



## A. Investment Fund Information

### 1. Name of investment fund

ALBILAD Saudi Sovereign Sukuk ETF

### 2. Investment objectives, policies and polices

AL - Bilad Saudi Sovereign Sukuk ETF seeks to track the performance of the Al-Bilad Ideal Ratings Saudi Domestic Sukuk Index, which consists of Saudi sovereign sukuk denominated in the Saudi riyal and listed on the main Saudi Stock Exchange (Tadawul) and linked to a market maker, with the remaining maturity of 3 months or more

### 3. Distribution of income and gain policy

The fund shall distribute the cash surplus represented by the returns received from the sukuk in the form of monthly distributions to the unit holders registered in the register of unit holders on the last working day of the month (maturity date). Profits will be distributed within ten working days after the end of the last working day of the month (the date of distribution). The fund manager has the right not to distribute cash if no dividends are received from the sukuk

### 4. the fund's Reports are available upon request free of charge

## B. Fund Performance

### 1. comparative table covering the last (3) financial years

\* Trading date for the fund was February 2020

	2020	2020
the fund net assets value at the end of each financial year		166,705,306
the fund net assets value per unit at the end of each financial year		10.0425
highest net asset value per unit for each financial year.		10.4446
lowest net asset value per unit for each financial year.		9.6592
the number of units in issue at the end of each financial year.		19,800
income distribution per unit		-
expense ratio.		0.27%

#### Albilad Capital Headquarters:

Telephone: +966 920003636  
Fax: +966 11 2906299  
PO Box: 140 Riyadh 11411, Saudi Arabia

#### For more information contact us at:

Asset Management  
Telephone: +966 11 2039888  
Fax: +966 11 2039899  
Website: <http://www.albilad-capital.com/En/AssetManagement>



**Disclaimer:** Past performance of the fund is no guide to future performance and the value of investments and income from them can fall as well as rise. Where included, benchmark and index data included in this document are provided for illustrative purposes only To ensure proper understanding of the product and its suitability to the investor's risk profile, it is strongly recommend that the investor read the agreement and the terms and conditions of the fund. All rights reserved to Albilad Investment Company 2021© . (Commercial Registration No. 1010240489) dated 10/07/2017 G, 10/16/1438 H, and is regulated by Saudi Arabia's Capital Market Authority (license No. 08100-37) dated 01/08/1428H 14/08/2007



2. Performance Record

\* Trading date for the fund was February 2020

the total return for 1 year, 3 years and 5 years

	1Year	3 Years	5 Years
total return	0.4%	-	-

the Annual total return for each of the last 10 financial years

	2020
Annual total return	0.4%

a table showing actual fees and fund expenses paid by the investment fund during the year. The Total Expense Ratio should also be clearly disclosed. If there are any circumstances in which a fund manager may elect to waive or rebate any fees, this must also be disclosed.

	Net Value	Expenses Ratio to Average NAV
Management Fee	235,600	0.27%
Transaction Expenses	-	-
Other Expenses	-	-
Total Expenses	235,600	0.27%

Fund Manager did not waive any fees during 2020

3. If there were material changes that occurred during the period and that affected the performance of the fund, these changes must be clearly disclosed

Not applicable

4. Disclosure of the exercise of annual voting rights and it must include the issuer's name and the date of the General Assembly and the subject of the vote and the decision to vote (agree / disagree / abstain from voting)

No general assembly has been attended.

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## ALBILAD SAUDI SOVEREIGN SUKUK ETF

5.The fund's board annual report including, but not limited to, the topics discussed and issued resolutions, as well as the fund performance and fund achievement of its objective

Two board meeting were held during 2020. the first meeting take place at 30 June2020 and the second meeting was at December 23, these are most points were discussed:

- The latest developments in the local and the global markets.
- Fund performance
- Fund board evaluation

### C.Fund Manager

#### 1.Name and address of the fund manager

Al-Bilad Investment Company "Al-Bilad Capital

King Fahd Branch Road - OLAYA 8162

Unit No. 22

Riyadh 12313-3701

Saudi Arabia.

Phone: 920003636 Fax: (966+) 112906299

Al-Bilad Investment Company website: [www.albilad-capital.com](http://www.albilad-capital.com)

#### 2.Names and addresses of sub-manager and/or investment adviser (if any)

Not applicable

#### 3.A review of the investment activities during the period

During the period, the fund invest in the Saudi sovereign sukuk denominated in the Saudi riyal and listed on the main Saudi Stock Exchange (Tadawul) that approved by the Sharia Board in Albilad Capital.

#### 4.A write-up on the investment fund's performance during the period

The fund performance was lower than the benchmark ,where the fund YTD was 0.4% and BM YTD was 3.2%

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## ALBILAD SAUDI SOVEREIGN SUKUK ETF

### 5 . Details of any material changes made during the period

- Updating the terms and condition and the information memorandum.
- Amending the term of "Authorised Persons" to be "Capital Market Institutions" . CMA Board issued its Resolution No. 2-75-2020 Dated 22/12/1441 H corresponding to 12/8/2020G

### 6. Any other information that would enable unitholders to make an informed judgment about the fund's activities during the period

Not applicable

### 7. Where an investment fund invests substantially in other investment funds, a statement must disclose on the proportion of the management fees charged to the fund itself and to funds in which the funds invests

Not applicable

### 8. A statement on any special commission received by the fund manager during the period, clearly identifying what they are and the manner in which they were utilized

Not applicable

### 9. Any other data and other information required by these Regulations to be included in this report

Not applicable

## D. Custodian

### 1. Name and address of custodian

Riyad Capital is a company licensed under the Capital Market Authority License No. (07070-37)

Granada Oasis

2414 Al-SHUHADA District, Unit No. 69

Riyadh 13241-7279,

Saudi Arabia

Phone: +4865898/966114865866

Fax: +966114864859

Email: rcss@riyadcapital.com

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## ALBILAD SAUDI SOVEREIGN SUKUK ETF

### 2. Brief description of its duties and responsibilities

- The custodian is responsible for his obligations in accordance with the provisions of the investment funds, whether he directly discharges his responsibilities or entrusts them to a third party under the provisions of the investment funds regulations or the Capital Market regulations.
- The custodian is responsible towards the fund manager and unit holders for the losses of the fund resulting from its fraud, negligence, intentional misconduct or intentional failure.
- Preserving and protecting the fund's assets for the benefit of the unit holders, and it is also responsible for taking all necessary administrative measures regarding the preservation of the fund's assets.

### 3.A statement based on its opinion whether the fund manager has:

Custody is not required to issued, transferred and redeemed the units in accordance with the provisions of the Investment Funds Regulations and the fund's Terms and Conditions; and valued and calculated the price of units in accordance with the provisions of the Investment Funds Regulations , the fund's Terms and Conditions and the information memorandum; breached any of the investment restrictions, limitations and borrowing powers applicable to the Investment fund Regulations.

## E. Auditor

### 1.Name and address of auditor.

PricewaterhouseCoopers

Kingdom of Saudi Arabia P.O. B. 8282 Riyadh 11482

Phone: +966112110400

Fax: +966112110401

Website: [www.pwc.com](http://www.pwc.com)

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2. A statement whether, in the auditor's opinion:

- the financial statements have been prepared and audited in accordance with SOCPA standards, the Investment Funds Regulations ,the fund's terms and conditions and the information memorandum.
- the financial statements give a true and fair view of the net income and the net gains or losses of the investment fund's assets in that accounting period;
- the financial statements give a true and fair view of the financial position of the investment fund at the end of the period.

## F. Financial Statements

Financial statements for the annual accounting period of the investment fund has been prepared in accordance with SOCPA standards. (Financial Statements attached)

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**ALBILAD SAUDI SOVEREIGN SUKUK ETF  
(AN OPEN ENDED MUTUAL FUND MANAGED BY ALBILAD INVESTMENT COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS AND THE FUND MANAGER**

**FOR THE PERIOD FROM 17 FEBUARY 2020 (DATE OF COMMENCEMENT OF  
OPERATIONS) TO 31 DECEMBER 2020**

**ALBILAD SAUDI SOVEREIGN SUKUK ETF  
(AN OPEN ENDED MUTUAL FUND MANAGED BY ALBILAD INVESTMENT COMPANY)  
FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 17 FEBUARY 2020 (DATE OF COMMENCEMENT OF OPERATIONS)  
TO 31 DECEMBER 2020**

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## *Independent auditor's report to the unitholders and the Fund Manager of Albilad Saudi Sovereign Sukuk ETF*

### *Report on the audit of the financial statements*

#### *Our opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Albilad Saudi Sovereign Sukuk ETF (the "Fund") as at 31 December 2020, and its financial performance and its cash flows for the period from 17 February 2020 (date of commencement of operations) to 31 December 2020, in accordance with the International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

#### **What we have audited**

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of income and other comprehensive income for the period from 17 February 2020 to 31 December 2020;
- the statement of changes in equity attributable to the unitholders for the period from 17 February 2020 to 31 December 2020;
- the statement of cash flows for the period from 17 February 2020 to 31 December 2020; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

#### *Basis for opinion*

We conducted our audit in accordance with the 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Fund in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### *Our audit approach*

##### **Overview**

Key Audit Matter	Valuation of investments at fair value through statement of income (FVSI)
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Fund Manager made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Fund, the accounting processes and controls, and the industry in which the Fund operates.

## *Independent auditor's report to the unitholders and the Fund Manager of Albilad Saudi Sovereign Sukuk ETF (continued)*

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matter</b>	<b>How our audit addressed the Key audit matter</b>
<p><b>Valuation of investments at fair value through statement of income ("FVSI")</b></p> <p>As at 31 December 2020, the Fund held investments in listed sukuk amounting to Saudi Riyals 166.5 million which have been classified as held at fair value through statement of income FVSI. These investments are carried at fair value with the corresponding fair value change recognized in the statement of income. The fair value of these investments is determined through obtaining market observable prices, as these are actively traded.</p> <p>The valuation of the Fund's investments at FVSI is considered a key audit matter due to the significance of such investments to the Fund's financial statements.</p> <p>Refer to Note 2.6.2 to the accompanying financial statements for the accounting policy of investments and Note 4 for related disclosure of investments held at FVSI.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"><li>• Agreed the carrying value of investments held at FVSI to the underlying list of investments;</li><li>• Obtained market prices as at 31 December 2020 from external sources for a sample of investments held by the Fund, recalculated the fair value of these investments as at 31 December 2020 and compared these to the values included in the list of investments; and</li><li>• Assessed the adequacy of the disclosures in the financial statements.</li></ul>

### **Other information**

The Fund Manager is responsible for the other information. The other information comprises the information included in the annual report, (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### **Responsibilities of the Fund Manager 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 the International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority and the Fund's terms and conditions, 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 Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Fund's Board is responsible for overseeing the Fund's financial reporting process.

## *Independent auditor's report to the unitholders and the Fund Manager of Albilad Saudi Sovereign Sukuk ETF (continued)*

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 the International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund Manager's internal control.
- 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 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 a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**PriceWaterhouseCoopers**



Ali H. Al Basri  
License Number 409

7 April 2021

**ALBILAD SAUDI SOVEREIGN SUKUK ETF**  
**STATEMENT OF FINANCIAL POSITION**  
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2020
<b>Assets</b>		
Cash and cash equivalents	3	262,913
Investments held at fair value through statement of income (FVSI)	4	166,499,533
Prepayments		<u>10,705</u>
<b>Total assets</b>		<b><u>166,773,151</u></b>
<b>Liabilities</b>		
Accrued management fee	5	50,222
Accruals and other liabilities		<u>17,624</u>
<b>Total liabilities</b>		<b><u>67,846</u></b>
<b>Equity attributable to the unitholders</b>		<b><u>166,705,305</u></b>
<b>Units in issue in thousands</b>		<b><u>16,600,000</u></b>
<b>Equity per unit in Saudi Riyals</b>		<b><u>10.0425</u></b>

The accompanying notes from 1 to 13 form an integral part of these financial statements.

**ALBILAD SAUDI SOVEREIGN SUKUK ETF**  
**STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the period from 17 February 2020 (date of commencement of operations) to 31 December 2020
<b>Income</b>		
Special commission income on investments held at FVSI	4	3,662,417
Unrealised loss on investments held at FVSI	4	(1,204,693)
Loss on sale of investments held at FVSI		<u>(915,664)</u>
<b>Total income</b>		<u>1,542,060</u>
<b>Expenses</b>		
Management fee	5	50,222
Custody fee	5	37,334
Other expenses	6	<u>148,044</u>
<b>Total expenses</b>		<u>235,600</u>
<b>Net income for the period</b>		1,306,460
Other comprehensive income for the period		<u>-</u>
<b>Total comprehensive income for the period</b>		<u>1,306,460</u>

The accompanying notes from 1 to 13 form an integral part of these financial statements.

**ALBILAD SAUDI SOVEREIGN SUKUK ETF**  
**STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS**  
 (All amounts in Saudi Riyals unless otherwise stated)

	For the period from 17 February 2020 (date of commencement of operations) to 31 December 2020
<b>Equity attributable to the unitholders at the beginning of the period</b>	-
<b>Changes from operations</b>	
Total comprehensive income for the period	1,306,460
<b>Changes from unit transactions</b>	
Proceeds from issuance of units	167,463,779
Payment against units redeemed	-
Net change from unit transactions	167,463,779
Dividend paid	7 <u>(2,064,934)</u>
<b>Equity attributable to the unitholders at the end of the period</b>	<b><u>166,705,305</u></b>

Transactions in units for the period ended 31 December are summarized as follows:

	For the period from 17 February 2020 (date of commencement of operations) to 31 December 2020
<b>Units at the beginning of the period</b>	-
Units issued	16,600,000
Units redeemed	-
Net change in units	<u>16,600,000</u>
<b>Units at the end of the period</b>	<b><u>16,600,000</u></b>

The accompanying notes from 1 to 13 form an integral part of these financial statements.

**ALBILAD SAUDI SOVEREIGN SUKUK ETF**  
**STATEMENT OF CASH FLOWS**  
(All amounts in Saudi Riyals unless otherwise stated)

		For the period from 17 February 2020 (date of commencement of operations) to 31 December 2020
	Note	
<b>Cash flows from operating activities</b>		
Net income for the period		1,306,460
Adjustments for:		
- Unrealised loss on investments held at FVSI	4	1,204,693
- Special commission income on investments held at FVSI (sukuk)	4	<u>(3,662,417)</u>
		<u>(1,151,264)</u>
<b>Net changes in operating assets and liabilities</b>		
Investments held at FVSI		(165,805,566)
Prepayments		(10,705)
Accrued management fee		50,222
Accruals and other liabilities		<u>17,624</u>
Cash used in operations		<u>(166,899,689)</u>
Profit received on investment in sukuk	4	<u>(1,763,757)</u>
<b>Net cash used in operating activities</b>		<u>(165,135,932)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of units		167,463,779
Dividend paid	7	<u>(2,064,934)</u>
<b>Net cash generated from financing activities</b>		<u>165,398,845</u>
<b>Net change in cash and cash equivalents</b>		<b>262,913</b>
Cash and cash equivalents at the beginning of the period		<u>-</u>
<b>Cash and cash equivalents at the end of the period</b>		<b><u>262,913</u></b>

The accompanying notes from 1 to 13 form an integral part of these financial statements.

**ALBILAD SAUDI SOVEREIGN SUKUK ETF  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 17 FEBRUARY 2020 (DATE OF COMMENCEMENT OF OPERATIONS)  
TO 31 DECEMBER 2020  
(All amounts in Saudi Riyals unless otherwise stated)**

**1 LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Albilad Saudi Sovereign Sukuk ETF (the "Fund") is an open-ended exchange traded investment fund, managed by Albilad Investment Company (the "Fund Manager"), a subsidiary of Bank Albilad (the "Bank") for the benefit of the Fund's unitholders (the "unitholders"). The objective of the Fund is to seek to simulate the performance of Albilad Ideal Ratings sovereign Sukuk index, which includes Saudi Riyals denominated Sukuk, listed in the Saudi Stock Main Market (Tadawul), with a maturity of 3 months or more. The Fund seeks to distribute monthly dividends to unitholders.

In dealing with the unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund. Furthermore, the unitholders are considered to be the beneficial owners of the assets of the Fund.

Riyad Capital is the custodian ("the Custodian") of the Fund.

In August 2019, the Capital Market Authority ("CMA") approved Albilad Investment Co.'s request to offer and register "Albilad Saudi Sovereign Sukuk ETF" units on Tadawul as Exchange Traded Fund (ETF). The Fund started trading on Tadawul as an ETF on Jumada Al-Thani 22, 1441H (corresponding to February 17, 2020, with the symbol 9403).

According to the Terms and Conditions of the Fund, its first annual financial period starts from the commencement date of its operations i.e. Jumada Al-Thani 22, 1441H (corresponding to February 17, 2020) to 31 December 2020. According to the Terms and Conditions of the Fund, the financial statements for the subsequent period will be prepared from 1 January 2021 to 31 December 2021.

The Fund is governed by the Investment Fund Regulations ("the Regulations") published by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) as amended by the resolution of the CMA Board on 16 Sha'aban 1437H (corresponding to 23 May 2016).

**1.1 PRIMARY MARKET OPERATION (ISSUANCE AND REDEMPTION OF UNITS)**

The primary market operations are only carried out by the Fund Manager and the authorized Market Maker. The Issuance and Redemption activities are done on the basis of blocks of exchange traded fund (ETF) units (for the Fund, one block equals 100,000 ETF Units), referred to Issuance and Redemption of Units respectively. The process of issuance and redemption of ETF units is on an in-kind basis whereby the Fund Manager and the Market Maker interexchange ETF Units of the Fund and the basket of assets (sukuk), through the custodian, for the purpose of issuance and redemption of ETF units. The issued units are then freely floated on Tadawul for public trading.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below.

**2.1 Basis of preparation**

These financial statements of the Fund have been prepared in accordance with the 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 Certified Public Accountants ("SOCPA").

The financial statements have been prepared on a historical cost convention, except for the revaluation of investments held at fair value through statement of income (FVSI).

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

The Fund can recover or settle all its assets and liabilities within 12 months from the reporting date.

**2.2 Significant accounting estimates and judgments**

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future years affected. There are no areas of significant judgment or significant assumption used in the preparation of these financial statements.



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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 Changes in accounting policy and disclosures**

**(i) New standards effective in current year**

The International Accounting Standard Board (IASB) has issued the following amendments to accounting standards, which are effective from 1 January 2020 but do not have any significant impact on the financial statements of the Fund.

- (a) Amendments to IFRS 3: Definition of a Business
- (b) Amendments to IAS 1 and IAS 8: Definition of Material
- (c) Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

**(ii) Accounting standards issued but not yet effective**

The International Accounting Standard Board (IASB) has issued following accounting standards and amendments which were effective from periods on or after 1 January 2021. The Fund has opted not to early adopt these pronouncements and they are not expected to have a significant impact on the financial statements of the Fund.

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions.
- Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9.
- Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2.
- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities.
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16.
- IFRS 17, 'Insurance contracts'.

**2.4 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). These financial statements are presented in Saudi Riyals ("SAR") which is the Fund's functional and presentation currency. All financial information presented in SAR has been rounded to the nearest thousand.

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency monetary assets and liabilities are translated into SAR using the exchange rates prevailing at the reporting date. Foreign exchange gains and losses arising from the translation of monetary assets and liabilities at exchange rate prevailing at the reporting date and from the settlement of transactions are included in the statement of income. However, the Fund did not have any foreign currency transactions during the period.

**2.5 Cash and cash equivalents**

Cash and cash equivalents comprise balance with Bank AlBilad and balance held in a custodian account with Riyadh Capital. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 Financial instruments**

Financial instruments are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument

All other financial assets and liabilities are initially recognised on the trade date at which the Fund becomes a party to the contractual provision of the instrument.

**2.6.1 Measurement methods**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument i.e. Trade date.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through statement of income (FVSI), 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 FVSI are expensed in the statement of income. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an impairment loss being recognised in the statement of income / (loss) when an asset is newly originated.

**2.6.2 Classification and measurement of financial instruments**

The Fund classifies its equity instruments at FVSI and other financial assets at amortised cost. The classification requirements for equity and debt instruments are described below:

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 equity.

The Fund classifies its investments as held at FVSI. The Fund subsequently measures all equity investments at FVSI, except where the Fund Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income (FVOCI). 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 recognised in OCI and are not subsequently reclassified to the statement of 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 recognised in the statement of income when the Fund's right to receive dividend is established.

The subsequent unrealised revaluation gains / loss on investment held at FVSI is recognised in statement of income.

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.

**Business model:** The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Funds'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 FVSI.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 Financial instruments (continued)**

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.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Funds does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Debt securities held for trading, if any, 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 securities are classified in 'other' business model and measured at FVSI.

**SPPP:** 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 "SPPP" test). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit (or special commission income) 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 FVSI.

Based on the business model and cash flow characteristics, the debt financial assets can be classified as held at amortised cost, FVSI and FVOCI:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit (SPPP), and that are not designated at FVSI, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 2.6.3. Profit earned if any from these financial assets is recognised in the statement of income using the effective commission rate method.

**Fair value through statement of income (FVSI):** If debt instrument's cash flows do not represent solely SPPP or if it is not held within the held to collect or the held to collect and sell business model, or if it is designated at FVSI, then it is measured at FVSI. A gain or loss on a debt investment measured at FVSI is recognised in the statement of income, within "Net gain / (loss) in investments mandatorily measured at FVSI", 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 fair value through profit or loss, within "Net gain / (loss) in investments designated at FVSI"

**Fair value through other comprehensive income (FVOCI):** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVSI, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost, which are recognised in statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of income.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Based on the above evaluation, Fund has classified its investment in Saudi sovereign sukuk as fair value through statement of income (FVSI).

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 Financial instruments (continued)**

**2.6.3 Impairment of financial assets measured at amortised cost**

The Fund assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt financial assets carried at amortised cost. The Fund recognises 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.

Under IFRS 9, loss allowances is measured on either of the following bases:

- (a) *12-month ECLs: these ECLs that result from possible default events within the 12 months after the reporting date; and*
- (b) *lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.*

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

**2.6.4 De-recognition of financial instruments**

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Fund is assessed to have transferred a financial asset, the asset is derecognized if the Fund has transferred substantially all the risks and rewards of ownership. Where the Fund has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Fund has not retained control of the financial asset. The Fund recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expired.

**2.6.5 Financial liabilities**

All financial liabilities are initially recognised at fair value less transaction cost except for financial liabilities measured at FVSI where transaction cost, if any, are not deducted from the fair value measurement at initial recognition and are included in the statement of income. The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVSI.

**2.7 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 it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.8 Accruals and other liabilities**

Liabilities are recognised for amounts to be paid for goods or services received whether or not billed to the Fund. Accruals and other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

**2.9 Equity attributable to the unitholders**

Equity attributable to unitholders is equity and is made up of units issued and retained earnings.

*Redeemable Units*

The Fund classifies its redeemable units as an equity instrument if the redeemable units have all of the following features:

- It entitles the holder to a pro rata share of the Fund's equity in the event of the Fund's liquidation.
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata shares of the Fund's equity.
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised equity or the change in the fair value of the recognised and unrecognised equity of the Fund over the life of the instrument.

In addition - in order to classify instruments as equity - the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised equity or the change in the fair value of the recognised and unrecognised equity of the Fund
- The effect of substantially restricting or fixing the residual return to the instrument holders.

The Fund's redeemable participating units meet the definition of puttable instruments classified as equity instruments under IAS 32.16A-B and accordingly, are classified as equity instruments.

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have any of the features or meet all the conditions set out in paragraphs 16A and 16B of IAS 32, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity attributable to unitholders. If the redeemable units subsequently have all the features and meet the conditions set out in paragraphs 16A and 16B of IAS 32, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification. The subscription and redemption of redeemable units are accounted for as equity transactions as long as units are classified as equity.

Subscription and redemption of units: Units subscribed and redeemed are recorded at net asset value (equity) per unit on the Valuation Day for which the subscription request and redemption applications are received.

The Fund's distributions are classified as dividends paid in the statement of changes in equity attributable to the unitholders.

**2.10 Taxation**

Taxation is the obligation of the unitholders and therefore, no provision for such liability is made in these financial statements.

**2.11 Zakat**

Zakat is the obligation of the unitholders and therefore, no provision for such liability is made in these financial statements.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.12 Value added tax (VAT)**

Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of services to customers. The other entities that transact business with the Fund withhold taxes or recover VAT on services rendered to the Fund. As the Fund cannot recover these amounts, these are expensed in the Statement of Income.

**2.13 Income recognition**

Revenue is recognised 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 measured at the fair value of the consideration received, excluding discounts, taxes and rebates.

Realised gain on disposal of investments held at FVSI is measured as the difference between the sales proceed and the carrying value before disposal.

Net realized gain from investments at FVSI is calculated using the weighted average cost method.

Profit on murabaha deposit is recognised on effective commission rate method.

In accordance with the Shari'a Board's resolutions, income prohibited by Sharia received by the Fund is excluded from the determination of income and is recorded as other liabilities in the statement of financial position. Such amount is determined based on the information available to the Fund Manager on the nature of earnings of investees upon the preparation of these financial statements. Income prohibited by Sharia is paid to charities on a quarterly basis.

**2.14 Fund management and subscription fee**

The Fund pays 1.5% of the Fund's equity value at each Valuation Day as total expense, out of which, management fee is paid as a balancing item after deducting all other expenses of the Fund.

**3 CASH AND CASH EQUIVALENTS**

	<b>As at 31 December 2020</b>
Bank balance	31,344
Balance with the Custodian	231,569
	<u>262,913</u>

**4 INVESTMENT HELD AT FAIR VALUE THROUGH STATEMENT OF INCOME (FVSI)**

The following table represents the movement of investments in sukuk measured at FVSI:

	<b>As at 31 December 2020</b>
<b>Balance as at 17 February 2020</b>	-
Purchased government sukuk during the period	197,517,774
Sold government sukuk during the period	(31,712,208)
Profit from sukuk	
- recognised in the statement of income	3,662,417
- received during the period	(1,763,757)
Loss on revaluation of investment held at FVSI	(1,204,693)
<b>Balance as at 31 December 2020</b>	<u>166,499,533</u>

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**5 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties comprise the unitholders, Fund Manager, beneficial owners of the unitholders, Fund Board Directors, key management personnel and any businesses which are controlled, either directly or indirectly, by the unitholders or over which they exercise significant influence ("affiliate"). The Fund enters into transactions in the normal course of business with these parties at prices and terms agreed between the parties.

***Management fee and other expenses***

For management services, the Fund pays 1.5% of the Fund's equity value at each Valuation Day as total expense, out of which, management fee is paid as a balancing item after deducting all other expenses of the Fund.

The Fund Manager also recovers certain expenses incurred on behalf of the Fund within limits mentioned in the Terms and Conditions of the Fund.

***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 Board.

Following table summarises the details of transactions with related parties:

			For the period from 17 February 2020 (date of commencement of operations) to 31 December 2020
		Note	
<b>Related party</b>	<b>Nature of relationship</b>	<b>Nature of transaction</b>	
AlBilad Investment Company	Fund Manager	Management fee	50,222
Riyad Capital Fund Board	Custodian of the Fund Members of the Fund board	Custody fee Fund board fee	37,334 4,000
		6	

Following table summarises the details of balances with related parties:

			As at 31 December 2020
<b>Nature of balance</b>	<b>Related Party</b>		
Cash and cash equivalents	Albilad Investment Company	3	31,344
Cash and cash equivalents	Riyad Capital - Custodian of Fund	3	231,569
Custody fee payable	Riyad Capital - Custodian of Fund		37,334
Fund Board fee payable	Members of the Fund Board		4,000
Accrued management fee	Albilad Investment Company – Fund Manager		50,222

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**6 OTHER EXPENSES**

	For the period from 17 February 2020 (date of commencement of operations) to 31 December 2020
Security registration fees	44,752
Benchmarking expense	26,219
Value added tax expense	25,573
Audit fee	25,000
Fund Board fee	4,000
Other expenses	22,500
	<b>148,044</b>

**7 DIVIDEND DISTRIBUTION**

During the period, the Fund has distributed the following dividends to the unitholders:

Date of distribution	Outstanding units	Dividend per unit	Dividend distributed
1 April 2020	3,200,000	0.0519	166,184
4 May 2020	3,600,000	0.0674	242,637
5 August 2020	7,800,000	0.0366	285,244
31 August 2020	8,800,000	0.0233	204,921
30 September 2020	12,400,000	0.0342	423,641
1 November 2020	13,700,000	0.0542	742,307
			<b>2,064,934</b>

**8 FAIR VALUES OF FINANCIAL INSTRUMENTS**

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

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

**Determination of fair value and fair value hierarchy**

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The fair values of financial instruments which are not measured at fair value in these financial statements are not significantly different from the carrying values included in the financial statements.



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**8 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

At 31 December 2020	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at fair value</b>					
<i>Investments held at FVSI</i>	166,499,533	166,499,533	-	-	166,499,533
	<b>166,499,533</b>	<b>166,499,533</b>	<b>-</b>	<b>-</b>	<b>166,499,533</b>
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents	262,913	-	-	262,913	262,913
	<b>262,913</b>	<b>-</b>	<b>-</b>	<b>262,913</b>	<b>262,913</b>
<b>Financial liabilities not measured at fair value</b>					
Accrued management fee	50,222	-	-	50,222	50,222
Accrual and other liabilities	17,624	-	-	17,624	17,624
	<b>67,846</b>	<b>-</b>	<b>-</b>	<b>67,846</b>	<b>67,846</b>

**9 FINANCIAL RISK MANAGEMENT**

**9.1 Financial risk factors**

The objective of the Funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unitholders and to ensure reasonable safety to the unitholders.

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

**(a) Market risk**

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, commission rate risk and price risk.

**(i) Foreign exchange risk**

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency.

All the Fund's transactions and balances are in Saudi Riyals and therefore the Fund is not exposed to foreign exchange risk.

**(ii) Commission rate risk**

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates. Fund has all its investment in fixed rate Saudi Government Sukuks, therefore, Fund is not exposed to commission rate risk.

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**9 FINANCIAL RISK MANAGEMENT (continued)**

**9.1 Financial risk factors (continued)**

(iii) 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 price risk arises primarily from uncertainty about the future prices of the financial instruments that the Fund holds. The Fund Manager closely monitors the price movement of its financial instruments listed at Saudi Stock Exchange. The Fund manages the risk through diversification of its investment portfolio by investing in various industry sectors.

The effect on the equity attributable to the unitholders (as a result of the change in the fair value of these investments held at FVSI as at 31 December 2020) due to a reasonably possible change in prices of these investments based on the market concentration, with all other variables held constants is as follows:

	<b>31 December 2020</b>	
	<b>Potential reasonable change %</b>	<b>Effect on NAV</b>
<b>Financial Instrument subject to price risk</b>		
Special commission income on investments held at FVSI	+/- 5	183,121
Unrealised loss on investments held at FVSI	+/- 5	60,235

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum exposure to credit risk amounts to Saudi Riyals 166,762,446. The Bank balance is held with bank which has a sound credit rating and has low credit risk.

All financial assets at amortised cost were considered for ECL as on 31 December 2020. However, the impact of ECL on these assets was immaterial as the cash and cash equivalents are held with the Bank and Custodian with sound credit ratings. There is no history of default for recovery of these balances. Further the sukuk are carried at FVSI.

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's terms and conditions provide for subscription and redemption of units on every Valuation Day and it is, therefore, exposed to the liquidity risk of meeting redemptions at any time. The Fund's securities are considered to be readily realizable and they can be liquidated at any time. However, the Fund Manager has established certain liquidity guidelines for the Fund and monitors liquidity requirements on a regular basis to ensure sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by obtaining financing from the related parties of the Fund.

Fund settles its financial liabilities relating to accrued management fee and other expenses on quarterly basis.

The Fund manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through obtaining loan from related party, or liquidation of its investments.

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**9 FINANCIAL RISK MANAGEMENT (continued)**

**9.1 Financial risk factors (continued)**

Following table shows the Fund manager's expectation of timing for settlement of financial liabilities:

As at 31 December 2020

	Less than 7 days	7 days to 1 month	1-12 months	More than 12 months	Total
<b>Financial assets</b>					
Cash and cash equivalents	262,913	-	-	-	262,913
Investments held at FVSI	-	1,609,631	164,889,902	-	166,499,533
	<u>262,913</u>	<u>1,609,631</u>	<u>164,889,902</u>	<u>-</u>	<u>166,762,446</u>
<b>Financial liabilities</b>					
Accrued management fee	-	-	50,222	-	50,222
Accruals and other liabilities	-	-	17,624	-	17,624
	<u>-</u>	<u>-</u>	<u>67,846</u>	<u>-</u>	<u>67,846</u>
<b>Liquidity gap</b>	<u>262,913</u>	<u>1,609,631</u>	<u>164,822,056</u>	<u>-</u>	<u>166,694,600</u>

**9.2 Capital risk management**

The capital of the Fund is represented by the equity attributable to the holders of redeemable units. The amount of equity attributable to the holders of redeemable units can change significantly on each valuation day, as the Fund is subject to subscriptions and redemptions at the discretion of unitholders on every Valuation Day, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain the capital structure, the Fund's policy is to monitor the level of subscriptions and redemptions relative to the assets it expects to be able to liquidate and adjust the amount of dividend distributions the Fund pays to redeemable units.

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

**10 FINANCIAL INSTRUMENTS BY CATEGORY**

Financial assets	Amortised cost	FVSI
<b>31 December 2020</b>		
Cash and cash equivalents	262,913	-
Investments held at FVSI	-	166,499,533
<b>Total</b>	<u>262,913</u>	<u>166,499,533</u>
<b>Financial liabilities</b>	<b>Amortised cost</b>	
<b>31 December 2020</b>		
Accrued management fee		50,222
Accruals and other liabilities		17,624
<b>Total</b>		<u>67,846</u>

**11 LAST VALUATION DAY**

In accordance with the terms and conditions of the Fund, the last valuation day for the year was 31 December 2020.

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**12 IMPACT OF COVID-19 ON THE FUND**

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by the Government to contain the virus have affected economic activities. The Fund Manager has taken several measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for employees (such as social distancing and working from home).

During the period, the fair value of the investment in sukuk has slightly declined due to the COVID-19. As the Fund operates in the business of fixed rate sukuk investments, therefore, the Fund's performance is not materially affected from the decline in index rates. The Fund Manager will continue to follow the Government's policies and advice and, in parallel, the Fund will do the utmost to continue operations in the best and safest way possible without jeopardising the health and safety of the Fund Manager's employees.

**13 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Fund Board on 31 March 2021.