

**Riyad USD Trade Fund
Open-Ended Mutual Fund
(Managed by Riyad Capital)
Financial Statements
For the year ended 31 December 2021
Together with the
Independent Auditor's Report to the Unitholders**

**Riyad USD Trade Fund
Open-Ended Fund
(Managed by Riyadh Capital)**

Financial Statements

For the year ended 31 December 2021

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INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS
RIYAD USD TRADE FUND
MANAGED BY RIYAD CAPITAL
Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **RIYAD USD TRADE FUND** (“the Fund”), being managed by Riyadh Capital (the “Fund Manager”), which comprise of the financial position as at 31 December 2021 and the statements of comprehensive income, statement of changes in net assets (Equity) attributable to the unitholders and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements statement present fairly, in all material respects, the Financial Position of the Fund as at 31 December 2021, and it’s financial performance and it’s cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

Basis for Unqualified Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISA”) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Fund’s financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management 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 endorsed by SOCPA a and the Fund’s Terms and Condition and for such internal control as management 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, Fund management 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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance the Board of Directors, are responsible for overseeing the Fund’s financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS
RIYAD USD TRADE FUND
MANAGED BY RIYAD CAPITAL
Riyadh, Kingdom of Saudi Arabia

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 audit 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 ISA 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 ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 audit 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 audit 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 manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS
RIYAD USD TRADE FUND
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Riyadh, Kingdom of Saudi Arabia

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.

For and on behalf of
Al Bassam & Co.

Ibrahim A. Al-Bassam
Certified Public Accountant
Registration No. 337



Riyadh, Kingdom of Saudi Arabia

22 March 2022
19 Sha'aban 1443

**Riyad USD Trade Fund
Open-Ended Fund
(Managed by Riyadh Capital)**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(Amounts in United States Dollar)

	Notes	31 December 2021	31 December 2020
ASSETS			
Cash balance	6,12	2,311,435	2,223,359
Investments carried at amortized cost	7	29,000,000	44,700,000
Investments carried at fair value through profit or loss (FVPL)	8	6,425,542	7,967,846
Accrued special commission income		73,295	284,562
Total assets		37,810,272	55,175,767
LIABILITIES			
Management fees payable	12	43,851	48,000
Accrued expenses		12,958	13,120
Total liabilities		56,809	61,120
Net assets (equity) attributable to the Unit holders		37,753,463	55,114,647
Units in issue (number)	9	6,315,214.34	9,260,514.35
Net assets (equity) attributable to each unit		5.98	5.95

Riyad USD Trade Fund
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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

(Amounts in United States Dollar)

	Notes	31 December 2021	31 December 2020
Investment income			
Special commission income		398,570	481,851
Net gain from investments carried at FVPL	10	107,695	132,897
		506,265	614,748
Expenses			
Fund Management fees	12	(228,352)	(166,564)
Other expenses	11	(42,410)	(23,958)
		(270,762)	(190,522)
Net income for the year		235,503	424,226
Other comprehensive income for the year			-
Total Comprehensive income for the year		235,503	424,226

**Riyad USD Trade Fund
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(Managed by Riyad Capital)**

**STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT
HOLDERS**

**For the year ended 31 December 2021
(Amounts in United States Dollar)**

	31 December 2021	31 December 2020
Net assets (equity) attributable to the Unit holders at beginning of the year	55,114,647	33,042,190
Total comprehensive income for the year	235,503	424,226
Changes from unit transactions:		
Issuance of units	35,470,805	35,944,196
Redemption of units	(53,067,492)	(14,295,965)
Net changes from unit transactions	(17,596,687)	21,648,231
Net assets (equity) attributable to the Unit holders at end of the year	37,753,463	55,114,647

Riyad USD Trade Fund
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STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(Amounts in United States Dollar)

	Notes	31 December 2021	31 December 2020
Cash flows from operating activities:			
Net income for the year		235,503	424,226
Adjustments for:			
Unrealized loss/(gain) on investments carried at FVPL	10	115,934	(88,670)
		351,437	335,556
Net changes in operating assets and liabilities:			
Investments carried at amortized cost		9,700,000	(18,700,000)
Investments carried at FVPL		1,426,370	(2,244,228)
Accrued special commission income		211,267	(102,915)
Management fees payable		(4,149)	3,271
Accrued expenses		(162)	6,402
Net cash from / (used in) operating activities		11,684,763	(20,701,914)
Cash flows from financing activities:			
Proceeds from issuance of units		35,470,805	35,944,196
Redemptions of the units		(53,067,492)	(14,295,965)
Net cash (used in) /from financing activities		(17,596,687)	21,648,231
Net (decrease) / increase in cash and cash equivalents		(5,911,924)	946,317
Cash and cash equivalents at beginning of the year		13,223,359	12,277,042
Cash and cash equivalents at end of the year	6	7,311,435	13,223,359

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Notes to the financial statements
for the year ended 31 December 2021
(Amounts in United States Dollar)

1 FUND AND ITS ACTIVITIES

The Riyadh USD Trade Fund (the “Fund”) is a money market fund managed through an agreement between Riyadh Capital (the “Fund Manager”) and the Fund Investors (the “Unit holders”). 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 US Dollars that do not contradict with the principles of Islamic Sharia.

In dealing with the Unit holders, the Fund Manager 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.

The Fund commenced its activities 3 October 1990, where the terms and conditions of the Fund were originally approved by the Saudi Central Bank (SAMA). On 20 December 2008, the terms and conditions of the fund were approved by the Capital Markets Authority (CMA) through their letter dated 12 Dhul Hijja 1429H (corresponding to 20 December 2008).

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) published by CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) thereafter amended on 16 Sha’ban 1437H (corresponding to 23 May 2016). The regulation was further amended (the “Amended Regulations”) on 17 Rajab 1442H (corresponding to 1 March 2021) detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations have effective dates starting from 19 Ramadan 1442H (corresponding to 1 May 2021).

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, using the accrual basis of accounting and the going concern concept except for the investments measured at fair value through profit or loss at fair value. The Fund presents its statement of financial position in the order of liquidity.

3.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the main economic environment in which the fund operates (the “functional currency”) and are expressed in United States Dollar (USD), which is fund functional and operational currency and all financial information presented is rounded to the nearest USD.

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3 BASIS OF PREPARATION (CONTINUED)

3.4 Critical accounting judgments, estimates and assumption

The preparation of the 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 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 of the Fund 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.

Expected credit loss

In the preparation of the financial statements, management has made certain additional assumptions in the measurement of Expected Credit Loss (ECL). However, in view of the current uncertainty due to COVID-19, any future change in the assumptions and key estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 New standards, interpretations and amendments

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

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

4.1.1 New standards, amendments to standards and interpretations

Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Company's Financial Statements, except for where referenced below.

New amendments to standards issued and applied effective January 1, 2021

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
IFRS 16	Amendments to IFRS 16 Leasing - Covid-19 Related Rent Concessions	April 1, 2021	This amendment extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification for payments originally due on or before June 30, 2022 (rather than payment due on or before June 30, 2021).

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 New standards, interpretations and amendments (continued)

4.1.2 New standards, amendments and revised IFRS issued but not yet effective

The Fund has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022	The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of ‘testing whether an asset is functioning properly’.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 New standards, interpretations and amendments (continued)

4.1.2 New standards, amendments and revised IFRS issued but not yet effective (continued)

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.
IFRS 17	Insurance Contracts	January 1, 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to definition of accounting estimate	January 1, 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

Management anticipates that these new standards interpretations and amendments will be adopted in the Fund's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Fund in the period of initial application.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Cash and cash equivalents

Cash and cash equivalents consist of bank balances with the financial institutions. Cash and cash equivalents are carried at amortized cost within the statement of financial position.

4.3 Financial Instruments

4.3.1 Measurement methods

Initial recognition and measurement

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

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 profit or loss, 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 fair value through profit or loss are expensed in the statement of comprehensive income / (loss). Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost, as described in Note 4.3.2, which results in an accounting loss being recognized in the statement of comprehensive income / (loss) when an asset is newly originated.

4.3.2 Classification and measurement of financial assets

Classification of financial assets

On initial recognition, a financial asset is classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

Financial asset at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Financial asset at fair value through other comprehensive income ("FVOCI")

A financial asset is measured at fair value through FVOCI only if it meets both of the following conditions and is not designated as at FVTPL.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principle amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund Manager may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial asset at fair value through profit or loss ("FVTPL")

All financial assets not classified as measured at amortized cost or FVOCI are measure at FVTPL.

The Fund classifies its financial assets either as subsequently measured at amortized cost or measured at fair value through profit or loss.

The Fund classifies its financial assets at amortized cost. The classification requirements for debt instruments are described below:

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Financial Instruments (continued)

4.3.2 Classification and measurement of financial assets (continued)

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 these factors, the Fund classifies its debt instruments into one of the following three measurement categories:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit (SPPP), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in Note 4.3.2. Profit earned from these financial assets is recognized in the statement of comprehensive income / (loss) using the effective profit rate method.

Fair value through other comprehensive income (FVOCI): If debt instrument's is held within a business model whose objective is achieved by collecting SPPP and to selling financial assets then it is measured at FVOCI. A gain or loss on a debt investment measured at FVOCI is recognized in the other comprehensive income in the period in which it arises. Profit earned from these financial assets is recognized in the other comprehensive income using the effective profit rate method.

Fair value through profit or loss (FVTPL): If debt instrument's cash flows do not represent solely SPPP or if it not held within the held to collect or the held to collect and sell business model, or then it is measured at FVTPL. A gain or loss on a debt investment measured at FVTPL is recognized in the statement of comprehensive income / (loss), within "Net gain / (loss) in investments mandatorily measured at FVTPL", in the period in which it arises. A gain or loss from debt instruments that were designated at fair value or which are not held for trading are presented separately from debt investments that are mandatorily measured at fair value through profit or loss, within "Net gain / (loss) in investments designated at FVTPL". Profit earned from these financial assets is recognized in the statement of comprehensive income / (loss) using the effective profit rate method.

Business model: The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Fund in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is internally evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in 'other' business model and measured at FVTPL.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Financial Instruments (continued)

4.3.2 Classification and measurement of financial assets (continued)

Debt instruments (continued)

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

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

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Fund classifies its financial assets at fair value through profit or loss (FVTPL). The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. 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 recognized in OCI and are not subsequently reclassified to the statement of comprehensive income / (loss), including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of comprehensive income / (loss) when the Fund's right to receive payments is established.

4.3.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained. The Fund derecognize a financial liability when the obligation under the liability is discharged, cancelled or expired.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Financial Instruments (continued)

4.3.4 Impairment of financial assets

The Fund recognizes loss allowances for ECLs on financial assets measured at amortized cost and debt investments measured at FVOCI.

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e., the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. One of the key quantitative indicators used by the Fund is the relative downgrade of the internal rating of the borrower and thereby the consequent change in the PD.

4.3.5 Financial liabilities

The Fund classifies its financial liabilities at amortized cost unless it has designated liabilities at FVTPL.

4.3.5.1 Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income / (loss).

4.3.6 Trade date accounting

A regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e., the date that the fund commits to purchase or sell the assets). Regular way purchases or sales are purchase or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the marketplace.

4.3.7 Offsetting of financial instruments

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

This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Receivables

Receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using effective commission method. Loss allowance for receivables is always measured at an amount equal to lifetime expected credit losses.

4.5 Redeemable Units

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the holder to a pro rata share of the Fund's net assets (equity) in the event of the Fund's liquidation
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets (equity).
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets (equity) or the change in the fair value of the recognized and unrecognized net assets (equity) of the Fund over the life of the instrument.

In addition to the redeemable units having all of the above features, 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 recognized net assets (equity) or the change in the fair value of the recognized and unrecognized net assets (equity) of the Fund
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features, or meet all the conditions set out, to be classified as equity, 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 recognized in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, 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 issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions.

- No gain or loss is recognized in the statement of comprehensive income / (loss) on the purchase, issuance or cancellation of the Fund's own equity instruments.

4.6 Accrued expenses

Accrued expenses are recognized initially at fair value and subsequently measured at amortized cost using the effective profit rate method.

4.7 Provisions

A provision is recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognised for future operating loss.

4.8 Taxation/zakat

Taxation / zakat is the obligation of the Unit Holders and therefore, no provision for such liability is made in these financial statements.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 *Net gain or loss on financial assets and liabilities at Fair Value through Profit or Loss (“FVTPL”)*

Net gains or losses on financial assets and liabilities at FVTPL are changes in the fair value of financial assets held for trading or designated upon initial recognition as at FVTPL and exclude interest and dividend income and expenses.

Unrealized gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior period’s unrealized gains and losses for financial instruments which were realized in the reporting period. Realized gains and losses on disposals of financial instruments classified as at FVTPL are calculated using the weighted average cost method. They represent the difference between an instrument’s initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

4.10 *Dividend income*

Dividend income, if any is recognized in the statement of comprehensive income / (loss) on the date on which the right to receive the payment for dividend is established. For quoted equity securities, this is usually the ex-dividend date. Dividend income from equity securities designated as at FVTPL, is recognized in the statement of comprehensive income / (loss) in a separate line item

4.11 *Transaction costs*

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognized in statement of comprehensive income / (loss) or loss as an expense.

4.12 *Net assets value*

The net assets value per unit disclosed in the financial statements is calculated by dividing the net assets of the Fund by the number of units in issue at the year-end.

5 MANAGEMENT FEE, ADMINISTRATION 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 asset value. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit and legal fees, board compensation and other similar charges. These charges are not expected to exceed in total 0.2 percent per annum of the Fund’s net assets value. In addition, on daily basis the Fund Manager charges the Fund, custody fees at the rate of 0.005% per annum of the Fund’s net asset value and \$8 per transaction.

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6 CASH AND CASH EQUIVALENTS

	Note	31 December 2021	31 December 2020
Cash balance	6-1-12	2,311,435	2,223,359
Term deposits having maturity of three month or less from the date of acquisition	7	5,000,000	11,000,000
Cash and cash equivalent in statement of cash flow		7,311,435	13,223,359

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

7 INVESTMENTS CARRIED AT AMORTISED COST

		31 December 2021	31 December 2020
Investments in Murabaha Placements	7.1	29,000,000	44,700,000
Total		29,000,000	44,700,000

7.1 Above placement also include placements with original maturity of 3 months or less amounting to USD 5,000,000 (2020: USD 11,000,000).

7.2 The rate of special commission income for above investment carried at amortized cost ranging from 0.70% to 1.2% (2020: from 0.03% per annum to 4.4% 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:

	31 December 2021	31 December 2020
	Market value	Market value
Mutual Fund:		
Riyad USD diversified trade fund	6,425,542	7,967,846
Total Market value	6,425,542	7,967,846
Total Cost	6,541,476	7,879,176

9 UNIT TRANSACTIONS

Transactions in units for the year are summarized as follows:

	31 December 2021	31 December 2020
Units at the beginning of the year	9,260,514.35	5,617,006.28
Units issued	5,953,720.16	6,056,709.60
Units redeemed	(8,899,020.15)	(2,413,201.53)
Net change in units	(2,945,300.01)	3,643,508.07
Units at the end of the year	6,315,214.34	9,260,514.35

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10 NET GAINS FROM INVESTMENTS CARRIED AT FVPL

	31 December 2021	31 December 2020
Realized gains on investments carried at FVPL	223,629	44,227
Unrealized (loss)/gains from revaluation of investments carried at FVPL	(115,934)	88,670
	107,695	132,897

11 OTHER EXPENSES

	31 December 2021	31 December 2020
VAT expenses	35,052	18,244
Other expenses	7,358	5,714
	42,410	23,958

12 TRANSACTIONS AND BALANCE WITH RELATED PARTY

Related parties of the Fund include “Riyad Capital” being the Fund Manager, Riyadh Bank (being the shareholder of Riyadh Capital), other funds managed by the Fund Manager and 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.

Details of transactions and balances with related parties other than those disclosed elsewhere in the financial statements are as follows:

Related Party	Nature of transactions	Amount of transaction during the year		Closing balance Receivable/(Payable)	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Riyad Capital	Fund management fee	(228,352)	(166,564)	(43,851)	(48,000)
	Accrued VAT*	(34,253)	(17,778)	(6,578)	(7,200)
	Investment account	-	-	2,311,435	2,223,359

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

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13 FINANCIAL INSTRUMENTS BY CATEGORY

31 December 2021	Amortized cost	FVPL
Assets as per statement of financial position		
Cash balance	2,311,435	-
Investment carried at amortized cost	29,000,000	-
Investment carried at FVPL	-	6,425,542
Accrued special commission income	73,295	-
Total	31,384,730	6,425,542
31 December 2020	Amortized cost	FVPL
Assets as per statement of financial position		
Cash balance	2,223,359	-
Investment carried at amortized cost	44,700,000	-
Investment carried FVPL	-	7,967,846
Accrued special commission income	284,562	-
Total	47,207,921	7,967,846

All financial liabilities as at 31 December 2021 (31 December 2020) were classified as financial liabilities carried at amortized cost.

14 FINANCIAL RISK MANAGEMENT

14.1 Financial risk factors

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

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14 FINANCIAL RISK MANAGEMENT (CONTINUED)

14.1 Financial risk factors (Continued)

(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 statement of financial position date, 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 31 December 2021 and 31 December 2020) due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constants is as follows:

	31 December 2021		31 December 2020	
	Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
Riyad USD Diversified Trade Fund	1%	64,255	1%	79,679

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund is exposed to credit risk for its investments carried at amortized cost and cash and cash equivalent and receivables. Bank balances are deposited in Riyad Bank which is Bank with good financial rating.

The following table shows the Fund's maximum exposure to credit risk for components of the statement of financial position.

	31 December 2021	31 December 2020
Cash balance	2,311,435	2,223,359
Investments carried at amortized cost	29,000,000	44,700,000
Accrued special commission income	73,295	284,562

Amounts arising from ECL

Impairment on financial assets on Cash and cash equivalent, Investments carried at amortized cost and accrued income 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 asset 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.

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14 FINANCIAL RISK MANAGEMENT (CONTINUED)

14.1 Financial risk factors (continued)

(c) Liquidity risk

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

The Fund's terms and conditions provide for subscription and redemption of units on every Sunday to Thursday, therefore, exposed to the liquidity risk of meeting unitholder redemptions on these days.

The Fund's financial liabilities primarily consist of accrued expenses which are expected to be settled within one month from the 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 expected maturity of the assets and liabilities of the Fund is less than 12 months.

(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 unitholders.

(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 as 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	
	31 December 2021	31 December 2020
Increase by 1%	290,000	447,000
Decrease by 1%	(290,000)	(447,000)

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14 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 was 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; and
- 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 1.

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 1 comprises of determining the net asset value per unit of the funds which is based on observable market data.

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15 LAST VALUATION DAY

The last valuation day of the year was 30 December 2021 (30 December 2020).

16 COMPARATIVE FIGURES

Certain comparative figures for the year ended December 31, 2020 have been reclassified to conform with the presentation for the current year

17 SUBSEQUENT EVENTS

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

18 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Fund Board of Directors on 20 March 2021 (corresponding to 17 Sha'ban 1443H)