



## ALBILAD GOLD ETF

### A) Investment Fund Information

#### 1) Name of Investment Fund

Albilad Gold ETF

#### 2) Investment objectives, policies and poloces

The fund aims to closely track the performance of the instrument DGSG spot contract which, is listed on Dubai Gold and Commodities Exchange (DGCX). The fund will be passively managed by purchasing physical gold and storing it in Dubai Multi Commodities Centre (DMCC). The fund will purchase Shariah compliant spot gold contracts from DGCX to achieve performance of gold commodity on a daily basis, before the deduction of fees and expenses.

#### 3) Distribution of income and gain policy

Not applicable

#### 4) The fund's reports are available upon request free of charge

#### 5) Description of the fund's benchmark and the service provider's website (if any)

Benchmark: It is the price of the spot gold contract that complies with Shariah Standards , used on the DGCX. The ticker of the index on the stock exchange website is DGSG

Index provider: Dubai Gold and Commodities Exchange

The principles and methodology used to calculate the indicator:

The methodology for the benchmark (the DGCX spot gold price ) is calculating the price of Shariah compliant spot gold contracts from DGCX. Where the value of the index will be calculated using the latest deal price (the value is set through market factors (bid and ask) and trading mechanism. The ticker of the index according to the exchange's website is DGSG.

### B) Fund Performance

#### 1) Comparative table covering the last 3 financial years (or since inception)

\* Trading date for the fund was June 2020

Item	2021	2020
The fund net assets value at the end of each financial year	98,776,509	118,232,485
The fund net assets value per unit at the end of each financial year	10.1831	10.7484
Highest net asset value per unit for each financial year.	11.0571	11.7981
Lowest net asset value per unit for each financial year.	9.5561	9.7193
The number of units in issue at the end of each financial year.	9,700	11,000
Income distribution per unit	-	-
Expense ratio	1.7%	1.0%
Percentage of borrowed assets from the total asset value, the period of their exposure period and due date (if any)	-	-
Results of comparing the performance of the benchmark with the performance of the fund	-2.4%	-1.5%

#### 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>





## Annual Report to Unitholders 2021

### ALBILAD GOLD ETF

#### 2) Performance record

The total return for one year, three years and five years (and since inception (where applicable))

\* Trading date for the fund was June 2020

Item	One Year	Three Year	Five Years	Since Inception
Total return	-6.14%	-	-	0.91%

the Annual total return for each of the last 10 financial years (or since inception)

Year	Since Inception	2020	2021
Annual total return	0.91%	6.00%	-6.14%

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
Subscription Fees	-	-
Management Fees	1,475,976	1.30%
Purification Fees	-	-
Audit Fees	24,863	0.02%
Custody Fees	226,678	0.20%
Other Expenses	-	-
Board Member Remuneration	3,978	0.004%
Publishing Fees	9,945	0.01%
Benchmark Fees	37,295	0.03%
VAT	61,806	0.05%
Dealing Expenses	-	-
Fund Administration Fees	-	-
Other Expenses	-	-
Eadaa Expenses	74,163	0.07%
GMA	44,753	0.04%
Total Expenses	1,959,458	1.73%

\*Fund Manger did not waive any fees during 2021

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

#### 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>





## ALBILAD GOLD ETF

### 5) The fund's board annual report including but not limited to:

#### A) Names of the fund board members, and indicating membership type

- |                                       |  |
|---------------------------------------|--|
| 1- Zaid bin Muhammad Saad Al-Mufraih  | non-independent Chairman of the Board of Directors |
| 2- Haytham bin Sulaiman Al-Suhaimi    | non-independent member of the Board of Directors   |
| 3- Khalid Muhammad Abdullah Al-Sharif | independent member of the Board of Directors       |
| 4- Omar Ali Bassal                    | independent member of the Board of Directors       |

#### B) A brief about the fund board member's qualifications.

##### 1. Mr. Zaid bin Muhammad Saad Al-Mufraih (Chairman of the Board of Directors)

Country Chief Financial Officer, more than 15 years of experience in the financial markets. He previously held several leadership positions in the banking and financial services sector in the Kingdom, through which he gained experience to lead investment organizations through the tasks and responsibilities assigned to him professionally and professionally.

##### 2. Mr. Haytham bin Sulaiman Al-Suhaimi (non-independent member of the Board of Directors)

He holds a master's degree in investment science and financing risks from the University of Westminster in London, United Kingdom, held several positions in management work at SAPIN UAE, and subsequent experiences since 2015 in Jadwa Investment and then Albilad Capital as a financial analyst in investment banking, private equity and business development. (Member of the Board of Directors and Vice President of Business Development at Albilad Capital)

##### 3. MR. Khalid Muhammad Abdullah Al-Sharif (independent member of the Board of Directors)

Master of Business Administration from Al-Yamamah University in Riyadh. He has held the position of Executive Vice President of the Saudi Credit Information Company - SIMAH since August 2015 until then, and a member of the Board of Directors of Karar Consulting Company. And tasks during his career, which extends for more than 25 years, at the Saudi Arabian Monetary Agency, the Capital Market Authority, and the SIMAH Credit Rating Agency as the first Chairman of the Board of Directors for which he contributed mainly to its establishment. He participated in many supervisory and supervisory committees and workshops.

##### 4. Mr. Omar Ali Bassal (independent member of the Board of Directors)

Master of Business Administration, Financial Management and Statistics, with honours, Mr. Omar has more than ten years of experience in the financial field and is currently the Director of Asset Management at the Mohammed Ibrahim Al-Subaie & Sons Company.

#### 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>





## ALBILAD GOLD ETF

C) Description of the roles and responsibilities.

The responsibilities of the fund's board members include, but are not limited to the following:

- Approval of all substantial contracts, decisions and reports to which the fund is a party, including, but not limited to, approval of contracts for the provision of management services to the fund and custody services contracts. This does not include contracts concluded in accordance with investment decisions regarding any investments made or to be made by the fund. In the future.
- Adopting a written policy regarding voting rights related to the fund's assets
- Approval of the appointment of the fund's external auditor to be nominated by the fund manager
- Supervising and, when appropriate, approving and approving any conflicts of interest disclosed by the fund manager
- Meeting at least twice annually with the Fund Manager's Compliance and Compliance Committee or its Compliance Officer to review the fund's compliance with all relevant laws, regulations and regulations.
- Ensuring the probability and accuracy of the terms and conditions of the fund, the information memorandum, and any other document (whether it is a contract or otherwise) that includes disclosures related to the fund, the fund manager and its management of the fund, in addition to ensuring that the foregoing is consistent with the provisions of the investment funds regulations.
- Ensure that the fund manager carries out his responsibilities in the interest of unit holders in accordance with the provisions of the investment funds regulations, the fund's terms and conditions and the information memorandum.
- Ensure that the fund manager is committed to disclosing material information for unit holders and other stakeholders
- Acting with honesty, good faith, concern, skill, diligence and diligence for the benefit of the fund and the unit holders. The duties of fund include the duty of sincerity, attention and reasonable diligence.
- Record meeting minutes showing the proceedings of the meetings and the decisions taken by the council.

D) Details on the remuneration of the fund board members

All independent board members of the fund board shall be granted a remuneration of SAR 40,000 annually maximum . (SAR 20,000 per independent member) for all meetings attended during the year for funds' managed by Albilad Capital, distributed equally on all mutual funds except Real estate funds. Remuneration shall be calculated on every valuation date cumulatively and will be deducted and paid once a year.

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

There are no practical activities or interests of the fund manager or members of its board of directors that are likely to conflict with their responsibilities or performance towards the fund, and if any, they will be disclosed.

### 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>





## ALBILAD GOLD ETF

F) A statement showing all the funds boards that the relevant board member is participating in.

Fund Name	Zaid Al-mufarih	Haytham Al-Suhaimi	Khalid Al-Sharif	Omar Bassal
<b>Albilad Pure</b>	Chairman of Board of Directors	Non-independent member	independent member	independent member
<b>Saudi Equity Fund</b>				
<b>Albilad SAR Murabaha Fund</b>	Chairman of Board of Directors	Non-independent member	independent member	independent member
<b>Albilad Kuwait Equity Fund</b>	Chairman of Board of Directors	Non-independent member	independent member	independent member
<b>Albilad Saudi Income Fund</b>	Chairman of Board of Directors	Non-independent member	independent member	independent member
<b>Albilad GCC Income Fund</b>	Chairman of Board of Directors	Non-independent member	independent member	independent member
<b>Albilad Fund of REIT Funds</b>	Chairman of Board of Directors	Non-independent member	independent member	independent member
<b>Albilad Investment Fund 2</b>	Chairman of Board of Directors	Non-independent member	independent member	independent member
<b>Nusaned Fund</b>		Non-independent member		
<b>Albilad Saudi Sovereign Sukuk</b>	Chairman of Board of Directors	Non-independent member	independent member	independent member
<b>ETF</b>				
<b>Albilad Gold ETF</b>	Chairman of Board of Directors	Non-independent member	independent member	independent member
<b>Albilad Diversified SAR Fund</b>	Chairman of Board of Directors	Non-independent member	independent member	independent member
<b>AlbiladHospitality Fund in</b>				
<b>Makkah Al-Mukarramah</b>	Chairman of Board of Directors		independent member	
<b>Dahia Investment Fund</b>	Chairman of Board of Directors		independent member	
<b>Al Wasat Commercial Complex</b>	Chairman of Board of Directors		independent member	
<b>II Fund</b>				
<b>Canary Al-Khuzami Compound</b>	Chairman of Board of Directors		independent member	
<b>Real Estate Fund</b>				
<b>Ensan Endowment Investment</b>	Chairman of Board of Directors		independent member	
<b>Fund</b>				
<b>Medical Village Fund 1</b>	Chairman of Board of Directors		independent member	
<b>Al Muzdalafa Real Estate</b>	Chairman of Board of Directors		independent member	
<b>Compound Fund</b>				
<b>Safa Najd Fund</b>	Chairman of Board of Directors		independent member	
<b>Albilad MSCI US Equity ETF</b>	Chairman of Board of Directors	Non-independent member	independent member	independent member
<b>Bilad Alawali Real Estate Fund I</b>	Chairman of Board of Directors		independent member	

G) the topics discussed and issued resolutions, as well as the fund performance and fund achievement of its objective

Two board meeting were held during 2021. the first meeting take place at 28 July 2021 and the second meeting was at December 21, these are most points were discussed:

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

### 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>





## ALBILAD GOLD ETF

### 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 advisor (if any)

Not applicable

#### 3) Review of the investment activities during the period

The fund invested in instant gold contracts approved by Albilad Capital's Shariah Board

#### 4) A report of investment fund performance during the period

The benchmark's performance during the period was better than the fund's performance by 2.4%. Where the fund achieved -6.1% in comparison with the benchmark's performance which achieved -3.7%

#### 5) Details of any material changes to the Fund's Terms and Conditions

- Updating the fund's board of directors
- Updating the fund manager's board of directors

#### 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>





## ALBILAD GOLD ETF

---

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

Not applicable

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

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

10) Period for the management of the person registered as fund manager

Since June 2020 - a year and six months

11) A disclosure of the expense ratio of each underlying fund at the end of year and the weighted average ratio of all underlying funds that invested in

Not applicable

---

### 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>





## ALBILAD GOLD ETF

### 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

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

- The custodian is responsible for his obligations in accordance with the provisions of the Investment Funds Regulations, whether he performs his responsibilities directly or entrusts them to a third party under the provisions of the Investment Funds Regulations and the Saudi Stock Exchange Institutions Regulations. The custodian is responsible towards the fund manager and unit holders for the losses of the fund resulting from its fraud, negligence, misconduct or intentional default.
- The custodian is responsible for preserving and protecting the fund's assets for the benefit of the unit holders, and he is also responsible for taking all necessary administrative procedures in relation to preserving the fund's assets.
- The fund's assets are owned by the fund's unit holders collectively, and it is not permissible for the fund manager, sub-fund manager, custodian, sub-custodian, counselor or distributor to have any interest in the fund's assets or any claim therein, unless the fund manager or manager is The sub-fund, the custodian, the sub-custodian, the advising provider, or the distributor is the owner of the fund's units, within the limits of its ownership, or these claims were permitted under the provisions of the investment funds regulations and to be disclosed in the terms and conditions
- With the exception of the fund units owned by the fund manager, sub-fund manager, custodian, sub-custodian, counselor or distributor, and within the limits of what the debtor owns, the creditors of the fund manager, sub-fund manager, custodian or custodian, counselor or distributor may have no right to any claims or dues in the fund's money or assets

#### 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>







## ALBILAD GOLD ETF

### E) Fund Operator

#### 1) Name and address of Fund Operator

Albilad Investment Company "Albilad Capital"

8162 King Fahd Branch Road - Olaya

Unit No. 22

Riyadh 12313-3701

Kingdom of Saudi Arabia.

Telephone: 920003636 FAX: +966112906299

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

1. The fund operator must establish a register of unitholders and must maintain it in the Kingdom.
2. The fund operator must maintain at least the following information in the register:
  - The name, address and contact numbers of each unitholder
  - The national identification number, residence number (Iqama), passport number or commercial registration number of the unitholder when applicable, or any other identification as determined by the Authority
  - The nationality of the unitholder
  - The date on which the unitholder was registered in the register
  - Details of all transactions in relation to units conducted by each unitholder
  - The current balance of the number of units (including fractions of a unit) held by each unitholder
  - Any restriction or right attached to units owned by the unitholder

#### For more information contact us at:

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

#### Albilad Capital Headquarters:

Telephone: +966 920003636  
Fax: +966 11 2906299





## ALBILAD GOLD ETF

3. The fund operator must update the register of unitholders immediately to reflect changes to information referred to in Paragraph 2 above
4. The fund operator shall be responsible for the process of dividends distribution to unitholders.
5. The fund operator must process requests for subscriptions or redemption at the price calculated at the next valuation point following the deadline for submission of requests for subscription or redemption.
6. A fund operator must be obliged to meet subscription or redemption requests, subject to any provisions to the contrary in the public Fund's Terms and Conditions or in these Regulations.
7. The fund operator must pay the unitholder proceeds of redemption no later than the close of business on the fifth day at the latest of the following the valuation point at which the price for the redemption was determined.
8. The fund operator shall be responsible for valuing the assets of the public fund. In so doing, the fund operator shall conduct a full and fair valuation.
9. The assets of a public fund must be valued by the fund operator each dealing day at such time as specified in the Terms and Conditions of such public fund, and for the duration not exceeding one day from the deadline for submission of requests for subscription or redemption.
10. The fund operator must comply with the provisions of Annex (5) of these Regulations in relation to valuation of the public funds.
11. The fund operator shall be responsible for calculating the price of the units in a public fund that it operates. The price of units for subscriptions and redemptions on any dealing day shall be calculated by reference to the net asset value per unit of the public fund at the valuation point on the relevant dealing day.
12. The fund operator must state the Unit prices to at least four decimal places.
13. The fund operator must record each instance where an asset of the public fund is valued incorrectly or the price of a unit is calculated incorrectly
14. The fund operator must compensate all harmed unitholders (including former unitholders) as soon as reasonably practicable for all valuation or pricing errors

### 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>





## ALBILAD GOLD ETF

### 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)

### 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)

#### 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>



**ALBILAD GOLD ETF  
(AN OPEN ENDED EXCHANGE TRADED FUND MANAGED BY ALBILAD INVESTMENT  
COMPANY)**

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

**FOR THE YEAR ENDED 31 DECEMBER 2021**

**ALBILAD GOLD ETF  
(AN OPEN ENDED EXCHANGE TRADED FUND MANAGED BY ALBILAD INVESTMENT COMPANY)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

<b>Index</b>	<b>Page</b>
Independent auditor's report	1 - 3
Statement of financial position	4
Statement of income and other comprehensive income	5
Statement of changes in equity attributable to the unitholders	6
Statement of cash flows	7
Notes to the financial statements	8 - 18



## Independent auditor's report to the unitholders and the Fund Manager of Albilad Gold ETF

### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Albilad Gold ETF (the "Fund") as at 31 December 2021, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards, 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).

### What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of income and other comprehensive income for the year then ended;
- the statement of changes in equity attributable to the unitholders for the year then ended;
- the statement of cash flows for the for the year then ended; 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 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 investment in physical gold
------------------	--

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 Gold 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.

Key audit matter	How our audit addressed the Key audit matter
<p><b>Valuation of investment in physical gold</b></p> <p>As at 31 December 2021, the Fund held investment in physical gold (“investments”) amounting to Saudi Riyals 98.172 million which has 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.</p> <p>The valuation of the Fund’s investments is considered a key audit matter due to the significance of such investments to the Fund’s financial statements.</p> <p><i>Refer to Note 2.6 to the accompanying financial statements for the accounting policy for investments and Note 4 for related disclosure of investments.</i></p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Agreed the carrying value of investments to the underlying list of investments;</li> <li>• Obtained market price of physical gold held as at 31 December 2021 from external sources, recalculated the fair value of investments as at 31 December 2021 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 the Fund Board.

### Responsibilities of the Fund Manager and Fund Board 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 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 the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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



## Independent auditor's report to the unitholders and the Fund Manager of Albilad Gold 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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional 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 the Fund Board 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 the Fund Board 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 the Fund Board, 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

Mufaddal A. Ali  
License Number 447

30 March 2022





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

	Note	As at 31 December 2021	As at 31 December 2020
<b>Assets</b>			
Cash and cash equivalents	5	1,049,122	2,059,150
Investment in physical gold	4	98,172,000	116,690,760
Receivable against sale of investment		49,975	5,141
<b>Total assets</b>		<b>99,271,097</b>	<b>118,755,051</b>
<b>Liabilities</b>			
Accrued management fee	5	68,638	125,842
Accrual and other liabilities		425,950	181,172
Payable against purchase of investment		-	215,552
<b>Total liabilities</b>		<b>494,588</b>	<b>522,566</b>
<b>Equity attributable to the unitholders</b>		<b>98,776,509</b>	<b>118,232,485</b>
<b>Units in issue in thousands</b>		<b>9,700,000</b>	<b>11,000,000</b>
<b>Equity per unit</b>		<b>10.1831</b>	<b>10.7484</b>

The accompanying notes from 1 to 10 form an integral part of these financial statements.

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

		For the year ended	For the period from
	Note	31 December 2021	2 June 2020 (date of commencement of operations) to 31 December 2020
<b>Income</b>			
Unrealised (loss) / gain on re-measurement of investment in physical gold	4	<b>(2,623,243)</b>	7,633,188
Realized (loss) / gain on sale of investment in physical gold		<b>(340,635)</b>	2,765,633
<b>Total (expense) / income</b>		<b>(2,963,878)</b>	10,398,821
<b>Expenses</b>			
Management fee	5	<b>1,222,946</b>	591,078
Custody fee	5	<b>226,678</b>	303,998
Other expenses		<b>509,834</b>	281,675
<b>Total expenses</b>		<b>1,959,458</b>	1,176,751
<b>Net (loss) / income for the year / period</b>		<b>(4,923,336)</b>	9,222,070
Other comprehensive income for the year / period		-	-
<b>Total comprehensive (loss) / income for the year / period</b>		<b>(4,923,336)</b>	9,222,070

The accompanying notes from 1 to 10 form an integral part of these financial statements.

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

	For the year ended 31 December 2021	For the period from 2 June 2020 (date of commencement of operations) to 31 December 2020
<b>Equity attributable to the unitholders at the beginning of the year / period</b>	<b>118,232,485</b>	-
<b>Changes from operations</b>		
Total comprehensive (loss) / income for the year / period	<b>(4,923,336)</b>	9,222,070
<b>Changes from unit transactions</b>		
Proceeds from issuance of units	<b>13,542,010</b>	153,829,885
Payment against units redeemed	<b>(28,074,650)</b>	(44,819,470)
Net change from unit transactions	<b>(14,532,640)</b>	109,010,415
<b>Equity attributable to the unitholders at the end of the year / period</b>	<b>98,776,509</b>	118,232,485

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

	For the year ended 31 December 2021	For the period from 2 June 2020 (date of commencement of operations) to 31 December 2020
<b>Units at the beginning of the year / period</b>	<b>11,000,000</b>	-
Units issued	<b>1,400,000</b>	15,600,000
Units redeemed	<b>(2,700,000)</b>	(4,600,000)
Net change in units	<b>(1,300,000)</b>	11,000,000
<b>Units at the end of the year / period</b>	<b>9,700,000</b>	11,000,000

The accompanying notes from 1 to 10 form an integral part of these financial statements.

**ALBILAD GOLD ETF**  
**STATEMENT OF CASH FLOWS**

(All amounts in Saudi Riyals unless otherwise stated)

	For the year ended Note 31 December 2021	For the period from 2 June 2020 (date of commencement of operations) to 31 December 2020
<b>Cash flows from operating activities</b>		
Net (loss) / income for the year / period	(4,923,336)	9,222,070
Adjustments for:		
Unrealised loss / (gain) on re-measurement of investment in physical gold	4 <u>2,623,243</u>	(7,633,188)
	<u>(2,300,093)</u>	1,588,882
<b>Net changes in operating assets and liabilities</b>		
Investment in physical gold	15,895,517	(109,057,572)
Receivable against sale of investment	(44,834)	(5,141)
Accrued management fee	(57,204)	125,842
Accruals and other liabilities	244,778	181,172
Payable against purchase of investment	<u>(215,552)</u>	215,552
<b>Net cash generated from / (used in) operating activities</b>	<u>13,522,612</u>	<u>(106,951,265)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of units	13,542,010	153,829,885
Payment against units redeemed	<u>(28,074,650)</u>	(44,819,470)
<b>Net cash (used in) / generated from financing activities</b>	<u>(14,532,640)</u>	109,010,415
<b>Net change in cash and cash equivalents</b>		
	(1,010,028)	2,059,150
Cash and cash equivalents at the beginning of the year / period	<u>2,059,150</u>	-
<b>Cash and cash equivalents at the end of the year / period</b>	5 <u>1,049,122</u>	2,059,150

The accompanying notes from 1 to 10 form an integral part of these financial statements.

**ALBILAD GOLD ETF**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**1 LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Albilad Gold ETF is an open-ended Exchange Traded Fund; offers investors a Shariah-compliant opportunity to invest in physical gold. The Fund closely tracks the returns of gold through an Exchange-traded Fund structure, where units are tradeable on Saudi Exchange. The Fund is 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 mimic the performance of Spot Gold Sharia Contracts in DGCX (Dubai Gold and Commodities Exchange) and physical gold, that do not conflict with Shari'ah rules.

All Gold Bars acquired and owned by the Fund are deposited and safe-kept by the (the "Custodian") Riyad Capital, a subsidiary of Riyad Bank, in the Fund Allocated Account on an Allocated Basis where each Gold Bar is uniquely identifiable and segregated from other precious metals held by the Custodian. Gold is kept in the safe custody of the Custodian at a secured vault in Dubai, United Arab Emirates; operated by ("the Sub Custodian") BRINKS GLOBAL under the delegated authority from Albilad Investment Company (the "Fund Manager").

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.

In February 2020, the Capital Market Authority ("CMA") approved Albilad Investment Co.'s request to offer and register "Albilad Gold ETF" units on Saudi Exchange as Exchange Traded Fund (ETF). The Fund started trading on Saudi Exchange as an ETF on Shawwal 10, 1441H (corresponding to 2 June 2020, with the symbol 9405).

According to the Terms and Conditions of the Fund, its first annual financial period starts from the commencement date of its operations i.e. Shawwal 10, 1441H (corresponding to 2 June 2020) and ends on 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 to 31 December.

The Fund is governed by the Investment Fund Regulations ("the Regulations") published by CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006), as amended by the resolution of the CMA Board on 12 Rajab 1442H (corresponding to 24 February 2021).

**1.2 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 5kg of gold bar equivalent to 100,000 ETF Units) on a daily basis (Valuation Day) before the trade start, referred to as 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 (gold bars), through the Custodian, for the purpose of issuance and redemption of the ETF units. The issued units are then freely floated on Saudi Exchange for public trading.

**2 SIGNIFICANT ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

The financial statements 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 Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The financial statements have been prepared on a historical cost convention, except for the re-measurement of investment in physical gold which are carried 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.

**ALBILAD GOLD ETF**  
**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**2 SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.2 Significant accounting estimates and judgements**

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 year 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.

**2.3 Functional and presentation currency**

Items included in these 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 Saudi Riyal.

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. The Fund transacts transactions in either US dollars (USD) or Saudi Riyals (SAR) and since in KSA, the SAR is pegged to USD, therefore, there is no foreign currency revaluation gain / loss recorded during the current year.

**2.4 Cash and cash equivalents**

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

**2.5 Financial instruments**

**2.5.1 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 when an asset is newly originated.

**ALBILAD GOLD ETF**  
**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**2 SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.5.2 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 in equity 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.

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

**2.5.3 Impairment of financial assets held 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.

**ALBILAD GOLD ETF**  
**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**2 SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.5 Financial instruments** (continued)

**2.5.4 De-recognition of financial instruments**

A financial asset is derecognised, 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 derecognised 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 derecognised only if the Fund has not retained control of the financial asset. The Fund recognises separately as assets or liabilities any rights and obligations created or retained in the process.

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

**2.6 Recognition and re-measurement of investment in physical gold inventory**

Under IFRS there is no standard treatment for the classification of physical metals. The Fund Manager has however considered that the measurement of the physical gold, at fair value through statement of income is the most appropriate treatment as it most accurately reflects the substance of the asset.

Based on the Fund's business model assessment, inventory accounting is appropriate. Inventories would typically be measured at the lower of cost and net realisable value. However, an entity that holds inventories to sell them in the near future, generating a profit from fluctuations in prices or traders' margin, applies the commodity broker-trader exception in IAS 2. The term 'commodity' is not defined in IAS 2, but a broker-trader that concluded physical gold is a commodity, measures the inventory at fair value less cost to sell, with changes in fair value recognised in the statement of income.

Accordingly, the Fund initially recognizes the gold inventories at an amount equal to the consideration exchanged / paid or payable i.e. fair value plus the transaction cost. Subsequently this inventory is measured at fair value less cost to sell and any re-measurement gain / loss is recognized in the statement of income.

**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 off-set the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**2.8 Accruals and other liabilities**

Liabilities are recognised for amounts to be paid for goods or serviced 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.



**ALBILAD GOLD ETF**  
**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**2 SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.9 Equity attributable to the unitholders**

Equity attributable to unitholders is equity and is made up of units issued and accumulated earnings / losses.

*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.

The Fund's distributions are classified as dividend distribution 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.

**ALBILAD GOLD ETF**  
**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**2 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 / loss on disposal of investment in gold is measured as the difference between the sales proceed and the carrying value before disposal.

Unrealised gain / loss on revaluation of gold is recognized in statement of income.

In accordance with the Sharia 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 equity value at each Valuation Day as total expense out of which management fee is paid as remaining item after deducting all expenses of the Fund.

**3 NEW AND AMENDED STANDARDS ADOPTED BY THE FUND**

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

The International Accounting Standards Board (IASB) has issued the following amendments to accounting standards, which are effective from 1 January 2021 but do not have any significant impact on the financial statements of the Fund.

- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient.
- Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2.

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

The International Accounting Standard Board (IASB) has issued following standards and amendments which are effective from periods beginning on or after 1 January 2022. 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.

- (a) A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16.
- (b) Amendments to IFRS 16, 'Leases' – COVID-19 related rent concession Extension of the practical Extension of the practical expedient.
- (c) Amendments to IAS 1, Presentation of financial statements', on classification of liabilities.
- (d) Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8.
- (e) Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction.
- (f) IFRS 17, 'Insurance contracts', as amended in June 2020.
- (g) A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts.

**ALBILAD GOLD ETF**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**4 INVESTMENT IN PHYSICAL GOLD**

The movement in investment in physical gold is as follows:

	2021	2020
Opening as at 1 January / at incorporation date 2 June	116,690,760	-
Additions during the year / period	14,367,358	164,988,575
Disposal during the year / period	(30,262,875)	(55,931,003)
Unrealised (loss) / gain on investment revaluation	(2,623,243)	7,633,188
<b>Closing as at 31 December</b>	<b>98,172,000</b>	<b>116,690,760</b>

The impact on equity value (as a result of change in the fair value) due to a reasonable possible change in gold prices, with other variables held constant as follows:

	31 December 2021	
	Reasonable possible change %	Impact on equity
FVSI - investment in physical gold	+/- 1%	+/- 981,720

  

	31 December 2020	
	Reasonable possible change %	Impact on equity
FVSI - investment in physical gold	+/- 1%	+/- 1,166,908

The Fund's investment in physical gold is measured at fair value and is classified under Level - 1.

**5 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties comprise the Fund Manager, Custodian, other funds managed by the Fund Manager, 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.

**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:

Related party	Nature of relationship	Nature of transaction	For the year ended 31 December 2021	For the period from 2 June 2020 (date of commencement of operations) to 31 December 2020
AlBilad Investment Company Fund Manager		Management fee	1,222,946	591,078
Riyad Capital Fund Board	Custodian of the Fund Board	Custody fee	226,678	303,998
		Fund Board fee	3,978	4,000

Following table summarises the details of balances with related parties:

Nature of balance	Related Party	As at 31 December 2021	As at 31 December 2020
Bank balance	Bank AlBilad – Parent of the Fund Manager	-	2,051,765
Accrued management fee	AlBilad Investment Company – Fund Manager	68,638	125,842
Investment account	Riyad Capital - Custodian of the Fund	1,049,122	7,385
Custody fee payable	Riyad Capital - Custodian of the Fund	18,890	17,054
Fund Board fee payable	Members of the Fund Board	3,978	4,000

**ALBILAD GOLD ETF**  
**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**6 FAIR VALUES ESTIMATION**

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.

All the financial instruments of the Fund are measured at amortised cost. 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.

	Fair value			Total
	Level 1	Level 2	Level 3	
<b>At 31 December 2021</b>				
<b><i>Financial assets not measured at fair value</i></b>				
Cash and cash equivalents	-	-	1,049,122	1,049,122
Receivable against sale of investment	-	-	49,975	49,975
	-	-	1,099,097	1,099,097
<b><i>Financial liabilities not measured at fair value</i></b>				
Accrued management fee	-	-	68,638	68,638
Accrual and other liabilities	-	-	425,950	425,950
	-	-	494,588	494,588
<b>At 31 December 2020</b>				
<b><i>Financial assets not measured at fair value</i></b>				
Cash and cash equivalents	-	-	2,059,150	2,059,150
Receivable against sale of investment	-	-	5,141	5,141
	-	-	2,064,291	2,064,291
<b><i>Financial liabilities not measured at fair value</i></b>				
Accrued management fee	-	-	125,842	125,842
Accrual and other liabilities	-	-	181,172	181,172
Payable against purchase of investment	-	-	215,552	215,552
	-	-	522,566	522,566

**ALBILAD GOLD ETF**  
**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**7 FINANCIAL RISK MANAGEMENT**

**7.1 Financial risk factors**

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

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

The Fund Manager is responsible for identifying and monitoring risks. The Fund's Board of Directors oversees the Fund Manager and is ultimately responsible for the overall management of the Fund.

The risks are monitored and controlled based on the limits set by the Fund's Board of Directors. The Fund has a document of terms and conditions that define its general business strategies and expose it to risks and overall risk management and is obligated to take actions to rebalance the portfolio in line with investment guidelines.

The Fund uses various methods to measure and manage the different types of risks to which it is exposed. The following is an explanation of these methods:

**(a) Market 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 currency exchange rates. These risks arise from financial instruments recognised in foreign currencies.

The Fund transacts transactions in either US dollars (USD) or Saudi Riyals (SAR) and the SAR is pegged to USD, therefore the Fund is not significantly exposed to foreign exchange risk.

**(ii) Commission rate risk**

Special commission rate risk arises from the possibility that changes in the market's special commission rates will affect future profitability or the fair value of financial instruments. The Fund is not subject to significant special commission rate risks, as it does not have any financial instruments that carry significant special commission.

**(iii) Price risk**

Price risk is the risk that the value of the Fund's financial instruments will fluctuate due to changes in market prices due to factors other than the movement of foreign exchange rates and commissions.

Price risk arises mainly from uncertainty about the future prices of financial instruments owned by the Fund. The Fund is not exposed to price risk as it does not have any financial assets which are carried at fair value. However, the Fund Manager closely monitors the price movements of the gold although these are not financial assets and are classified as inventory in these financial statements.

**(b) Credit risk**

Credit risk is the risk that one party to the financial instrument will cause a financial loss to the other party through the inability to settle an obligation. The maximum exposure to credit risk amounts to SAR 1.10 million (2020: SAR 2.06 million).

The Fund Manager reviews the credit concentration of the investment portfolio, depending on the counterparties. The Fund is not currently exposed to credit risk within its investment portfolio. The cash and cash equivalents include balances deposited with Bank Albilad which has investment grade credit rating, and the Custodian which is a wholly owned subsidiary of the investment grade bank.

**ALBILAD GOLD ETF**  
**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**7 FINANCIAL RISK MANAGEMENT** (continued)

**(c) Liquidity risk**

Liquidity risk is the risk that the Fund will not be able to generate sufficient cash resources to fully settle its obligations when they fall due, or it can only be done on terms that are not feasible.

The Fund terms and conditions stipulate the possibility of subscribing to the units on each Valuation Day. Therefore, the Fund is exposed to the liquidity risk resulting from the payment of the redemptions at any time. Fund investment in investment in gold are easily realisable and can be liquidated at any time. However, the Fund Manager has developed the Fund's liquidity guidelines and monitors the liquidity requirements regularly to ensure that there are sufficient funds to fulfil any obligations as they arise, either through new subscriptions, liquidation of the investment portfolio, or obtaining funding from related parties.

The table below shows an analysis of financial assets and financial liabilities analyzed according to when they are expected to be recovered or settled.

<b>Financial Assets</b>	<b>Less than 7 days</b>	<b>7 days to 1 month</b>	<b>1-12 months</b>	<b>More than 12 months</b>	<b>Total</b>
<b>As at 31 December 2021</b>					
Cash and cash equivalents	1,049,122	-	-	-	1,049,122
Receivable against sale of investment	-	49,975	-	-	49,975
	<u>1,049,122</u>	<u>49,975</u>	<u>-</u>	<u>-</u>	<u>1,099,097</u>

**Financial Liabilities**

<b>As at 31 December 2021</b>					
Accrued management fee	-	-	68,638	-	68,638
Accrual and other liabilities	-	-	425,950	-	425,950
	<u>-</u>	<u>-</u>	<u>494,588</u>	<u>-</u>	<u>494,588</u>
<b>Liquidity gap</b>	<b>1,049,122</b>	<b>49,975</b>	<b>(494,588)</b>	<b>-</b>	<b>604,509</b>

<b>Financial Assets</b>	<b>Less than 7 days</b>	<b>7 days to 1 month</b>	<b>1-12 months</b>	<b>More than 12 months</b>	<b>Total</b>
<b>As at 31 December 2020</b>					
Cash and cash equivalents	2,059,150	-	-	-	2,059,150
Receivable against sale of investment	-	5,141	-	-	5,141
	<u>2,059,150</u>	<u>5,141</u>	<u>-</u>	<u>-</u>	<u>2,064,291</u>

**Financial Liabilities**

<b>As at 31 December 2020</b>					
Accrued management fee	-	-	125,842	-	125,842
Accrual and other liabilities	-	-	181,172	-	181,172
Payable against purchase of investment	-	215,552	-	-	215,552
	<u>-</u>	<u>215,552</u>	<u>307,014</u>	<u>-</u>	<u>522,566</u>
<b>Liquidity gap</b>	<b>2,059,150</b>	<b>(210,411)</b>	<b>(307,014)</b>	<b>-</b>	<b>1,541,725</b>

**7.2 Capital risk management**

The capital of the Fund is represented by the equity attributable to the unitholders. The amount of equity attributable to the unitholders 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 the unitholders.

**ALBILAD GOLD ETF**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**8 LAST VALUATION DAY**

The last valuation day for the purpose of preparation of these financial statements was 31 December 2021 (2020: 31 December 2020).

**9 IMPACTS OF COVID-19 ON THE FUND**

The Coronavirus (“COVID-19”) pandemic continues to disrupt global markets as many geographies are experiencing issues due to identification of multiple new variants of this infection. Despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

The Fund Manager expects the situation to normalize in the near future. However, due to the decline in international gold prices, the value of the gold owned by the Fund has declined during the current year ended 31 December 2021. The Fund Manager will continue to follow the Government policies and advice and, in parallel, will do utmost to continue Fund’s operations in the best and safest way possible without jeopardising the health of employees.

**10 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved and authorized for issues by the Fund Board on 29 March 2022.