUDI FREESTYLE EQUITY FUND

Open-Ended Mutual Fund

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Amounts in SAR)

4- MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2 Financial instruments (continued)

4.2.2 Classification and measurement of financial assets (continued)

Debt instruments (continued)

Based on these factors, the Fund classifies its debt instruments into one of the following three measurement categories:

Amortized cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit (SPPI), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Profit earned from these financial assets is recognized in the statement of comprehensive income using the effective profit rate method.

FVTPL:

If a financial asset's cash flows do not represent solely SPPI or if it is not held within the held to collect or the held to collect and sell business model, then it is measured at FVTPL.

A gain or loss on a debt investment measured at FVTPL is recognized in the statement of comprehensive income, within "Net gain / (loss) in investments mandatorily measured at FVTPL", in the period in which it arises. A gain or loss from debt instruments that were designated at fair value, or which are not held for trading are presented separately from debt investments that are mandatorily measured at FVTPL, within "Net gain / (loss) in investments designated at FVTPL". Profit earned from these financial assets is recognized in the statement of comprehensive income using the effective profit rate method.

Business model:

The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Fund in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is internally evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These assets are classified in 'other' business model and measured at FVTPL.

SPPI:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent Solely Payment of Principal and Profit (the "SPPI" test). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The fund reclassifies debt investments when its business model changes to manage only those assets. The reclassification process takes place from the beginning of the first reporting period after the change. These changes are expected to be very rare and nothing happened during this period.

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(Amounts in SAR)

4- MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2 Financial instruments (continued)

4.2.3 Impairment of financial assets

The Fund assesses on a forward-looking basis the Expected Credit Loss (“ECL”) associated with its financial assets arrived at amortized cost. The Fund recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

4.2.4 Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund’s continuing involvement in the asset. In that case, the Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained. The Fund derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

4.2.5 Financial liabilities

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

4.3 Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e., the date that the Fund commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the marketplace.

4.4 Offsetting of financial instruments

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

MEFIC SAUDI FREESTYLE EQUITY FUND

Open-Ended Mutual Fund

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For the year ended 31 December 2024

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4- MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.5 Accrued expenses

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

4.6 Provision

A provision is recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognized for future operating loss.

4.7 Redeemable Units

The fund is open for subscriptions or redemptions of units every business day. The Fund's net asset value is determined on each business day (all of which are valuation days). The fund's net asset value for the purposes of buying or selling units is determined by dividing the net asset value (the fair value of the fund's assets minus the fund's liabilities) by the total number of outstanding fund units on the relevant evaluation day.

The Fund classifies redeemable units as equity instruments if the redeemable units have the following characteristics:

The redeemable units entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.

- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments.
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

Subscription and redemption of redeemable units are accounted for as transactions between unit holders as long as the units are classified as equity instruments.

4.8 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is being made. Revenue is carried at the fair value of the consideration received, excluding discounts, taxes and rebates.

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4- MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.9 Dividend income

Dividend income, if any is recognized in the statement of comprehensive income on the date on which the right to receive the payment for dividend is established. For quoted equity securities, this is usually the ex-dividend date. Dividend income from equity securities designated as at FVTPL, is recognized in the statement of comprehensive income in a separate line item.

4.10 Management fees

The fund manager receives 1.75% annually of the net asset value of the fund.

4.11 Other expenses

The Fund shall pay expenses attributable to the Fund's activities from the Fund's assets up to a maximum of 1% of the Fund's net asset value.

Including, but not limited to: expenses related to the valuation of the fund's assets by third parties, expenses of the Sharia Supervisory Board, financing fees, fees of consultants, tax advisors, legal advisors, other professional advisors and government expenses and fees.

4.12 Net asset value per unit

The net asset value per unit as disclosed in the statement of financial position is calculated by dividing the net assets of the fund by the number of units outstanding at year end.

4.13 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

4.13.1 The following new amendments to standards, enlisted below, are effective from 01 January 2024 but they do not have a material effect on the Fund's financial statements:

Standard, interpretation and amendments	Description	Effective date
Amendment to IFRS 16- Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	01 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.	01 January 2024

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4- MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.13 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)

4.13.1 The following new amendments to standards, enlisted below, are effective from 1 January 2024 but they do not have a material effect on the Fund's financial statements: (continued)

Standard, interpretation and amendments	Description	Effective date
Amendment to IAS 1 – Non-current liabilities with covenants	The amendment has clarified <ul style="list-style-type: none">what is meant by a right to defer settlement,that a right to defer must exist at the end of the reporting period,that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.	01 January 2024 Subject to endorsement from SOCPA

4.13.2 The Fund has not applied the following amendment to IFRS that have been issued but are not yet effective:

Standard, interpretation and amendments	Description	Effective date
Amendment to IAS 21 - Lack of exchangeability	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments introduce new disclosures to help financial statement users assess the impact of using an estimated exchange rate.	01 January 2025
IFRS 19 – Reducing subsidiaries' disclosures	IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.	01 January 2027
Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	These amendments clarify financial assets and financial liabilities are recognized and derecognized at settlement date except for regular way purchases or sales of financial assets and financial liabilities meeting conditions for new exception. The new exception permits companies to elect to derecognize certain financial liabilities settled via electronic payment systems earlier than the settlement date. They also provide guidelines to assess contractual cash flow characteristics of financial assets, which apply to all contingent cash flows, including those arising from environmental, social, and governance (ESG)-linked features. Additionally, these amendments introduce new disclosure requirements and update others.	01 January 2026

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4- MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.13 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)

4.13.2 The Fund has not applied the following amendment to IFRS that have been issued but are not yet effective: (continued)

Standard, interpretation and amendments	Description	Effective date
IFRS 18, Presentation and Disclosure in Financial Statements	<p>IFRS 18 replaces IAS 1, which sets out presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing – and present subtotals for operating profit or loss and profit or loss before financing and income taxes.</p> <p>Further, operating expenses are presented directly on the face of the income statement – classified either by nature (e.g. employee compensation), by function (e.g. cost of sales) or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature.</p> <p>IFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in the financial statements, introduces new disclosure requirements for management-defined performance measures (MPMs)* and eliminates classification options for interest and dividends in the statement of cash flows.</p>	01 January 2027

The Fund Manager anticipates that these amendment will be adopted in the Fund's financial statements as and when it is applicable and adoption of this amendments may have no material impact on the financial statements of the Fund in the period of initial application.

5. MANAGEMENT FEES, AND OTHER EXPENSES

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

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

6. CASH AND CASH EQUIVALENTS

	31 December 2024	31 December 2023
Cash at bank	1,094,390	9,698
	1,094,390	9,698

The fund holds the current account with Albilad Capital Company (the custodian of the fund). The Fund does not earn profits on these accounts.

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NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2024****(Amounts in SAR)****7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**

	31 December 2024		
	Cost	Market value	% of market value
Materials	906,858	798,500	20.54%
Banks	589,245	638,767	16.43%
Software & Services	162,459	556,700	14.32%
Transportation	341,419	518,887	13.35%
Energy	312,734	302,794	7.79%
Telecommunication Services	323,048	300,000	7.72%
Consumer Discretionary	106,287	153,133	3.94%
Distribution & Retail			
Consumer Services	168,072	135,441	3.48%
Real Estate Mgmt & Dev't	134,773	126,540	3.25%
Health Care Equipment & Svc	124,931	123,376	3.17%
Food & Beverages	136,780	109,122	2.81%
Insurance	49,386	53,900	1.39%
Commercial & Professional Svc	35,181	48,800	1.26%
Financial Services	24,382	21,680	0.55%
Total	3,415,555	3,887,640	100%

	31 December 2023		
	Cost	Market value	% of market value
Banks	1,574,645	1,741,140	34.70%
Basic materials	841,326	871,003	17.36%
Energy	543,569	688,604	13.72%
Transportation	277,391	470,866	9.38%
Technical applications and services	182,600	448,250	8.93%
Telecommunication Services	288,847	318,837	6.35%
Commercial and professional services	103,981	188,842	3.76%
pharmaceutical	71,880	137,770	2.75%
Retail of luxury goods	45,533	104,094	2.07%
Investment and financing	46,336	47,821	0.95%
Total	3,976,108	5,017,227	100.00%

8. TRADE AND OTHER RECEIVABLE

	31 December 2024	31 December 2023
IPO Investment	99,155	-
	99,155	-

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9. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties of the Fund include Unitholders, the Fund Manager and Custodian of the Fund. 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 terms under formal agreement and are approved by the Fund Board.

The transactions resulted in following balances with related parties at reporting date:

Transactions with related parties

In the ordinary course of its activities, the Fund transacts business with related parties. Related party transactions are in accordance with the terms and conditions of the Fund. All the related party transactions are approved by the Fund's Board.

Related party	Nature of transactions	Amount of transactions		Balance	
		2024	2023	2024	2023
		SAR	SAR	SAR	SAR
Middle East Financial Investment Co (Fund Manager)	Fund management fee (including VAT)	104,786	97,019	8,763	7,242
	Other expenses	29,939	27,720	2,504	3,465

10. 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:

- The principal market for the asset or liability; or
- The absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market are accessible by the Fund.

Financial instruments comprise of financial assets and financial liabilities. The Fund's financial assets consist of financial assets measured at FVTPL and financial assets measured at amortised cost.

Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; or

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below presents the investments measured at their fair values as of reporting date based on the fair value hierarchy:

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10. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2024					
	Carrying Value	Level 1	Level 2	Level 3	Total
Investments measured at FVTPL	3,887,640	3,887,640	-	-	3,887,640
Total	3,887,640	3,887,640	-	-	3,887,640

31 December 2023					
	Carrying Value	Level 1	Level 2	Level 3	Total
Investments measured at FVTPL	5,017,228	5,017,228	-	-	5,017,228
Total	5,017,228	5,017,228	-	-	5,017,228

11. UNIT VALUE RECONCILIATION

In accordance with CMA circular no. 1/6/7218/17 dated 13 Rabi Al-Thani 1439H (corresponding to 31 December 2017G), the CMA Board decided on 10 Rabi Al-Thani 1439H (corresponding to 28 December 2017G) to restrict the recording of expected credit losses (ECL) calculated in accordance with IFRS 9 only for the purpose of the financial reporting.

All financial assets held at amortized cost were considered for ECL as on 31 December 2024. However, the impact of ECL on these assets was immaterial as cash and cash equivalents are held with bank having sound credit rating. Accordingly, the financial statements do not contain any ECL adjustment and therefore reconciliation of the unit price calculated according to the applicable financial reporting framework to the unit price calculated for the purpose of unit transactions is not require

12. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

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NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2024****(Amounts in SAR)****12. FINANCIAL RISK MANAGEMENT (CONTINUED)****Credit risk (continued)**

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	31 December 2024	31 December 2023
Cash and cash equivalent	1,094,390	9,698
	1,094,390	9,698

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet its commitments associated with financial liabilities. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities.

31 December 2024	Up to 1 year	Over 1 year	Total
Management fee payable	8,763	-	8,763
Accrued expenses	2,504	-	2,504
Total liabilities	11,267	-	11,267

31 December 2023	Up to 1 year	Over 1 year	Total
Management fee payable	7,242	-	7,242
Accrued expenses	3,465	-	3,465
Total liabilities	10,707	-	10,707

Maturity profile

The table below shows an analysis of financial assets and financial liabilities according to when they are expected to be recovered or settled respectively. The amount disclosed are the contractual undiscounted cash flows which equal their carrying balances as the impact of discounting is not significant.

	Up to one year	More than one year	Total
31 December 2024			
Financial Assets			
Cash and cash equivalent	1,094,390	-	1,094,390
Financial asset at fair value through profit or loss ("FVTPL")	3,887,640	-	3,887,640
Trade and other receivable	99,155	-	99,155
	5,081,186	-	5,081,186
 Management fee payable	 8,763	 -	 8,763
Accrued expenses	2,504	-	2,504
	11,267	-	11,267

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity profile (continued)

	Up to one year	More than one year	Total
<u>31 December 2023</u>			
Financial Assets			
Cash and cash equivalents	9,698	-	9,698
Financial assets at fair value through profit or loss (FVTPL)	5,017,228	-	5,017,228
	<u>5,026,926</u>	<u>-</u>	<u>5,026,926</u>
Management fee payable	7,242	-	7,242
Accrued expenses	3,465	-	3,465
	<u>10,707</u>	<u>-</u>	<u>10,707</u>

Market risk

Market risk is the risk that fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market interest rates or the market prices of securities due to a change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises three types of risk: interest rate risk, currency risk and other price risks.

Interest rate risk

Interest rate risk arises from the possibility that changes in market interest rates will affect future profitability or the fair value of the financial instruments.

The Fund is exposed to cash flow interest rate risk as borrowings obtained from the Bank carries a variable commission rate. To monitor this risk, the Fund Manager monitors the changes in interest rates on a regular basis.

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 functional currency of the Fund is Saudi Riyals. As the Fund's financial assets and financial liabilities are denominated in its functional currency, the Fund is not subject to currency risk.

Price risk

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements. The Fund is not subject to price risk.

13. CAPITAL MANAGEMENT

The primary objective of the Fund's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize unitholder's value.

The Fund Board and the Fund Manager monitor capital on the basis of the value of equity attributable to the Unitholders.

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14. SUBSEQUENT EVENTS

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

15. LAST VALUATION DAY

The last valuation day for the purpose of the preparation of these financial statements is 31 December 2024 (2023: 31 December 2023).

16. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund Board on 25 Ramadan 1446H (corresponding to 25th March 2025).