



## ALBILAD GOLD ETF

### A) Investment Fund Information

#### 1) Name of Investment Fund

Albilad Gold ETF

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

The fund aims to closely track the performance of the instrument DGSG spot contract which, is listed on Dubai Gold and Commodities Exchange (DGEX). 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 DGEX to achieve performance of gold commodity on a daily basis, before the deduction of fees and expenses.

#### 3) Dividend distribution policy

Not applicable

#### 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 June 2020

Item	2020	2019	2018
The fund net assets value at the end of each financial year	118,232,485	-	-
The fund net assets value per unit at the end of each financial year	10.7484	-	-
Highest net asset value per unit for each financial year.	11.7981	-	-
Lowest net asset value per unit for each financial year.	9.7193	-	-
The number of units in issue at the end of each financial year.	11,000	-	-
Income distribution per unit	-	-	-
Expense ratio	1.0%	-	-

#### 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

2) Performance record

\* Trading date for the fund was June 2020

The total return for one year, three years and five years

Item	One Year	Three Year	Since Inception
Total return	-	-	6.00%

The annual total return for each of the last 10 financial years

Year	2018	2019	2020
Annual total return	-	-	6.00%

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

Services, Commissions and Fees	Net Value	Expenses Ratio to Average NAV
Management Fee	1,176,751	0.0%
Finance Fee	0	0.0%
Transaction Expenses	0	0.0%
Other Expenses	0	0.0%
Total Expenses	1,176,751	1.0%

\*Fund Manger 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

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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

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 advisor (if any)

Not applicable

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

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

### 4) Write-up on the investment fund's performance during the period

The benchmark's performance during the period was better than the fund's performance by 3.0%. Where the fund achieved 6.0% in comparison with the benchmark's performance which achieved 9.0%

### 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

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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

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## 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, 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.

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## ALBILAD GOLD ETF

### 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)

### 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 GOLD 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 2 JUNE 2020 (DATE OF COMMENCEMENT OF OPERATIONS)  
TO 31 DECEMBER 2020**



**ALBILAD GOLD ETF  
(AN OPEN ENDED MUTUAL FUND MANAGED BY ALBILAD INVESTMENT COMPANY)  
FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 2 JUNE 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 Gold 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 Gold ETF (the "Fund") as at 31 December 2020, and its financial performance and its cash flows for the period from 2 June 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 2 June 2020 to 31 December 2020;
- the statement of changes in equity attributable to the unitholders for the period from 2 June 2020 to 31 December 2020;
- the statement of cash flows for the period from 2 June 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 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.

<b>Key audit matter</b>	<b>How our audit addressed the Key audit matter</b>
<p><b>Valuation of investment in physical gold</b></p> <p>As at 31 December 2020, the Fund held investment in physical gold ("investments") amounting to Saudi Riyals 116.69 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 Fund's financial statements.</p> <p>Refer to Note 2.6 to the accompanying financial statements for the accounting policy for investments and Note 4 for related disclosure of investments.</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 2020 from external sources, recalculated the fair value of 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 the 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 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 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:

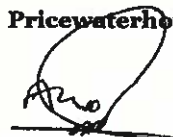
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 GOLD 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	5	2,059,150
Investment in physical gold	4	116,690,760
Receivable against sale of investment		<u>5,141</u>
<b>Total assets</b>		<u><b>118,755,051</b></u>
<b>Liabilities</b>		
Accrued management fee	5	125,842
Accrual and other liabilities		181,172
Payable against purchase of investment		<u>215,552</u>
<b>Total liabilities</b>		<u><b>522,566</b></u>
<b>Equity attributable to the unitholders</b>		<u><b>118,232,485</b></u>
<b>Units in issue in thousands</b>		<u><b>11,000,000</b></u>
<b>Equity per unit in Saudi Riyals</b>		<u><b>10.7484</b></u>

The accompanying notes from 1 to 11 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)

	Note	For the period from 2 June 2020 (date of commencement of operations) to 31 December 2020
<b>Income</b>		
Unrealised gain on re-measurement of investment in physical gold	4	7,633,188
Realized gain on sale of investment in physical gold		<u>2,765,633</u>
<b>Total income</b>		<u><b>10,398,821</b></u>
<b>Expenses</b>		
Management fee	5	591,078
Custody fee	5	303,998
Other expenses		<u>281,675</u>
<b>Total expenses</b>		<u><b>1,176,751</b></u>
<b>Net income for the period</b>		<b>9,222,070</b>
Other comprehensive income for the period		<u>-</u>
<b>Total comprehensive income for the period</b>		<u><b>9,222,070</b></u>

The accompanying notes from 1 to 11 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 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 period</b>	-
<b>Changes from operations</b>	
Total comprehensive income for the period	9,222,070
<b>Changes from unit transactions</b>	
Proceeds from issuance of units	153,829,885
Payment against units redeemed	(44,819,470)
Net change from unit transactions	109,010,415
<b>Equity attributable to the unitholders at the end of the period</b>	118,232,485

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

For the period from  
 2 June 2020 (date  
 of commencement  
 of operations) to  
 31 December 2020

<b>Units at the beginning of the period</b>	-
Units issued	15,600,000
Units redeemed	(4,600,000)
Net change in units	11,000,000
<b>Units at the end of the period</b>	11,000,000

The accompanying notes from 1 to 11 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 period from  
2 June 2020 (date of  
commencement of  
operations) to 31  
December 2020**

<b>Cash flows from operating activities</b>	
Net income for the period	9,222,070
Adjustments for:	
Unrealised gain on re-measurement of investment in physical gold	<u>(7,633,188)</u>
	1,588,882
<b>Net changes in operating assets and liabilities</b>	
Investment in physical gold	(109,057,572)
Receivable against sale of investment	(5,141)
Accrued management fee	125,842
Accruals and other liabilities	181,172
Payable against investment	<u>215,552</u>
	<u>(108,540,147)</u>
<b>Net cash used in operating activities</b>	
<b>Cash flows from financing activities</b>	
Proceeds from issuance of units	153,829,885
Payment against units redeemed	<u>(44,819,470)</u>
<b>Net cash generated from financing activities</b>	<u>109,010,415</u>
<b>Net change in cash and cash equivalents</b>	2,059,150
Cash and cash equivalents at the beginning of the period	<u>-</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>2,059,150</u>

The accompanying notes from 1 to 11 form an integral part of these financial statements.



**ALBILAD GOLD ETF  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 2 JUNE 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 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 The Saudi Stock Exchange (Tadawul). 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 unit holders (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 Tadawul as Exchange Traded Fund (ETF). The Fund started trading on Tadawul 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 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).

**1.2 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 before the trade start, 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 (gold bars), through the custodian, for the purpose of issuance and redemption of the 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 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 Certified Public 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 shown at fair value through statement of comprehensive 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**  
**FOR THE PERIOD FROM 2 JUNE 2020 (DATE OF COMMENCEMENT OF OPERATIONS)**  
**TO 31 DECEMBER 2020**  
(All amounts in Saudi Riyals unless otherwise stated)

**2 SUMMARY OF 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 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.

**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 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, Fund did not have any foreign currency transaction during the period ended 31 December 2020.

**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**

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.

**2.5.1 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.

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**2 SUMMARY OF 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 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.

**2.5.2 Classification and measurement of financial instruments**

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:

- 12-month ECLs: these ECLs that result from possible default events within the 12 months after the reporting date; and*
- 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.

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**2 SUMMARY OF 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.

**2.5.5 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.

**2.6 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.

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**2 SUMMARY OF 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 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 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.

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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/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% as total expense out of which management fee is paid as remaining item after deducting all expenses of fund of the equity value at each Valuation Day of the Fund's equity value.

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

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

The International Accounting Standard Board (IASB) has issued the following amendments to accounting standards, which were effective from January 1, 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 January 1, 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'.

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**4 INVESTMENT IN PHYSICAL GOLD**

The movement in investment in physical gold is as follows:

	31 December 2020
Opening as at incorporation date 2 June	-
Additions to investment in physical gold	164,988,575
Disposal of investment in physical gold	(55,931,002)
Unrealised gain on investment in physical gold	7,633,187
<b>Closing as at 31 December</b>	<b><u>116,690,760</u></b>

**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.

***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 period from 2 June 2020 (date of commencement of operations) to 31 December 2020
AlBilad Investment Company	Fund Manager	Management fee	591,078
Riyad Capital	Custodian of the Fund	Custody fee	303,998
Fund Board	Members of the Fund Board	Fund Board fee	4,000

Following table summarises the details of balances with related parties:

Nature of balance	Related Party	As at 31 December 2020
Bank balance	Bank Albilad – Parent of the Fund Manager	2,059,150
Accrued management fee	AlBilad Investment Company – Fund Manager	125,842
Investment account	Riyad Capital - Custodian of Fund	7,385
Custody fee payable	Riyad Capital - Custodian of Fund	17,054
Fund Board fee payable	Members of the Fund Board	4,000

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**6 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.

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.

At 31 December 2020	Fair value			Total
	Level 1	Level 2	Level 3	
<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



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**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, hence 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.

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:

	<b>31 December 2020</b>	
	<b>Impact on equity</b>	<b>Reasonable possible change %</b>
FVSI - investment in physical gold	<b>46,510</b>	<b>+/- 1%</b>

**(b) Credit risk**

The Fund is exposed to credit risk, which 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 Saudi Riyals 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 balance is deposited with Bank Albilad, which has an external credit rating from Moody's with a credit quality of A3.

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**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 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>
<b>Financial Liabilities</b>					
<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 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.

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**8 FAIR VALUE ESTIMATION**

The fair value of financial instruments traded in active markets are based on quoted market prices at the end of trading as at the date of financial statements. Instruments that have not been sold are valued on the valuation day based on the most recent bid price.

An active market is a market in which assets or liabilities are traded with sufficient movement and volume to provide price information on an ongoing basis. The fair value is approximately equal to the carrying amount less any provision for impairment of other receivables and carrying value of other payables.

The fair value hierarchy consists of the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for assets and liabilities.

Investments are based on prices quoted in active markets classified as level 1 which includes quoted investment in physical gold. The Fund does not adjust the quoted price for these instruments.

All other 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.

At 31 December 2020	Fair value			
	Level 1	Level 2	Level 3	Total
<b><i>Financial assets note 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

**9 LAST VALUATION DAY**

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

**10 IMPACTS 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 our employees. (such as social distancing and working from home).

At this stage, the impact on the Fund's business was not significant rather it was favorable. The Fund invests in physical gold. The gold prices have been on the rise during 2020, owing to people moving into safer assets like gold during the pandemic coupled with the positive impact the gold prices had from the growth in money supply that is taking place across the world as more and more stimulus packages have been announced to overcome the economic hardship. The Fund Manager will continue to follow the Government's policies and advice and, in parallel, the Fund will do the utmost to continue the Fund's operations in the best and safest way possible without jeopardising the health and safety of the Fund's employees.

**11 APPROVAL OF THE FINANCIAL STATEMENTS**

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