

**Saudi Riyal Money Market Fund  
(Managed by Alawwal Invest Company)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**



**Ernst & Young & Co. (Certified Public Accountants)** Registration No. 45/11/323  
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**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF SAUDI RIYAL MONEY MARKET FUND  
(Managed by Alawwal Invest Company)**

**Opinion**

We have audited the financial statements of Saudi Riyal Money Market Fund (the "Fund") managed by Alawwal Invest Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity 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 present fairly, in all material respects, the financial position of the Fund as at 31 December 2020, and its financial performance and its 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 that are endorsed by the Saudi Organization for Certified Public Accountants.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with professional code of 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management and Board of Directors 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 that are endorsed by the Saudi Organization for Certified Public Accountants and the applicable provisions of the Investment Funds Regulations issued by the Board of the Capital Market Authority, and the Fund's terms and conditions and the Information Memorandum, 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, 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.

The Fund's Board of Directors are responsible for overseeing the Fund's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF SAUDI RIYAL MONEY MARKET FUND  
(Managed by Alawwal Invest Company) (continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Fund's Board of Directors 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 Ernst & Young

Abdulaziz A. Al-Sowailim  
Certified Public Accountant  
License No. (277)



Riyadh: 19 Sha'aban 1442H  
(1 April 2021)

Saudi Riyal Money Market Fund  
(Managed by Alawwal Invest Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
<b>ASSETS</b>			
Cash and cash equivalents	5	<b>68,652,701</b>	25,794,072
Investments designated at fair value through profit or loss (FVTPL)	6	<b>37,071,166</b>	38,827,350
Money market placements measured at amortised cost	7	<b>37,063,263</b>	87,392,285
Investments measured at amortised cost	8	<b>6,971,156</b>	17,181,921
<b>TOTAL ASSETS</b>		<b>149,758,286</b>	169,195,628
<b>LIABILITY</b>			
Accrued expenses	11	<b>49,571</b>	61,071
<b>TOTAL LIABILITY</b>		<b>49,571</b>	61,071
<b>EQUITY</b>			
Net assets attributable to the redeemable unitholders		<b>149,708,715</b>	169,134,557
<b>TOTAL LIABILITY AND EQUITY</b>		<b>149,758,286</b>	169,195,628
Units in issue		<b>7,046,542</b>	8,032,967
Net assets value attributable to each unit		<b>21.2457</b>	21.0551

The accompanying notes 1 to 19 form an integral part of these financial statements.

Saudi Riyal Money Market Fund  
(Managed by Alawwal Invest Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 SR	2019 SR
<b>INCOME</b>			
Net gain from investments designated at FVTPL	9	<b>880,753</b>	1,341,354
Special commission income		<b>1,575,266</b>	5,170,458
		<u><b>2,456,019</b></u>	<u>6,511,812</u>
<b>EXPENSES</b>			
Management fees	10	<b>(797,083)</b>	(1,113,734)
Other expenses	12	<b>(210,355)</b>	(187,450)
		<u><b>(1,007,438)</b></u>	<u>(1,301,184)</u>
<b>PROFIT FOR THE YEAR</b>		<b>1,448,581</b>	5,210,628
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>1,448,581</b></u>	<u>5,210,628</u>

The accompanying notes 1 to 19 form an integral part of these financial statements.

Saudi Riyal Money Market Fund  
(Managed by Alawwal Invest Company)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	2020 SR	2019 SR
<b>EQUITY AT THE BEGINNING OF THE YEAR</b>	<b>169,134,557</b>	304,622,233
Profit for the year	<b>1,448,581</b>	5,210,628
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<b>1,448,581</b>	5,210,628
Issuance of units during the year	<b>8,226,499</b>	13,545,254
Redemption of units during the year	<b>(29,100,922)</b>	(154,243,558)
<b>EQUITY AT THE END OF THE YEAR</b>	<b>149,708,715</b>	169,134,557

**REDEEMABLE UNIT TRANSACTIONS**

Transactions in units for the year ended 31 December are summarised as follows:

	<u>Units</u>	<u>Units</u>
<b>UNITS AT THE BEGINNING OF THE YEAR</b>	<b>8,032,967</b>	14,807,094
Units issued during the year	<b>388,674</b>	652,319
Units redeemed during the year	<b>(1,375,099)</b>	(7,426,446)
<b>NET DECREASE IN UNITS</b>	<b>(986,425)</b>	(6,774,127)
<b>UNITS AT THE END OF THE YEAR</b>	<b>7,046,542</b>	8,032,967

The accompanying notes 1 to 19 form an integral part of these financial statements.

Saudi Riyal Money Market Fund  
(Managed by Alawwal Invest Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 SR	2019 SR
<b>OPERATING ACTIVITIES</b>			
Profit for the year		<b>1,448,581</b>	5,210,628
<i>Adjustment to reconcile profit for the year to net cash flows:</i>			
Unrealized gain on investments designated at FVTPL	9	<b>645,463</b>	604,291
		<b>2,094,044</b>	5,814,919
<i>Working capital adjustments:</i>			
Decrease in investments designated at FVTPL		<b>1,110,721</b>	3,503,050
Decrease in money market placements measured at amortised cost		<b>50,329,022</b>	117,028,454
Decrease in investments measured at amortised cost		<b>10,210,765</b>	30,485,353
Decrease in accrued expenses		<b>(11,500)</b>	(129,087)
Net cash flows from operating activities		<b>63,733,052</b>	156,702,689
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuances of units		<b>8,226,499</b>	13,545,254
Payment on redemption of units		<b>(29,100,922)</b>	(154,243,558)
Net cash flows used in financing activities		<b>(20,874,423)</b>	(140,698,304)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>42,858,629</b>	16,004,385
Cash and cash equivalents at the beginning of the year		<b>25,794,072</b>	9,789,687
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>68,652,701</b>	25,794,072

The accompanying notes 1 to 19 form an integral part of these financial statements.

# Saudi Riyal Money Market Fund (Managed by Alawwal Invest Company)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

### 1. INCORPORATION AND ACTIVITIES

Saudi Riyal Money Market Fund (the “Fund”) is an open-ended fund domiciled in Kingdom of Saudi Arabia, created by an agreement between Alawwal Invest Company (the “Fund Manager”), a subsidiary of The Saudi British Bank (formerly a subsidiary of Alawwal Bank) (the “Bank”) and investors in the Fund (the “Unitholders”).

The Fund Manager registered office is at P.O. Box 1467, Riyadh 11431, Kingdom of Saudi Arabia.

Saudi Riyal Money Market Fund	
Commencement Date	2 December 1994
Latest Governing Terms and Condition Date	7 November 2019
Latest Governing Information Memorandum Date	7 November 2019
Category	Conventional
Objective	Capital preservation and appreciation
Allowed Investment Channels	Deposits/Morabaha
	Bonds/sukuk
	Structured investment products
	Money Market/Morabaha funds

The Fund has appointed Riyad Capital Company (the “Custodian”) to act as its custodian and registrar. The fees of the custodian and registrar services are paid by the Fund.

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager can also enter into arrangements with other institutions for the provision of investment, custody or other administrative services on behalf of the Fund.

### 2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) detailing requirements for all investments funds operating within the Kingdom of Saudi Arabia and published by the Capital Market Authority (the “CMA”) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006). The Regulations were further amended on 16 Sha’aban 1437H (corresponding to 23 May 2016) (the “Amended Regulations”).

### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### 3.1. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in the KSA”).

#### 3.2. Basis of preparation

These financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for financial assets held at FVTPL that are measured at fair value. These financial statements are presented in Saudi Arabian Riyals (“SR”), which is the Fund’s functional currency. All financial information presented has been rounded to the nearest SR.



# Saudi Riyal Money Market Fund (Managed by Alawwal Invest Company)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.3. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### *Cash and cash equivalents*

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

##### *Financial instruments*

##### *(i) Classification*

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

##### *Financial assets*

The Fund classifies its financial assets either as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial assets

- *Financial assets measured at amortised cost*

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category cash and cash equivalents, investments in sukuks / bonds, money market placements and morabaha placements, amounts due from brokers and other receivables.

- *Financial assets measured at fair value through profit or loss (FVTPL)*

A financial asset is measured at fair value through profit or loss if:

- i. Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- ii. It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- iii. At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund includes in this category equity instruments held for trading which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

# Saudi Riyal Money Market Fund (Managed by Alawwal Invest Company)

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.3. Significant accounting policies (continued)

*Financial instruments (continued)*

##### (i) Classification (continued)

*Financial liabilities*

- *Financial liabilities measured at fair value through profit or loss (FVTPL)*  
A financial liability is measured at FVTPL if it meets the definition of held for trading. The Fund does not hold any financial liabilities measured at FVTPL.
- *Financial liabilities measured at amortised cost*  
This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund does not hold any financial liabilities measured at amortised cost.

##### (ii) Recognition

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

##### (iii) Initial measurement

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in the statement of comprehensive income.

Financial assets and liabilities (other than those classified as at FVTPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

##### (iv) Subsequent measurement

*Debt instruments*

The Fund recognises three classifications to subsequently measure its debt instruments:

- *Amortised cost*  
Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) which are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the statement of comprehensive income when the asset is derecognised or impaired. Special commission income from these financial assets is included in finance income using the effective interest rate method.
- *Fair Value through Other Comprehensive Income ("FVOCI")*  
Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special commission revenue and foreign exchange gains and losses, which are recognised in the statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the statement of income and recognised in other gains/(losses). Special commission income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expense.

# Saudi Riyal Money Market Fund (Managed by Alawwal Invest Company)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.3. Significant accounting policies (continued)

*Financial instruments (continued)*

##### (iv) Subsequent measurement (continued)

*Debt instruments (continued)*

- *Fair Value through profit or loss ("FVTPL")*  
Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI, are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through the statement of income and which is not part of a hedging relationship is recognised and presented net in the statement of income in the year in which it arises.

*Equity instruments*

The Fund measures all equity investments at fair value through profit or loss and presents changes in fair value of equity investments in the statement of comprehensive income.

##### (v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised 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:

- Transferred substantially all of the risks and rewards of the asset; or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

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 recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises 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 derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

##### (vi) 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 recognised amounts and there is an intention to settle on a net basis, or to realise 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.

##### (vii) Impairment of financial assets

The Fund assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its financial assets, carried at amortised cost, the ECL is based on a 12-month ECL and lifetime ECL. The 12-month ECL is the portion of lifetime the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

# Saudi Riyal Money Market Fund (Managed by Alawal Invest Company)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.3. Significant accounting policies (continued)

##### *Fair value measurement*

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 market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year. The Fund determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies. For this analysis, the Fund verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in Note 13.

##### *Trade date accounting*

All 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 purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

##### *Amounts due to and due from brokers*

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date. Refer to the accounting policy for financial liabilities, other than those classified as at FVTPL, for recognition and measurement.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Margin accounts represent cash deposits held with brokers as collateral against open futures contracts.

# Saudi Riyal Money Market Fund (Managed by Alawwal Invest Company)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.3. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Provisions*

Provisions are recognised when the Fund has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. If the effect of time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to passage of time is recognised as finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured.

##### *Accrued expenses*

Liabilities are recognized for amounts to be paid in the future for services received, whether billed by the suppliers or not. These are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method.

##### *Redeemable units*

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the Unitholder to a pro rata share of the Fund's net assets 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 Unitholder's rights to a pro rata share of the Fund's net assets
- 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 recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument

In addition to the redeemable shares 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 recognised net assets or the change in the fair value of the recognised and unrecognised net assets 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 recognised in net assets attributable to the Unitholders. 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 Fund classifies its net assets attributable to the unitholders as equity because it meets the criteria described above. As such, the issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. No gain or loss is recognised in the statement of comprehensive income on the purchase, issuance or cancellation of the Fund's own equity instruments.

##### *Net assets value per unit*

Net assets value per unit as disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the number of units outstanding at year end.

##### *Management fees*

Fund management fees are recognised on accrual basis and charged to the statement of comprehensive income. Fund management fee is charged at agreed rates with the Fund Manager and as stated in the terms and conditions of the Fund.

# Saudi Riyal Money Market Fund (Managed by Alawwal Invest Company)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.3. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Special commission income*

Special commission income and expense including special commission income from non-derivative financial assets measured at amortised cost, are recognized in the statement of comprehensive income, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument on initial recognition. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Commission received or receivable, and commission paid or payable, are recognised in the statement of comprehensive income as commission income and commission expense, respectively.

##### *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 and liabilities held for trading or designated upon initial recognition as at FVTPL and exclude special commission and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior year's unrealised gains and losses for financial instruments which were realised in the reporting period. Realised 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).

##### *Foreign currency translation*

Transactions in foreign currencies are translated into SR at the exchange rate at the dates of the transactions. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies are retranslated into SR at the exchange rate at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income as net foreign exchange losses, except for those arising on financial instruments at FVTPL, which are recognised as a component of net gain from financial instruments at FVTPL.

##### *Fee and other expenses*

Fee and other expenses are recognized on an accrual basis.

##### *Zakat and income tax*

Under the current system of taxation in Kingdom of Saudi Arabia the Fund is not liable to pay any zakat or income tax as they are considered to be the obligation of the Unitholders and as such, are not provided in the accompanying financial statements.

#### 3.4 New standards, interpretations and amendments

There are new standards, amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Fund.

#### 3.5 Standards issued but not yet effective

There are several 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 Board, these will have no impact on the financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable, when they become effective.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with IFRS as endorsed in KSA requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Funds' accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Significant areas where management has used estimates, assumptions or exercised judgement are as follows:

*Going concern*

The Board of Directors, in conjunction with the Fund Manager 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 upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

*Fair value measurement*

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price available on respective stock exchange, without any deduction for transaction costs. The Fund is using the last traded prices, which is recognised as standard pricing convention within the industry.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

The Fund measures financial instruments at fair value at each reporting date. Fair values of those financial instruments are disclosed in note 13.

**5. CASH AND CASH EQUIVALENTS**

	2020 SR	2019 SR
Bank balance	2,624,172	25,794,072
Short-term bank deposits	66,028,529	-
	<u>68,652,701</u>	<u>25,794,072</u>

Short-term bank deposits represent money market placements with local banks with original maturities of less than three months on prevailing special commission rates.

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6. INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments comprise the following as at statement of financial position date:

	31 December 2020			31 December 2019		
	Cost SR	Market value SR	Unrealized gain SR	Cost SR	Market value SR	Unrealized gain SR
<i>Mutual funds</i>						
Al Rajhi Commodity Fund	37,000,000	37,071,166	71,166	-	-	-
FALCOM SAR Murabaha Fund	-	-	-	38,110,721	38,827,350	716,629
	<u>37,000,000</u>	<u>37,071,166</u>	<u>71,166</u>	<u>38,110,721</u>	<u>38,827,350</u>	<u>716,629</u>

All the investments are made in Kingdom of Saudi Arabia.



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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

**7. MONEY MARKET PLACEMENTS MEASURED AT AMORTISED COST**

	31 December 2020 SR	31 December 2019 SR
National Bank of Kuwait	<b>37,063,263</b>	-
Alawwal Bank	-	44,189,750
Gulf International Bank	-	28,098,389
Banque Saudi Fransi	-	15,104,146
	<u><b>37,063,263</b></u>	<u>87,392,285</u>

Counterparties with whom the Fund has made placements have credit ratings of investment grade as issued by rating agencies. The average effective special commission rate on money market placements as at the yearend is 0.61% p.a. (31 December 2019: 2.42% p.a.).

Money market placements measured at amortised cost is subject to impairment assessment based on ECL model as per IFRS 9. The management has assessed that allowances for ECL is not significant.

**8. INVESTMENTS MEASURED AT AMORTISED COST**

	31 December 2020 SR	31 December 2019 SR
<i>Debt securities</i>		
Oman Sovereign Sukuk	<b>6,971,156</b>	-
Bank of Bahrain Sukuk	-	17,181,921
	<u><b>6,971,156</b></u>	<u>17,181,921</u>

The average effective special commission rate on investments as at the yearend is 4.40 % p.a. (31 December 2019: 5.44% p.a.).

Investments measured at amortised cost is subject to impairment assessment based on ECL model as per IFRS 9. The management has assessed that allowances for ECL is not significant.

**9. NET GAIN FROM INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	31 December 2020 SR	31 December 2019 SR
Realised gain	<b>1,526,216</b>	1,945,645
Unrealised loss	<b>(645,463)</b>	(604,291)
	<u><b>880,753</b></u>	<u>1,341,354</u>

Saudi Riyal Money Market Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

**10. TRANSACTIONS WITH RELATED PARTIES**

*Management fee and other transactions*

The Fund is managed and administered by the Fund Manager. For this service the Fund pays a management fee calculated on every valuation day, at an annual rate of 0.5 % of the Fund's daily net assets. Total management fees for the year amounted to SR 797,083 (2019: SR 1,113,734).

Other expenses paid by the Fund Manager on behalf of the Fund are charged to the Fund.

*Board of Directors*

The independent directors are entitled to remuneration for their services at rates determined by the Fund's terms and conditions in respect of attending meetings of the Board of Directors or meetings of the Fund. Independent Director's fees are currently SR 3,000 per meeting up to a maximum of 2 meetings per annum per director which is paid equally by all funds supervised by the board, in addition, SR 2,000 are paid to each independent director by the Fund per annum.

*Units held by related parties*

The balances as at year end resulting from such transactions included in the financial statements are as follows:

<i>Related party and nature of relationship</i>	<i>Nature of transaction</i>	<i>31 December 2020 Units</i>	<i>31 December 2019 Units</i>
Fund Manager	Units held	<b>1,409,142</b>	1,409,142
		<b>1,409,142</b>	1,409,142

**11. ACCRUED EXPENSES**

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Audit fees	<b>25,000</b>	35,000
Board members fees	<b>8,571</b>	8,571
CMA fees	<b>7,500</b>	7,500
Tadawul fees	<b>5,000</b>	5,000
Custody fees	-	5,000
Others	<b>3,500</b>	-
	<b>49,571</b>	61,071

**12. OTHER EXPENSES**

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Value Added Tax	<b>89,284</b>	61,115
Custody fees	<b>60,000</b>	60,000
Audit fees	<b>40,000</b>	35,000
Board members fees (note 10)	<b>8,571</b>	8,571
CMA monitoring fees	<b>7,500</b>	7,500
Tadawul fees	<b>5,000</b>	5,000
Brokerage fees	-	10,264
	<b>210,355</b>	187,450

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

The table below presents the financial instruments measured at their fair values as of reporting date based on the fair value hierarchy:

	31 December 2020			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Investments designated at FVTPL	<b>37,071,166</b>	-	-	<b>37,071,166</b>
	<b>37,071,166</b>	-	-	<b>37,071,166</b>
	31 December 2019			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Investments designated at FVTPL	38,827,350	-	-	38,827,350
	38,827,350	-	-	38,827,350

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the end of the reporting year during which the change has occurred. During the year, there was no transfer in fair value hierarchy for the financial assets held at fair value through profit or loss.

The fair values of investments measured at amortised cost are set out below:

	31 December 2020 SR	31 December 2019 SR
Investments measured at amortised cost	<b>6,973,146</b>	17,181,921
	<b>6,973,146</b>	17,181,921

The valuation of investments measured at amortised cost is estimated using contractual cash flows discounted at market yield as of reporting date, which is the sukuk market yield plus the prevailing Saudi Inter Bank offer rates (SIBOR). Input into the discounted cash flow techniques includes market yield, contractual cash flows and primary origination spreads.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

**13. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

Other financial instruments such as, cash and cash equivalents and morabaha placements. These are short-term financial assets whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties.

For all other financial assets and liabilities, the carrying value is an approximation of fair value, including overdraft and accrued expenses.

**14. MATURITY ANALYSIS OF ASSETS AND LIABILITIES**

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

<i>31 December 2020</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<b>ASSETS</b>			
Cash and cash equivalents	68,652,701	-	68,652,701
Investments designated at FVTPL	37,071,166	-	37,071,166
Money market placements measured at amortised cost	37,063,263	-	37,063,263
Investments measured at amortised cost	-	6,971,156	6,971,156
<b>TOTAL ASSETS</b>	<b>142,787,130</b>	<b>6,971,156</b>	<b>149,758,286</b>
<b>LIABILITY</b>			
Accrued expenses	49,571	-	49,571
<b>TOTAL LIABILITY</b>	<b>49,571</b>	<b>-</b>	<b>49,571</b>
<i>31 December 2019</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<b>ASSETS</b>			
Cash and cash equivalents	25,794,072	-	25,794,072
Investments designated at FVTPL	38,827,350	-	38,827,350
Money market placements measured at amortised cost	87,392,285	-	87,392,285
Investments measured at amortised cost	17,181,921	-	17,181,921
<b>TOTAL ASSETS</b>	<b>169,195,628</b>	<b>-</b>	<b>169,195,628</b>
<b>LIABILITY</b>			
Accrued expenses	61,071	-	61,071
<b>TOTAL LIABILITY</b>	<b>61,071</b>	<b>-</b>	<b>61,071</b>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

**15. FINANCIAL RISK MANAGEMENT**

The Fund has exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

*Financial risk management framework*

The Fund maintains positions in non-derivative financial instruments in accordance with its investment management strategy. The Fund's investment portfolio comprises listed equity and debt securities (Sukuk, Money market placements and Murabaha placements) and investments in unlisted investment funds.

The Fund's investment manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio are monitored by the Fund Board on a daily basis. In instances where the portfolio has diverged from target asset allocations, the Fund's investment manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

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

*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 does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties. The Fund Manager seeks to limit its credit risk by monitoring credit exposure and by dealing with reputed counterparties.

The Fund is exposed to credit risk for its investments measured at amortized cost, placements held at amortized cost, bank balance and other receivables. The Fund Manager seeks to limit its credit risk by monitoring credit exposures and by dealing with only reputable counterparties.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	31 December 2020 SR	31 December 2019 SR
Cash and cash equivalents	<b>68,652,701</b>	25,794,072
Money market placements measured at amortised cost	<b>37,063,263</b>	87,392,285
Investments measured at amortised cost	<b>6,971,156</b>	17,181,921
	<b><u>112,687,120</u></b>	<u>130,368,278</u>

The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

15. FINANCIAL RISK MANAGEMENT (continued)

*Credit risk (continued)*

As at the reporting date, the Fund's debt securities exposures were concentrated in the following economic sectors and geographies.

	31 December 2020 SR	31 December 2019 SR
<i>Sector</i>		
Sovereign	<b>6,971,156</b>	-
Banks	-	17,181,921
	<b>6,971,156</b>	17,181,921
<i>Geographical distribution</i>		
Sultanate of Oman	<b>6,971,156</b>	-
Kingdom of Bahrain	-	17,181,921
	<b>6,971,156</b>	17,181,921

The management has conducted an ECL assessment as required under IFRS 9 and based on that assessment, the management believes that there is no need for any significant impairment loss against the carrying value of the financial assets.

*Liquidity risk*

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities that are settled by delivering cash or another financial assets.

The Fund's terms and conditions provide for the terms of subscriptions and redemptions of units and it is, therefore, exposed to the liquidity risk of meeting unitholder redemptions. However, the Fund is allowed to borrow in order to satisfy redemptions. The Fund's bank balances, investments measured at amortized cost and placements are considered to be readily realisable. The Fund Manager monitors liquidity requirements on a regular basis and seeks to ensure that funds are available to meet commitments as they arise.

*Market risk*

Market Risk is the risk that changes in market prices - such as foreign exchange rates, special commission rates and equity prices will affect the Fund's income or the fair value of its holdings in financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective as per Fund's terms and conditions. The Fund's market risk is managed on a timely basis by the investment manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a timely basis by the Fund Manager.

*Equity price risk*

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices.

The Fund's investments are susceptible to market price risk arising from uncertainties about future prices. The Fund Manager manages this risk through diversification of its investment portfolio in terms of geographical distribution and industry concentration.

*Sensitivity analysis*

The table below sets out the effect on profit or loss of a reasonably possible weakening / strengthening in the individual equity market prices of 5% at reporting date. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular special commission and foreign currency rates, remain constant.

	2020		2019	
		SR		SR
<i>Net gain (loss) on investments held at FVTPL</i>	+ 5%	<b>1,853,558</b>	+ 5%	1,941,368
	- 5%	<b>(1,853,558)</b>	- 5%	(1,941,368)

Saudi Riyal Money Market Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

**15. FINANCIAL RISK MANAGEMENT (continued)**

*Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund' management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal. In addition, as the Fund's foreign currency transactions are primarily in US dollars which is pegged with the Saudi Riyal, foreign exchange gains and losses are not significant.

*Special commission rate risk*

Special commission rate risk arises from the possibility that changes in market commission rates will affect future profitability or the fair value of the financial instruments.

The Fund is subject to special commission rate risk on its commission bearing assets and liability, including Morabaha placements. The sensitivity of the income is the effect of assumed changes in commission rates, with all other variables held constant, on the Fund's income for the year based on the floating rate financial assets held at the year end. There are no investments in which Fund has made investment in floating rate securities. Hence, there is no effect of change in market commission rate on the Fund's profitability and is not exposed to special commission rate risk.

**16. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS**

The outbreak of the newly emerging Corona Virus (COVID-19) is still evolving and increasing. Therefore, it is now difficult to predict the magnitude and full extent of the resulting impact on business and the Fund.

It is still not certain what size and extent of these impacts will be determined, depending on future developments that cannot be accurately predicted at the present time, such as the rate of virus transmission and the size and effectiveness of measures taken to contain it. In light of the current uncertainty of the economic impact, it is not possible to make a reliable estimate of the resulting impact at the date of these financial statements being approved.

These developments may affect the future financial results, cash flows and the financial position of the Fund.

**17. EVENTS AFTER THE REPORTING PERIOD**

In the opinion of management, no events have occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these financial statements.

**18. LAST VALUATION PERIOD**

The last valuation day of the year was 31 December 2020 (2019: 31 December 2019).

**19. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements are approved by the Fund's Board of Directors on 18 Sha'aban 1442H (corresponding to 31 March 2021).