

Miyar Saudi Equity Fund
Open-ended Fund
(Managed by Miyar Capital Company)

**Financial statements for the period from May 3, 2023 to December 31, 2023 and
Independent Auditor' Report**

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Financial statements
For the period from May 3, 2023 to December 31, 2023

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Independent auditor's report to the unitholders

To the unitholders Miyar Saudi Equity Fund Open-ended Fund (Managed by Miyar Capital Company)

Opinion

We have audited the financial statements of Miyar Saudi Equity Fund (“the Fund”), managed by Miyar Capital Company (the “Fund Manager”), which comprise the statement of financial position as at December 31, 2023, and the statements of profit or loss and other comprehensive income, changes in net assets attributable to the unitholders, and cash flows for the period from May 3, 2023 to December 31, 2023, and the notes to the financial statements including a summary of the material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Fund as at December 31, 2023 and its financial performance and its cash flows for the period from May 3, 2023 to December 31, 2023 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 Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISA”) 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 (including the International Independence Standards) that are endorsed in the Kingdom of Saudi Arabia (the “Code”) that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Fund 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 that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by SOCPA, and in accordance with investment funds regulations issued by Capital Market Authority and the Fund’s terms and conditions, and the information memorandum, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Independent auditor's report to the unitholders (continued)

Auditors' 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 judgement 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 the one resulting from error, as fraud may involve collusion, forgery, omission, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of Fund's management 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 controls that we identify during our audit.

RSM Allied Accountants Professional Services



Mohammed Bin Farhan Bin Nader

License 435

Riyadh Kingdom of Saudi Arabia

Shawwal 13, 1445 (corresponding to April 22, 2024)



Miyar Saudi Equity Fund
Open-ended Fund
(Managed by Miyar Capital Company)

Statement of financial position
As of December 31, 2023
(In Saudi Riyals)

	<u>Note</u>	<u>2023</u>
Assets		
Investments at fair value through profit or loss	7	50,957,246
Cash at bank		<u>1,274,360</u>
Total assets		<u><u>52,231,606</u></u>
Liabilities		
Due to related parties	8	416,925
Accrued expenses and other liabilities		<u>46,812</u>
Total liabilities		<u><u>463,737</u></u>
Net assets attributable to the Unitholders		<u><u>51,767,869</u></u>
Units in issue (numbers)		<u><u>4,787,019</u></u>
Net assets attributable to each unit (SAR)		<u><u>10.81</u></u>

The accompanying notes (1) to (12) form an integral part of these financial statements

Miyar Saudi Equity Fund
Open-ended Fund
(Managed by Miyar Capital Company)

Statement of profit or loss and other comprehensive income
For the period from May 3, 2023 to December 31, 2023
(In Saudi Riyals)

	<u>Note</u>	<u>For the period from May 3, 2023 to December 31, 2023</u>
Income		
Unrealized gains from of investments at fair value through profit or loss	7	4,143,420
Realized gains on sale of investments at fair value through profit or loss	7	219,698
Dividends income	7	921,109
Finance income from Murabha deposits		49,375
Total income		<u>5,333,602</u>
Expenses		
Performance fees	8	(1,151,435)
Other expenses		(236,518)
Total expenses		<u>(1,387,953)</u>
Net income for the period		<u>3,945,649</u>
Other comprehensive income		<u>-</u>
Total comprehensive income for the period		<u>3,945,649</u>

The accompanying notes (1) to (12) form an integral part of these financial statements

Miyar Saudi Equity Fund
Open-ended Fund
(Managed by Miyar Capital Company)

Statement of changes in net assets attributable to unitholders
For the period from May 3, 2023 to December 31, 2023
(In Saudi Riyals)

	For the period from May 3, 2023 to December 31, 2023
Changes from operations	
Total comprehensive income for the period	3,945,649
Changes from units transactions	
Proceeds from units issued during the period	52,951,404
Payment against units redeemed during the period	<u>(5,129,184)</u>
Net change of unit transactions	<u>47,822,220</u>
Net assets value attributable to unitholders at the end of the period	<u><u>51,767,869</u></u>

Movement in the number of units

Below is a summary of units transactions:

	For the period from May 3, 2023 to December 31, 2023
	Units
Units issued during the period	<u>5,290,200</u>
Units redeemed during the period	<u>(503,181)</u>
Units at the end of the period	<u><u>4,787,019</u></u>

The accompanying notes (1) to (12) form an integral part of these financial statements

Miyar Saudi Equity Fund
Open-ended Fund
(Managed by Miyar Capital Company)

Statement of cash flows
For the period from May 3, 2023 to December 31, 2023
(In Saudi Riyals)

	For the period from May 3, 2023 to December 31, 2023
Cash flows from operating activities	
Net income for the period	3,945,649
<i>Adjustments to reconcile net income for the period to net cash used in operating activities</i>	
Unrealized gains from investments at fair value through profit or loss	(4,143,420)
Realized gains from sale of investments at fair value through profit or loss	(219,698)
	<u>(417,469)</u>
Changes in operating assets and liabilities	
Additions to investments at fair value through profit or loss	(110,219,418)
Proceed from sale of investments at fair value through profit or loss	63,625,290
Due to related parties	416,925
Accrued expenses and other liabilities	46,812
Net cash used in operating activities	<u>(46,547,860)</u>
Cash flows from financing activities	
Proceeds from units issued during the period	52,951,404
Payment against units redeemed during the period	(5,129,184)
Net cash generated from financing activities	<u>47,822,220</u>
Net changes in cash at banks	1,274,360
Cash at banks at the beginning of period	-
Cash at banks at the ending of period	<u><u>1,274,360</u></u>

The accompanying notes (1) to (12) form an integral part of these financial statements

Notes to the financial statements
For the period from May 3, 2023 to December 31, 2023

1 - The Fund and its Activities

Miyar Saudi Equity Fund ("the Fund") is an open-ended investment fund, aimed at achieving capital growth over the medium to long term by investing in equity of companies listed on the main Saudi stock market (Tadawul) or listed on the parallel Saudi stock market (Nomu), as well as in initial public offerings (IPOs). It also invests in traded index funds, traded real estate investment funds, Saudi stock market investment funds, cash market funds, licensed fixed-income funds by the Capital Market Authority, and fixed-income instruments compliant with Shariah Committee regulations.

The Fund Manager and Operator are Miyar Capital Company, and Al Rajhi Capital Company has been appointed as the custodian for the Fund.

The terms and conditions of the fund were approved on 17 Rabi' al-Awwal 1444 H (corresponding to October 13, 2022), and on 15 Rabi' al-Thani 1445 H (corresponding to October 30, 2023), the Fund Manager made some amendments to the terms and conditions of the Fund.

The Fund was approved for offering on 17 Rabi' al-Awwal 1444H (corresponding to October 13, 2022), by the approval of the Capital Market Authority. The subscription period closed and fund operations commenced on 13 Shawwal 1445H (corresponding to May 3, 2023).

In dealing with the unitholders, the Fund Manager considers the Fund as an independent entity. Accordingly, the Fund prepares its own financial statements. Furthermore, unitholders are considered as owners of the assets of the Fund.

The Ministerial Resolution No. (29791) dated 9 Jumada-al-Awwal 1444 H (corresponding to 3 December 2022) approved the Zakat Rules for Investment Fund permitted by the CMA.

The Rules are effective from 1 January 2023 requiring Investment Funds to register with Zakat, Tax and Customs Authority (ZATCA). The Rules also require the Investment Funds to submit a zakat information declaration to ZATCA within 120 days from the end of their fiscal year, including audited financial statements, records of related party transactions and any other data requested by ZATCA. Under the Rules, Investment Funds are not subject to Zakat provided they do not engage in unstipulated economic or investment activities as per their CMA approved Terms and Conditions. Zakat collection will be applied on the Fund's Unitholders.

2 - Regulating Authority

The fund is governed by Investment Funds Regulations ("the Regulations") published by Capital Market Authority ("CMA") on 3 Dhu al-Hijjah 1427 H (corresponding to December 24, 2006), and as of 6 Safar 1438 H (corresponding to November 6, 2016), to the New Investment Funds Regulations ("the Amended Regulations") issued by the Capital Market Authority on 16 Sha'ban 1437 H (corresponding to May 23, 2016). The Amended Regulations were further amended on 17 Rajab 1442 H (corresponding to March 1, 2021), detailing the requirements for all funds in the Kingdom of Saudi Arabia. The Amended Regulations became effective starting from 19 Ramadan 1442 H (corresponding to May 1, 2021).

3 - Basis of preparation

Statement of compliance

The financial statements of the Miyar Saudi Equity Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") that are endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified and Professional Accountants ("SOCPA") and the comply with the applicable provisions of the Investment Fund Regulations issued by CMA and The Fund's Terms and Conditions.

Basis of measurement

These financial statements have been prepared on a historical cost basis, except for the measurement of investment at fair value through profit or loss, which are measured at fair value. Another basis is used if required by the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia, and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants, as indicated in the material accounting policies (Note 6).

Presentation and functional currency

These financial statements are presented in Saudi Riyals which is the functional currency and are rounded to the nearest Saudi Riyal.

Notes to the financial statements (continued)
For the period from May 3, 2023 to December 31, 2023

4 - Use of judgments, estimates and assumptions

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during that year. Although these estimates are based on the best information and current events available to management, but actual final results may differ from these estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

The key judgments and estimates and assumptions that have a significant impact on the financial statements of the Fund are discussed below:

Measuring the fair value of investments

Management designates at the time of acquisition of securities whether these should be classified as at fair value through profit or loss (“FVTPL”) or at fair value through other comprehensive income (“FVTOCI”). In judging whether investments in securities are classified as at FVTPL or FVTOCI, the management has considered the detailed criteria for determination of such classification as set out in IFRS 9 ‘Financial Instruments’.

5 - New Standards and amendments to standards, interpretations, and issued standards that have not yet been applied

Fund adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of ‘material’ rather than ‘significant’ accounting policies. Although the amendments did not result in any changes to the accounting policy themselves, they impacted the accounting policy information disclosed in certain instances.

5.1. New standards, amendments to standards and interpretations applied by the fund

Standard, interpretation, amendments	Description	Effective date
Definition of Accounting Estimates - Amendments to IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 01 January 2023

5.2. Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2024 and earlier application is permitted; however, the Fund has not early adopted them in preparing these Financial Statements. These amendments are not expected to have significant impact in the Fund’s Financial Statements.

interpretation, amendments	Description	Effective date
Amendments IAS (1) – Non-current liabilities with covenants and Classification of Liabilities as Current or Noncurrent Amendments	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	Annual periods beginning on or after 01 January 2024
Amendments to IAS (7) and IFRS (7) – Supplier finance arrangements	These amendments include requirements for supplier financing arrangement.	Annual periods beginning on or after 01 January 2024

Notes to the financial statements (continued)
For the period from May 3, 2023 to December 31, 2023

5 - New Standards and amendments to standards, interpretations, and issued standards that have not yet been applied (continued)

5.2. Standards issued but not yet effective (continued)

interpretation, amendments	Description	Effective date
Amendments to IAS (27) – Lack of exchangeability	Following are the new IFRS sustainability disclosure standards effective for annual periods beginning on or after 1 January 2024 subject to endorsement of the standards by SOCPA.	Annual periods beginning on or after 01 January 2024
IFRS S1, ‘General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain.	Annual periods beginning on or after 01 January 2024
IFRS S2, ‘Climate-related disclosures’	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	Annual periods beginning on or after 01 January 2024

The above standards, interpretations and amendments are not expected to have a significant impact on the fund’s financial statements.

6 - Summary of material accounting policies

Below is the summary of material accounting policies:

Current versus non-current classification

The fund presents its assets and liabilities in the statement of financial position based on a current/non-current basis. The assets are considered as a current when its:

- Expected to be realized or intended to be sold or consumed in normal operating cycle.
- Held primarily for purpose of trading.
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalents, unless restricted from paying exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

All liabilities are considered as a current, when its:

- It is expected to be settled in normal operating cycle,
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting periods.

All other liabilities are classified as non-current

Investment at fair value through profit or loss

Investments at fair value through profit or loss are recognized at market value in the financial statements. Unrealized gains and losses from revaluation of investments, and realized gains and losses arising from disposal of investments are recognized in the statement of profit or loss.

Investment transactions

Investment transactions are recorded on the trading date.

Cash at banks

Cash at bank comprise bank balances, term deposits and highly-liquid investments with original maturity of three-months or less from the acquisition date.

Notes to the financial statements (continued)
For the period from May 3, 2023 to December 31, 2023

6 - Summary of material accounting policies (continued)

Related parties

The related party is a person or entity related to the fund, and the person is related if he owns control or significant influence over the fund or is a member of the main management, and the entity is related if the entity is a member in same the group as a parent institute or a subsidiary or an associate institute or associated with a joint venture, or both entities are a joint venture of a third party.

Transaction with related parties transfer of resources, services, or obligations between the fund and the related party, regardless of whether the price is charged. Key management personnel are the authorized and responsible persons for planning and management, and they have direct or indirect control over the operations of the fund, including the manager.

Financial instruments

Financial assets and financial liabilities are recognized when a Fund becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through statement of profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in statement profit or loss.

Financial assets

Financial assets 'at fair value financial assets are classified into the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortized cost. Classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Sales and purchases of financial assets are recognized in normal way on the basis of the transaction date. Regular purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market.

Financial assets measured at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading or are chosen to be classified as such.

Financial assets are classified for trading if:

- Acquired mainly for sale in the near future.
- It is part of a portfolio of financial instruments managed by the fund that including an actual pattern of financial instrument generating profit on short-term.
- A derivative is not classified or effective as a hedging instrument.

Financial assets measured at fair value through the statement of profit or loss are stated at their fair value, and any gain or loss resulting from the revaluation is recognized in profit or loss. Net profit or loss includes any dividends or interest due from the financial asset and is included in the statement of profit or loss.

a) Financial assets measured at fair value through other comprehensive income

Debt instruments that meet the following two conditions are measured subsequently at fair value through profit or loss:

- It is held within a business model whose objective is to sell assets to collect contractual cash flows; and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the financial statements (continued)
For the period from May 3, 2023 to December 31, 2023

6 - Summary of material accounting policies (continued)

Financial instruments (continued)

b) Financial assets measured at fair value through other comprehensive income (continued)

Debt instruments measured at fair value through other comprehensive income are subsequently measured at fair value, together with gains and losses resulting from changes in the fair value recognized in other comprehensive income. Commission income and foreign exchange gains or losses are recognized in the statement of profit or loss.

c) Financial assets at amortized cost

Financial assets that meet the following two conditions and were not designated at fair value are measured at amortized cost through profit or loss:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Fund subsequently measures all equity investments at FVTPL, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through OCI. The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, 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 income as 'Dividend income' when the Fund's right to receive payments is established.

Offsetting of financial instruments

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

Notes to the financial statements (continued)
For the period from May 3, 2023 to December 31, 2023

6 - Summary of material accounting policies (continued)

Derecognition

The Fund derecognizes a financial asset (or where applicable, a part of a financial asset or a part of group of similar financial assets) when the contractual rights to receive the cash flows from the financial asset have expired, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Transactions in which the Fund transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or portion of them, the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

Transactions in which the Fund neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Fund continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Fund derecognize a financial liability when its contractual obligations are discharged or cancelled, or expired.

Net assets value per unit

Net assets value per unit, disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the numbers of units in issue at the reporting date.

Revenue recognition

- Dividends income

Dividend income is recognized in the statement of profit or loss on the date on which the right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Fund and the amount of the dividend can be measured reliably. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities at FVTPL is recognized in statement of profit or loss in a separate line item.

- Net gain from financial instruments at FVTPL

Net gain from financial instruments at FVTPL includes all realized and unrealized fair value changes and foreign exchange differences (if any), but excludes interest and dividend income.

Net realized gain from financial instruments at FVTPL is calculated using the weighted average cost method.

Accrued expenses and other liabilities

Liabilities are recognized for amounts to be paid in the future for services received, whether or not billed by suppliers.

Zakat and Income Tax:

On 9 Jumada al-Awwal 1444 H (corresponding to December 3, 2022), Minister of Finance Decision No. 29791 was issued regarding the zakat collection rules from investors in investment funds, resulting in the following:

- 1- The funds are obligated to register with the Zakat, Tax, and Customs Authority for zakat purposes.
- 2- The funds are required to maintain proper accounts based on audited financial statements.
- 3- The funds are mandated to submit information declarations to the authority.
- 4- The funds are not obliged to pay zakat; rather, the obligation lies with the unit holders (investors).

Notes to the financial statements (continued)
For the period from May 3, 2023 to December 31, 2023

6 - Summary of material accounting policies (continued)

Zakat and Income Tax (continued):

- 5- Investors in the fund should certify their share in the fund to settle zakat obligations.
- 6- This decision applies to financial years starting on or after January 1, 2023.

Therefore, zakat and income tax are the responsibility of the unit holders, and thus, they are not provided for in these accompanying financial statements.

Performance fees and other expenses

Performance fees and other expenses are substantiated at rates within the limits specified in the terms and conditions of the fund on an accrual basis.

Issuance and redemption of units

Units issued are recorded at the offer price, determined by the Fund Manager for the applications received, during business hours, as of the close of the previous day on which the applications were received. The offer price represents the net assets value per unit as of the close of previous day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units as of the close of the previous day. The redemption price represents the net assets value per unit as of the close of the previous day on which the applications were received less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

Unitholders' fund

Unitholders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

Foreign currencies

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at year end. Gains and losses from settlement and translation of foreign currency transactions are included in the other comprehensive income.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Miyar Saudi Equity Fund
Open-ended Fund
(Managed by Miyar Capital Company)

Notes to the financial statements (continued)
For the period from May 3, 2023 to December 31, 2023
(In Saudi Riyals)

7- Investments at fair value through profit or loss

A- Investments are represented at fair value through profit or loss in shares of companies listed on Tadawul and Nomu. Below is the movement of these investments:

	<u>2023</u>
Additions to investments at fair value through profit or loss during the period	110,219,418
Sales of investments at fair value through profit or loss during the period	(63,405,592)
Unrealized gains on investments at fair value through profit or loss	4,143,420
Balance, at the end of the period	<u>50,957,246</u>

B- The table below summarizes the fund's exposures to listed equity securities measured at FVTPL within the various industry sectors:

<u>Sector</u>	31 December 2023	
	<u>Carrying amount</u>	<u>Fair Value</u>
Banks	1,640,294	1,966,783
Commercial & Professional Svc	1,130,140	1,188,864
Consumer Staples Distribution & Retail	4,344,326	3,758,458
Energy	6,737,344	8,341,584
Financial Services	4,554,149	4,756,611
Food & Beverages	4,483,889	4,650,643
Insurance	3,695,092	4,119,458
Materials	8,314,200	7,966,844
Real Estate Mgmt & Dev't	2,017,943	2,059,949
REITs	500,792	508,719
Software & Services	6,339,355	6,670,080
Transportation	3,056,302	4,969,253
	<u>46,813,826</u>	<u>50,957,246</u>

C- The fund disposed of investments at fair value during the period, with a net book value of 63,405,592 Saudi Riyals, compared to a sales value of 63,625,290 Saudi Riyals. This resulted in realized gains amounting to 219,698 Saudi Riyals.

D- During the period the Fund earned a dividends income from investments at fair value through profit or loss amounted to 921,109 Saudi Riyals.

8- Related parties' balances and transactions

Related parties comprise the Fund Manager, Board of directors, and key management personnel of the Fund. Related parties also include business entities in which certain Fund manager or senior management have an interest.

In the ordinary course of its activities, the Fund transacts 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 Board.

A- The balance due to related parties as of December 31 is as follows:

<u>Related party</u>	<u>2023</u>
Miyar Capital Company	404,925
Board of Directors Members	12,000
	<u>416,925</u>

Notes to the financial statements (continued)
For the period from May 3, 2023 to December 31, 2023
(In Saudi Riyals)

8- Related parties' balances and transactions

B- The balance due to related parties as of December 31 is as follows:

<u>Related party</u>	<u>Nature of Relationship</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u>
Miyar Capital Company	Fund Manager	Performance fees	1,151,435
Board of Directors Members	Board of Directors	Remuneration	12,000

*Performance Fees: The Fund Manager is entitled to a performance fee of %20of the net profits of the fund's assets (after deducting all fund fees), calculated daily and deducted quarterly. Performance fees are not calculated if the unit price of the fund does not exceed the fund's base point.

*Board of Directors' Remuneration: Each independent board member receives a remuneration of 3,000 Saudi Riyals per meeting, with a maximum of 12,000 Saudi Riyals annually per member.

9- Financial instruments and risk management

Exposure

Risk management is an integral part of the investment and the operational process. Risk management can be distinguished in financial risk management, operational risk management and independent risk measurement. Financial risk management encompasses all elements of the investment process. A number of risk management systems allow the Fund Manager to notice any deviations from intended positioning and targets. Operational risk management encompasses the four areas of potential losses: processes, systems, people and external events. Risk management is an independent function, which is functionally separated from the operational department and portfolio management.

The Risk Management department is primarily responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall risk management of the Fund.

The Fund has exposure to the following risks from financial instruments:

- credit risk;
- liquidity risk;
- market risk;
- and operational risk

Risk management framework

The Fund maintains positions in non-derivative financial instruments in accordance with its investment management strategy. comprises of listed equities in Kingdom of Saudi Arabia markets.

The Fund Manager has been given discretionary authority to manage the assets in line with the fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio are monitored by the Fund Manager on a daily basis. In instances where the portfolio has diverged from target asset allocations, the Fund Manager is obliged to take actions to rebalance the portfolio in line with the established targets, and within prescribed time limits.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund.

The Fund is exposed to credit risk on its balance held in trading account, balance with custodian and other asset. For risk management reporting purposes, the Fund considers and aggregates all elements of credit risk exposure such as individual obligor default risk, country risk and sector risk.

The fund policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the certain credit standards.

Notes to the financial statements (continued)
For the period from May 3, 2023 to December 31, 2023
(In Saudi Riyals)

9 - Financial instruments and risk management (continued)

Credit risk (continued)

Credit risk is monitored on a regular basis by the Fund Manager to ensure it is in line with the investment guidelines of the Fund.

The fund activities may give rise to settlement risk “settlement risk” is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For all of transactions, the Fund mitigates this risk by conducting settlements through a regulated broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

The table below shows the maximum exposure to credit risk for the component of the statement of financial position:

	2023
Cash at banks	1,274,360
	1,274,360

The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of counterparties.

Allowance for impairment

The Fund has investments in only equity securities classified as FVTPL Hence, no impairment allowance is recorded in these financial statement as per IFRS 9. The fund’s cash and cash equivalents are held mainly with counterparties having “A – “credit” rating. Credit risk relating to the financial instruments is considered to be not significant.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Fund Manager’s approach in managing is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemption of units, without incurring unacceptable losses or risking damage to the fund’s reputation.

The fund’s terms and conditions provide for the subscriptions and redemptions of units twice a week and it is, therefore, exposed to the liquidity risk of meeting the unitholders redemptions at any time.

The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

The fund’s investments in listed securities are considered to be readily realizable because they are actively traded on Tadawul.

The Fund manages its liquidity risk by investing predominantly in securities that it expects to be able to liquidate within a short period of time.

The contractual maturity profile of the financial assets and financial liabilities of the Fund is as follows:

	Within 3 months	3 to 12 months	More than 1 year	No fixed maturity	Total
31 December 2023					
Cash at banks	-	-	-	1,274,360	1,274,360
Investments	-	-	-	50,957,246	50,957,246
Total financial assets	-	-	-	52,231,606	52,231,606
Due to related parties	416,925	-	-	-	416,925
Accrued expenses and other liabilities	46,812	-	-	-	46,812
Total financial Liabilities	463,737	-	-	-	463,737
Net position	(463,737)	-	-	52,231,606	51,767,869

Notes to the financial statements (continued)
For the period from May 3, 2023 to December 31, 2023

9 - Financial instruments and risk management (continued)

Market risk

Market risk is the risk that changes in market prices – such as commissions rates, foreign exchange rates and equity prices – will affect the fund's income or the fair value of its holdings in financial instruments.

The fund's strategy for the management of market risk is driven by fund's investment objectives as per the fund's terms and conditions. The fund's market risk is managed on timely basis by the Fund Manager in accordance with the policies and procedures in place. The fund's market positions are monitored on a timely basis by the Fund Manager.

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 does not have any transactions in foreign currencies.

The Fund believes it is not subjected to significant currency risks as the Fund main transactions are in Saudi Riyals.

Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices.

The fund's investments are susceptible to equity price risk arising from uncertainties about future prices. The Fund Manager manages this risk through diversification of its investment portfolio in terms of industry concentration.

Commission rate risk

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments. The Fund Manager monitors daily positions to ensure that it is maintained within established gap limits, if any. The Fund does not have commission bearing financial assets or financial liabilities. Hence, the Fund is not subject to commission rate risk.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the fund's activities with financial instruments, either internally within the Fund or externally at the Fund's services providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior.

The fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to the Unitholders.

The primary responsibility for the development and implementation of control over operational risks rests with the Risk Management team. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures;
- requirements for:
 - appropriate segregation of duties between various functions, roles and responsibilities;
 - reconciliation and monitoring of transactions; and
 - periodic assessment of operational risks faced
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective

Notes to the financial statements (continued)
For the period from May 3, 2023 to December 31, 2023
(In Saudi Riyals)

9 - Financial instruments and risk management (continued)

Fair values of financial instruments

The Fund measures certain financial instruments at fair value at each statement of financial position date.

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.

Valuation models

The fair values of financial instruments that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Fund values equity securities that are traded on a stock exchange at their last reported prices. To the extent that equity securities are actively traded and valuation adjustments are not applied, they are categorized in level 1 of the fair value hierarchy, hence the fund's assets recorded at fair value have been categorized based on fair value hierarchy Level 1.

Fair value hierarchy – Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position. All below fair value measurements are recurring.

<u>2023</u>	<u>level 1</u>	<u>level 2</u>	<u>level 3</u>	<u>Total</u>
Investments at fair value through profit or loss	50,957,246	-	-	50,957,246

During the period, there has been no transfer in fair value hierarchy.

Miyar Saudi Equity Fund
Open-ended Fund
(Managed by Miyar Capital Company)

Notes to the financial statements (continued)
For the period from May 3, 2023 to December 31, 2023

10 - Last valuation date

The last valuation day of the period was December 31, 2023.

11 - Subsequent events

The management believes there were no significant subsequent events before or after the date of the financial statements that may require modification or disclosure.

12 - Approval of the financial statements

The financial statements have been approved for issue by the Fund's board of directors on Shawwal 13, 1445 H (corresponding to April 22, 2024).