

**Al Rajhi Commodities Mudaraba Fund – Saudi Riyal
(Managed by Al Rajhi Capital)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR’S REVIEW REPORT**

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020



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**Independent auditor's review report on the interim condensed financial statements
To the Unitholders of Al Rajhi Commodities Mudaraba Fund - Saudi Riyal**

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Al Rajhi Commodities Mudaraba Fund - Saudi Riyal (the "Fund") managed by Al Rajhi Capital (the "Fund Manager") as at 30 June 2020 and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the six-month period ended 30 June 2020, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

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

Conclusion:

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

For Ernst & Young

Yousef A. AlMubarak
Certified Public Accountant
License No. 427



Riyadh: 4 Muharram 1442H
(23 August 2020)

AL RAJHI COMMODITIES MUDARABA FUND – SAUDI RIYAL

Interim condensed statement of financial position

As at 30 June 2020

		30 June 2020 (Unaudited) SR	31 December 2019 (Audited) SR
	<i>Note</i>		
ASSETS			
Cash and cash equivalents	4	469,216,983	1,427,174,723
Financial assets at fair value through profit or loss (FVTPL)	5	402,994,643	-
Financial assets measured at amortised cost	6	13,684,000,000	9,100,000,000
Accrued special commission		87,538,997	95,719,473
TOTAL ASSETS		14,643,750,623	10,622,894,196
LIABILITIES			
Management fee payable	7	7,358,103	3,278,683
Accrued expenses and other payables	8	216,549	89,783
TOTAL LIABILITIES		7,574,652	3,368,466
EQUITY			
Net assets attributable to unitholders of redeemable units		14,636,175,971	10,619,525,730
TOTAL LIABILITIES AND EQUITY		14,643,750,623	10,622,894,196
Redeemable units in issue		91,194,921	66,841,393
Net asset value attributable to each per unit		160.49	158.88

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

AL RAJHI COMMODITIES MUDARABA FUND – SAUDI RIYAL

Unaudited interim condensed statement of comprehensive income

For the six-month period ended 30 June 2020

	<i>Note</i>	2020 SR	2019 SR
INCOME			
Special commission income		148,900,732	140,949,251
Net unrealized gain on financial assets at FVTPL		2,994,643	-
TOTAL INCOME		151,895,375	140,949,251
EXPENSES			
Management fees	7	(21,772,930)	(17,734,920)
Other expenses	9	(220,006)	(166,312)
TOTAL EXPENSES		(21,992,936)	(17,901,232)
NET INCOME FOR THE PERIOD		129,902,439	123,048,019
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		129,902,439	123,048,019

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

AL RAJHI COMMODITIES MUDARABA FUND – SAUDI RIYAL

Unaudited interim condensed statement of changes in equity

For the six-month period ended 30 June 2020

	2020 SR	2019 SR
EQUITY AT THE BEGINNING OF THE PERIOD	10,619,525,730	6,890,630,702
Net income for the period	129,902,439	123,048,019
Other comprehensive income for the period	-	-
Total comprehensive income for the period	129,902,439	123,048,019
Issue of units during the period	11,215,111,355	7,193,033,051
Redemption of units during the period	(7,328,363,553)	(5,395,607,686)
EQUITY AT THE END OF THE PERIOD	14,636,175,971	8,811,104,086
	<u>Units</u>	<u>Units</u>
REDEEMABLE UNIT TRANSACTIONS		
Transactions in redeemable units during the period are summarised as follows:		
UNITS AT THE BEGINNING OF THE PERIOD	66,841,393	44,583,419
Issue of units during the period	70,227,690	46,261,019
Redemption of units during the period	(45,874,162)	(34,647,712)
Net increase in units	24,353,528	11,613,307
UNITS AT THE END OF THE PERIOD	91,194,921	56,196,726

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

AL RAJHI COMMODITIES MUDARABA FUND – SAUDI RIYAL

Unaudited interim condensed statement of cash flows

For the six-month period ended 30 June 2020

	2020 SR	2019 SR
Operating activities		
Net income for the period	129,902,439	123,048,019
<i>Adjustments to reconcile net income to net cash flows (used in) from operating activities:</i>		
Movement in unrealized gain on financial assets at FVTPL	(2,994,643)	-
<i>Working capital adjustments:</i>		
Increase in financial assets at FVTPL	(400,000,000)	-
Decrease (increase) in accrued special commission	8,180,476	(2,121,441)
Increase (decrease) in management fee payable	4,079,420	(1,186)
Increase in accrued expenses and other payables	126,766	531,114
Net cash flows (used in) from operating activities	(260,705,542)	121,456,506
Investing activities		
Purchase of financial assets measured at amortised cost	(11,425,000,000)	(7,640,000,000)
Proceeds from maturity/disposal of financial assets measured at amortised cost	6,841,000,000	4,710,006,398
Net cash flows used in investing activities	(4,584,000,000)	(2,929,993,602)
Financing activities		
Proceeds from issuance of units	11,215,111,355	7,193,033,051
Payment on redemption of units	(7,328,363,553)	(5,395,607,686)
Net cash flows from financing activities	3,886,747,802	1,797,425,365
Net decrease in cash and cash equivalents	(957,957,740)	(1,011,111,731)
Cash and cash equivalents at the beginning of the period	1,427,174,723	1,923,112,112
Cash and cash equivalents at the end of the period	469,216,983	912,000,381
<u>Operational cash flows from special commission income:</u>		
Special commission income received	157,081,208	138,827,810

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

AL RAJHI COMMODITIES MUDARABA FUND – SAUDI RIYAL

Notes to unaudited interim condensed financial statements

At 30 June 2020

1. INCORPORATION AND ACTIVITIES

Al Rajhi Commodities Mudaraba Fund - Saudi Riyal the ("Fund") is an open-ended investment fund created by an agreement between Al Rajhi Capital (the "Fund Manager"), a wholly owned subsidiary of the Al Rajhi Banking and Investment Corporation (the "Bank") and investors (the "Unitholders") in the Fund. The address of the Fund Manager is as follows:

Al Rajhi Capital, Head Office
8467 King Fahad Road, Al Muruj District
P.O. Box 2743
Riyadh 11263
Kingdom of Saudi Arabia

The Fund is designed for investors seeking current income consistent with the preservation of capital and liquidity. The assets of the Fund are invested in Murabaha funds and in Murabaha transactions executed in accordance with Sharia principles. Murabaha comprises purchases of goods and commodities from approved suppliers against immediate payment and selling them to reputed organisations on deferred payment terms, thereby generating a profit. All the trading profits are reinvested in the Fund. The Fund was established on 28 June 1999.

The Fund has appointed AlBilad Investment Company (the "Custodian") to act as its custodian. The fees of the custodian 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.

Based on historical information, between 30% and 55% of the Fund's units are redeemed throughout the period.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") issued by the Capital Market Authority ("CMA") on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and effective from 6 Safar 1438H (corresponding 6 November 2016) by the New Investment Fund Regulations ("Amended Regulations") published by the CMA on 16 Sha'aban 1437H (corresponding to 23 May 2016) detailing requirements for all funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

3.1. Basis of preparation

These interim condensed financial statements for the six-month period ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's annual financial statements as at 31 December 2019.

The interim condensed financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for investments held at FVTPL that are measured at fair value. These interim condensed 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.

3.2 New standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2019. There are new standards, amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed financial statements of the Fund.

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

AL RAJHI COMMODITIES MUDARABA FUND – SAUDI RIYAL

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

4. CASH AND CASH EQUIVALENTS

	30 June 2020 (Unaudited) SR	31 December 2019 (Audited) SR
Bank balances - current account	14,216,983	12,174,723
Short term murabaha placements with the other banks with original maturity of three months or less	455,000,000	1,415,000,000
	469,216,983	1,427,174,723

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The composition of the investment's portfolio on the last valuation day of the period is summarised below:

	30 June 2020 (Unaudited)			Unrealised gain SR
	% of Market Value	Cost SR	Market value SR	
Alinma Liquidity Fund	100.00	400,000,000	402,994,643	2,994,643

Investments in mutual funds are unrated. The Fund also does not have an internal grading mechanism. However, the Fund Manager seeks to limit its risk by monitoring each investment exposure and setting limits for individual investment.

6. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	30 June 2020 (Unaudited) SR	31 December 2019 (Audited) SR
Murabaha placements with the other banks	13,550,000,000	8,950,000,000
Sukuk	134,000,000	150,000,000
	13,684,000,000	9,100,000,000

Financial assets measured at amortised cost are composed of the following:

<u>30 June 2020 (Unaudited)</u> Remaining maturity	% of Value	Cost SR
Up to 1 month	19.85	2,690,000,000
1-3 months	34.24	4,640,000,000
3-6 months	27.38	3,710,000,000
6-9 months	14.69	1,990,000,000
9-12 months	3.84	520,000,000
	100.00	13,550,000,000

AL RAJHI COMMODITIES MUDARABA FUND – SAUDI RIYAL

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

6. FINANCIAL ASSETS MEASURED AT AMORTISED COST (continued)

<i>31 December 2019 (Audited)</i>	<i>% of</i>	<i>Cost</i>
Remaining maturity	<i>Value</i>	<i>SR</i>
Up to 1 month	26.37	2,360,000,000
1-3 months	40.67	3,640,000,000
3-6 months	9.16	820,000,000
6-9 months	10.39	930,000,000
9-12 months	10.50	940,000,000
More than 12 months	2.91	260,000,000
	<u>100.00</u>	<u>8,950,000,000</u>

Sukuk is summarised below:

<i>As at 30 June 2020 (Unaudited)</i>	<i>Maturity date</i>	<i>SR</i>
Bank Aljazira Sukuk	2 June 2026	53,000,000
Bahri-Sukuk	30 July 2022	45,000,000
Almarai Sukuk	16 September 2022	36,000,000
		<u>134,000,000</u>

<i>As at 31 December 2019 (Audited)</i>	<i>Maturity date</i>	<i>SR</i>
Bank Aljazira Sukuk	2 June 2026	54,000,000
Bahri-Sukuk	30 July 2022	40,000,000
Almarai Sukuk	16 September 2022	36,000,000
Najran Cement Sukuk	8 June 2020	20,000,000
		<u>150,000,000</u>

7. TRANSACTIONS WITH RELATED PARTIES

A. Transactions and balances with Fund Manager

In the ordinary course of its activities, the Fund transacts business with related parties.

The Fund pays a management fee at a maximum rate of 16% per annum (2019: 16%) calculated on the Fund's special commission. The fee is intended to compensate the Fund Manager for administration of the Fund.

The management fees amounting to SR 21,772,930 (30 June 2019: SR 17,734,920) reflected in the interim condensed statement of comprehensive income, represent the fees charged by the Fund Manager during the period as described above.

As at 30 June 2020, management fees amounting to SR 7,358,103 (31 December 2019: 3,278,683) are payable to the Fund Manager.

The units in issue at 30 June 2020 include 70,628 units held by the employees of the Fund Manager (31 December 2019: 50,447 units).

The units in issue at 30 June 2020 include 3,282,604 units held by the Fund Manager (31 December 2019: 2,849,113 units).

At the end of the period, the cash balance with the Bank is SR 11,607,846 (31 December 2019: SR 9,618,828).

AL RAJHI COMMODITIES MUDARABA FUND – SAUDI RIYAL

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

7. TRANSACTIONS WITH RELATED PARTIES (continued)

B. Transactions with 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 5,000 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 the normal course of business, the Fund places Murabaha investments with the Bank at prevailing market rates. Murabaha investments involve typically the purchase of a commodity by the Fund for the purpose of its re-sale. The re-sale and the related mark up over cost are agreed with the counter party at the inception of the Murabaha transaction. At the period end, Murabaha investments placed with the Bank amounted to SR Nil (31 December 2019: SR Nil).

Board of Directors' fees amounting to SR 9,236 (30 June 2019: SR 9,174) was charged during the period. As at 30 June 2020, Board of Directors' fees amounting to SR 9,236 (31 December 2019: SR 18,500) is payable to the Fund's Board of Directors.

8. ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2020 (Unaudited) SR	31 December 2019 (Audited) SR
Accrued custodian fees	177,966	25,388
Accrued professional fees	18,275	36,750
Other accrued expenses	20,308	27,645
	<u>216,549</u>	<u>89,783</u>

9. OTHER EXPENSES

	2020 (Unaudited) SR	2019 (Unaudited) SR
Custody fee	177,071	126,993
Professional fee	18,275	18,224
Others	24,660	21,095
	<u>220,006</u>	<u>166,312</u>

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's investments at FVTPL is measured at fair values and classified within level 2 of the fair value hierarchy. All other financial assets and liabilities are classified as amortized cost and management believes that the fair value of all other financial assets and liabilities at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. These are all classified within level 2 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current period or prior year.

AL RAJHI COMMODITIES MUDARABA FUND – SAUDI RIYAL

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

11. 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>As at 30 June 2020 (Unaudited)</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Cash and cash equivalents	469,216,983	-	469,216,983
Financial assets measured at FVTPL	402,994,643	-	402,994,643
Financial assets measured at amortised cost	13,550,000,000	134,000,000	13,684,000,000
Accrued special commission	87,538,997	-	87,538,997
TOTAL ASSETS	14,509,750,623	134,000,000	14,643,750,623
LIABILITIES			
Management fee payable	7,358,103	-	7,358,103
Accrued expenses and other payables	216,549	-	216,549
TOTAL LIABILITIES	7,574,652	-	7,574,652

<i>As at 31 December 2019 (Audited)</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Cash and cash equivalents	1,427,174,723	-	1,427,174,723
Financial assets measured at amortised cost	8,710,000,000	390,000,000	9,100,000,000
Accrued special commission	95,719,473	-	95,719,473
TOTAL ASSETS	10,232,894,196	390,000,000	10,622,894,196
LIABILITIES			
Management fee payable	3,278,683	-	3,278,683
Accrued expenses and other payables	89,783	-	89,783
TOTAL LIABILITIES	3,368,466	-	3,368,466

12. LAST VALUATION DAY

The last valuation day of the period/year was 30 June 2020 (year ended 31 December 2019: 31 December 2019).

13. IMPACT OF COVID-19 ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

During March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities and business continuity, the Fund Manager has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families.

As of the date of interim condensed financial statements for the six months period ended 30 June 2020, the Fund’s operations and financial results have witnessed impact due to the COVID-19 outbreak mainly as result of immaterial additional expected credit losses in the Fund’s financial assets measured at amortised cost driven by changes in the macroeconomic factors and assumptions. The impact of the pandemic on the Fund’s operations and financial results till the date of the interim financial statements has been reflected in the net assets value and investments value. These developments could further impact our future financial results, cash flows and financial condition and the Fund Manager will continue to assess the nature and extent of the impact on its business and financial results.

14. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund's management on 4 Muharram 1442H (corresponding to 23 August 2020).