

RIYAD SAR TRADE FUND
Open-Ended Mutual Fund
(Managed by Riyadh Capital)
Interim condensed financial statements (Un-audited)
For the six-months period ended 30 June 2021
Together with the
Independent Auditor's Review Report to the Unit Holders

RIYAD SAR TRADE FUND
Open-Ended Mutual Fund
(Managed by Riyadh Capital)
Interim Condensed Financial Statements (Un-audited)
For the period ended 30 June 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**TO THE UNITHOLDERS OF
RIYAD SAR TRADE FUND
Kingdom of Saudi Arabia****INTRODUCTION**

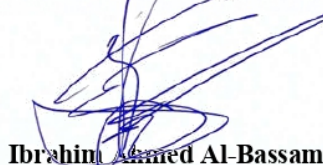
We have reviewed the accompanying interim statement of financial position of RIYAD SAR TRADE FUND (the "Fund") managed by Riyadh Capital (the "Fund Manager") as at 30 June 2021 and the related interim statements of comprehensive income, changes in net assets (Equity) attributable to the unitholders and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.**Ibrahim Ahmed Al-Bassam
Certified Public Accountant - License No. 337****10 Muharram 1443H
18 August 2021G
Riyadh, Kingdom of Saudi Arabia**

RIYAD SAR TRADE FUND
Open-Ended Mutual Fund
(Managed by Riyadh Capital)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Amounts in Saudi Arabian Riyal)

	Note	30 June 2021 (Un-audited)	31 December 2020 (Audited)
ASSETS			
Cash balances	6	14,119,342	121,300,531
Investments carried at amortized cost	7	27,874,174,805	23,522,262,765
Investments carried at fair value through profit or loss (FVPL)	8	2,498,960,479	1,893,378,363
Total assets		30,387,254,626	25,536,941,659
LIABILITIES			
Management fees payable	12	11,301,712	10,209,861
Accrued expenses		1,710,383	1,553,696
Redemption payable		731,387	3,780,672
Total liabilities		13,743,482	15,544,229
Net assets (equity) attributable to the Unit Holders		30,373,511,144	25,521,397,430
Units in issue (number)	9	13,649,156.69	11,512,537.71
Net assets attributable to each unit		2,225.30	2,216.84

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INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the six-month period ended 30 June 2021

(Amounts in Saudi Arabian Riyal)

	Note	30 June 2021	30 June 2020
<u>Investment income</u>			
Net gain from investments carried at FVPL	10	15,582,116	14,149,874
Special commission income		168,667,352	300,020,738
		184,249,468	314,170,612
<u>Expenses</u>			
Fund management fees	12	(65,828,492)	(64,999,899)
Other expenses	11	(9,902,617)	(3,441,912)
		(75,731,109)	(68,441,811)
Net income for the period		108,518,359	245,728,801
Other comprehensive income for the period		-	-
Total comprehensive income for the period		108,518,359	245,728,801

RIYAD SAR TRADE FUND
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INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS (UN-AUDITED)

For the six-month period ended 30 June 2021

(Amounts in Saudi Arabian Riyal)

	30 June 2021	30 June 2020
Net assets (equity) attributable to the Unit Holders at the beginning of the period	25,521,397,430	23,539,070,401
Total comprehensive income for the period	108,518,359	245,728,801
Contributions and redemptions by the Unit Holders		
Issuance of units	12,521,577,973	16,938,856,342
Redemption of units	(7,777,982,618)	(16,073,201,106)
Net changes from unit transactions	4,743,595,355	865,655,236
Net assets (equity) attributable to the Unit Holders at the end of the period	30,373,511,144	24,650,454,438

RIYAD SAR TRADE FUND
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INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

For the six-month period ended 30 June 2021

(Amounts in Saudi Arabian Riyal)

	Note	<u>30 June 2021</u>	<u>30 June 2020</u>
Cash flows from operating activities:			
Net income for the period		108,518,359	245,728,801
Adjustments for:			
Unrealized gain from investments carried at FVPL	10	<u>(8,604,180)</u>	(14,149,874)
		99,914,179	231,578,927
Net changes in operating assets and liabilities:			
Investments carried at amortized cost		(4,400,912,040)	5,570,563,006
Investments carried at FVPL		(596,977,936)	(1,215,000,000)
Management fees payable		1,091,851	13,326,663
Accrued expenses		156,687	733,879
Net cash (used in) / from operating activities		<u>(4,896,727,259)</u>	4,601,202,475
Cash flows from financing activities:			
Proceeds from issuance of units		12,521,577,973	16,938,856,342
Redemptions of the units		(7,781,031,903)	(16,071,894,132)
Net cash from financing activities		<u>4,740,546,070</u>	866,962,210
Net changes in cash and cash equivalents		<u>(156,181,189)</u>	5,468,164,685
Cash and cash equivalents at beginning of the period		3,735,300,531	5,543,296,113
Cash and cash equivalents at end of the period		<u>3,579,119,342</u>	11,011,460,798

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(Managed by Riyadh Capital)
Notes to the interim condensed financial statements (un-audited)
For the six-month period ended 30 June 2021

(All amounts in Saudi Arabian Riyal unless otherwise stated)

1 FUND AND ITS ACTIVITIES

The Riyadh SAR Trade Fund (the “Fund”) is a money market fund managed through an agreement between Riyadh Capital (the “Fund Manager”) and the Fund Investors (the “Unitholders”). The objective of the Fund is to seek maximum possible preservation of capital and realize a reasonable return thereon through participation in short-term trading investment denominated in Saudi Riyal that do not contradict the principles of Islamic Sharia.

In dealing with the Unitholders, the Fund Management considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund.

The management of the Fund is the responsibility of the Fund Manager. However, in accordance with the Fund’s Agreement, the Fund Manager can delegate or assign its duties to one or more of the financial institutions in the Kingdom of Saudi Arabia and overseas.

Saudi Central Bank (“SAMA”) approval for the establishment of the Fund was granted in its letter number 11020/MA/3727 dated Zul Qa’dah 18, 1413 H (corresponding to 9 May 1993). The Fund commenced its operations on 1 July 1993.

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) which were amended on 12 Rajab 1442H (corresponding to 24 February 2021) detailing requirements for all funds within the Kingdom of Saudi Arabia.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These interim condensed financial statements of the Fund have been prepared in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) and should be read in conjunction with the Fund’s last annual financial statement for the year ended 31 December 2020. The results for the six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

3.2 Basis of measurement

These interim condensed financial statements have been prepared under the historical cost convention, using the accrual basis of accounting except for investments carried at fair value through profit or loss which are carried at their fair value. The Fund presents its interim statement of financial position in the order of liquidity.

3.3 Functional and Presentation Currency

Items included in the interim condensed financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These interim condensed financial statements are presented in Saudi Arabian Riyal (“SAR”) which is the Fund’s functional and presentation currency.

Transactions and balances

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

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3 BASIS OF PREPARATION (CONTINUED)

3.4 Critical accounting judgments, estimates and assumption

The preparation of the interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are described below. The Fund based its assumptions and estimates on parameters available when the interim condensed financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Going concern

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

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2020. Certain new standards, amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the Fund.

There are other several amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's interim condensed financial statements. In the opinion of the Fund's Board, these will have no significant impact on the interim condensed financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

5 MANAGEMENT FEE, AND OTHER CHARGES

On each valuation day, the Fund Manager charges the Fund, a management fee at the rate of 0.50% per annum of the Fund's net assets value. In addition, on a daily basis the Fund Manager charges the Fund, custody fees each at the rate of 0.005% per annum of the Fund's net asset value and \$8 per transaction.

The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit and legal fees, and other similar charges. These charges are not expected to exceed in total 0.2% per annum of the Fund's net assets value.

6 CASH AND CASH EQUIVALENTS

	Note	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Cash in investment account	6.1	14,119,342	121,300,531
Time deposits having maturity of three month or less from the date of acquisition	7.1	3,565,000,000	3,614,000,000
		3,579,119,342	3,735,300,531

6.1 Cash in investment account is held in an investment account with Riyadh Capital, a related party (Also see Note 1). The Fund does not earn profit on these investment accounts.

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7 INVESTMENTS CARRIED AT AMORTIZED COST

The Fund invests primarily in murabaha deposits and sukuk. The investment portfolio held at amortized cost is summarized as follows:

	Note	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Investments in Murabaha Placements	7.2	26,025,000,000	21,739,000,000
Investments in Sukuk		1,727,231,858	1,571,740,019
		27,752,231,858	23,310,740,019
Accrued special commission income		121,942,947	211,522,746
		27,874,174,805	23,522,262,765

7 INVESTMENTS CARRIED AT AMORTIZED COST (CONTINUED)

- 7.1 These placements also include placements with original maturity of 3 months or less amounting to SR 3,565,000,000 (2020: SR 3,614,000,000) (Also see note 6).
- 7.2 The investments in Sukuk carry a floating commission rate.
- 7.3 The rate of special commission income for above investment carried at amortized cost ranges from 0.48% to 6.00% (2020: 0.30% per annum to 6.00% per annum).

8 INVESTMENTS CARRIED AT FVPL

The investments represent the units of open-ended mutual funds managed and administered by the Fund Manager. The market value of the investments is summarized as follows:

	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Mutual Fund:		
Riyad SAR Diversified Trade Fund	2,498,960,479	1,893,378,363
Total market value	2,498,960,479	1,893,378,363
Total cost	2,490,356,299	1,866,219,028

9 UNIT TRANSACTIONS

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

	30 June 2021 (Un-audited)	31 December 2020 (Audited)
	<i>(Units in numbers)</i>	
Units at the beginning of the period / year	11,512,537.71	10,775,747.02
Units issued during the period / year	5,636,691.26	11,518,916.31
Units redeemed during the period / year	(3,500,072.28)	(10,782,125.62)
Net change in units	2,136,618.98	736,790.69
Units at the end of the period / year	13,649,156.69	11,512,537.71

10 NET GAIN FROM INVESTMENTS CARRIED AT FVPL

	30 June 2021	30 June 2020
Realized gain from sale of investments carried at FVPL	6,977,936	-
Unrealized gain from revaluation of investments carried at FVPL	8,604,180	14,149,874
	15,582,116	14,149,874

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11 OTHER EXPENSES

	30 June 2021	30 June 2020
VAT expense	9,875,928	3,258,956
Other expenses	26,689	182,956
	9,902,617	3,441,912

12 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include “Riyad Capital” being the Fund Manager, “Riyad Bank” being the shareholder of Riyadh Capital, other funds managed by the Fund Manager and the Fund’s Board of Directors.

In the ordinary course of its activities, the Fund transacts business with related parties. The related parties’ transactions are governed by limits set by the regulations issued by the CMA. All related party transactions are approved by the Fund’s Board of Directors.

The significant related party transactions entered into by the Fund during the period and the balances resulting from such transactions are as follows:

Related party	Nature of transactions	Amount of transaction during the period		Closing balance (payable) / receivable	
		30 June 2021	30 June 2020	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Riyad Bank	Investments measured at amortized cost	-	-	1,900,000,000	809,000,000
	Special commission income	5,341,170	5,255,691	3,863,292	222,369
Riyad Capital	Management fee	(65,828,492)	(64,999,899)	(11,301,712)	(10,209,861)
	Accrued VAT*	(9,874,274)	(3,249,995)	(1,695,257)	(1,531,479)
	Cash in investment account	-	-	14,119,342	121,300,531

*Accrued VAT to related party is included in the financial position under Accrued expenses.

13 FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2021 (Un-audited)	Amortized cost	FVPL
Assets as per interim statement of financial position		
Cash balances	14,119,342	-
Investments carried at amortized cost	27,874,174,805	-
Investments carried at FVPL	-	2,498,960,479
Total	27,888,294,147	2,498,960,479
31 December 2020 (Audited)		
Assets as per statement of financial position		
Cash balances	121,300,531	-
Investments carried at amortized cost	23,522,262,765	-
Investments carried at FVPL	-	1,893,378,363
Total	23,643,563,296	1,893,378,363

All financial liabilities as at 30 June 2021(Un-audited) and 31 December 2020 (Audited) were classified as financial liabilities measured at amortized cost.

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14 FINANCIAL RISK MANAGEMENT

14.1 Financial risk factors

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

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

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

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

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

(a) Market risk

(i) Price risk

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. The Fund Manager diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments. As of the interim statement of financial position date, the Fund has equity investments.

The effect on the net assets value (as a result of the change in the fair value of investments as at 30 June 2021 (Un-audited) and 31 December 2020 (Audited) due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constants is as follows:

	30 June 2021		31 December 2020 (Audited)	
	Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
Riyad SAR Diversified Trade Fund	+/-1%	24,989,605	+/-1%	18,933,784

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As at the date of interim statement of financial position, the Fund is exposed to credit risk on its cash balance, investments carried at amortized cost and accrued income as follows:

	30 June 2021	31 December 2020
	(Un-audited)	(Audited)
Cash balance	14,119,342	121,300,531
Investments carried at amortized cost	27,874,174,805	23,522,262,765
	27,888,294,147	23,643,563,296

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14 FINANCIAL RISK MANAGEMENT (CONTINUED)

14.1 Financial risk factors (continued)

(b) Credit risk (continued)

Amounts arising from ECL

Impairment on cash balances and investments carried at amortized cost has been measured on a 12-month expected loss basis. The Fund considers that these exposures have low credit risk based on the external credit ratings of the counterparties. 12-month and lifetime probabilities of default are based on the approved ECL methodology and impairment policy of the Fund. Loss Given Default (LGD) parameters generally reflect an assumed recovery rate which are linked to the composite credit ratings of the counterparties. However, if the assets were credit-impaired, then the estimate of loss would be based on a specific assessment of expected cash shortfalls and on the original effective profit rate.

(c) Liquidity risk

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

The Fund's Terms and Conditions provide for subscription and redemption of units from Monday to Wednesday, therefore, it is exposed to the liquidity risk of meeting Unit Holder redemptions on these days. The Fund's financial liabilities primarily consist of payables which are expected to be settled within one month from the interim statement of financial position date.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

The table below summarizes the maturity profile of significant assets and liabilities of the Fund based on expected maturities:

	30 June 2021 (Un-audited)		
	Less than 1 year	More than 1 year	Total
Cash balances	14,119,342	-	14,119,342
Investments carried at amortized cost	25,759,174,805	2,115,000,000	27,874,174,805
Investments carried at FVPL	2,498,960,479	-	2,498,960,479
TOTAL ASSETS	28,272,254,626	2,115,000,000	30,387,254,626
Management fees payable	11,301,712	-	11,301,712
Accrued expenses	1,710,383	-	1,710,383
Redemptions payable	731,387	-	731,387
TOTAL LIABILITIES	13,743,482	-	13,743,482
	31 December 2020 (Audited)		
	Less than 1 year	More than 1 year	Total
Cash balances	121,300,531	-	121,300,531
Investments carried at amortized cost	21,460,522,746	2,061,740,019	23,522,262,765
Investments carried at FVPL	1,893,378,363	-	1,893,378,363
TOTAL ASSETS	23,475,201,640	2,061,740,019	25,536,941,659
Management fees payable	10,209,861	-	10,209,861
Accrued expenses	1,553,696	-	1,553,696
Redemptions payable	3,780,672	-	3,780,672
TOTAL LIABILITIES	15,544,229	-	15,544,229

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14 FINANCIAL RISK MANAGEMENT (CONTINUED)

14.1 Financial risk factors (continued)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

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

(e) Special commission rate risk

Special commission rate risk is the risk that the financial instruments will fluctuate due to changes in the market special commission rates. The Fund is subject to special commission rate risk or future risks on its special commission bearing assets including its investments carried at amortized cost.

The following table demonstrates the sensitivity of the Fund's profit or loss for the year to a reasonably possible change in interest rates, with all other variables held constant. There is no sensitivity effect on other comprehensive income (OCI) as the Fund has no assets designated at fair value through other comprehensive income or hedging instruments. In practice, the actual trading results may differ from the below sensitivity analysis and the difference could be significant.

Change in profit rate	Impact on Profit or loss	
	30 June 2021	30 June 2020
Increase by 1%	277,522,319	230,452,111
Decrease by 1%	(277,522,319)	(230,452,111)

14.2 Fair value estimation

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales were reported on the valuation day are valued at the most recent bid price.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The carrying value less impairment provision of financial instruments carried at amortized cost are assumed to approximate their fair values.

The fair value hierarchy has the following levels:

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

Fund classifies all of its financial assets except for those carried at amortized cost, at fair value as level 2.

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14 FINANCIAL RISK MANAGEMENT (CONTINUED)

14.2 Fair value estimation (continued)

The Fund financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined:

Financial assets / financial liabilities	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship and sensitivity of unobservable inputs to fair value
Investment carried at FVPL	Net Asset Value	N/A	N/A

Valuation technique for calculating the fair value of investments under Level 2 comprises of determining the net asset value per unit of the funds which is based on observable market data.

15 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation for the current period.

16 SUBSEQUENT EVENTS

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

17 LAST VALUATION DAY

The last valuation day for the period was 30 June 2021 (31 June 2020).

18 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were authorized for issue by the Fund's Board of Directors on 17 August 2021 (corresponding to 09 Muharram 1443H).