

Al Rajhi Sukuk Fund
(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 Sukuk Fund

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Al Rajhi Sukuk Fund (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:

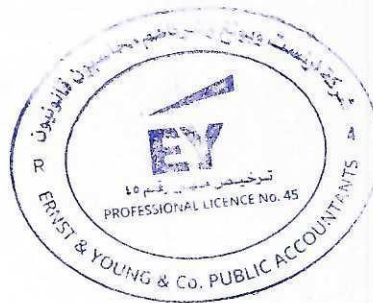
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily 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 SUKUK FUND

Interim condensed statement of financial position

As at 30 June 2020

	<i>Note</i>	30 June 2020 (Unaudited) SR	31 December 2019 (Audited) SR
ASSETS			
Bank balance		46,421	62,085
Financial assets at fair value through profit or loss (FVTPL)	4	114,231,497	107,946,458
Accrued special commission		959,407	789,953
TOTAL ASSETS		115,237,325	108,798,496
LIABILITIES			
Management fee payable	5	102,501	48,846
Accrued expenses and other payables	6	32,467	46,424
TOTAL LIABILITIES		134,968	95,270
EQUITY			
Net assets attributable to unitholders of redeemable units		115,102,357	108,703,226
TOTAL LIABILITIES AND EQUITY		115,237,325	108,798,496
Redeemable units in issue		1,020,449	966,653
Net asset value attributable to each per unit		112.80	112.45

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

AL RAJHI SUKUK FUND

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		1,785,651	1,132,739
Net unrealized (loss) gain on financial assets at FVTPL		(1,025,434)	2,239,015
Net realized loss on financial assets at FVTPL		(683,295)	(940,547)
TOTAL INCOME		76,922	2,431,207
EXPENSES			
Management fees	5	(309,562)	(175,385)
Other expenses	7	(37,632)	(30,662)
TOTAL EXPENSES		(347,194)	(206,047)
NET (LOSS) INCOME FOR THE PERIOD		(270,272)	2,225,160
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(270,272)	2,225,160

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

AL RAJHI SUKUK FUND

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	108,703,226	63,042,913
Net (loss) income for the period	(270,272)	2,225,160
Other comprehensive income for the period	-	-
Total comprehensive (loss) income for the period	(270,272)	2,225,160
Issue of units during the period	25,229,939	25,805,971
Redemption of units during the period	(18,560,536)	(18,510,247)
EQUITY AT THE END OF THE PERIOD	115,102,357	72,563,797
	<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	966,653	592,902
Issue of units during the period	223,512	238,512
Redemption of units during the period	(169,716)	(171,257)
Net increase in units	53,796	67,255
UNITS AT THE END OF THE PERIOD	1,020,449	660,157

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

AL RAJHI SUKUK FUND

Unaudited interim condensed statement of cash flows

For the six-month period ended 30 June 2020

	2020 SR	2019 SR
Operating activities		
Net (loss) income for the period	(270,272)	2,225,160
<i>Adjustments to reconcile net (loss) income to net cash flows used in operating activities:</i>		
Movement in unrealised loss (gain) on financial assets at FVTPL	1,025,434	(2,239,015)
<i>Working capital adjustments:</i>		
Increase in financial assets at FVTPL	(7,310,473)	(5,936,892)
Increase in accrued special commission	(169,454)	(101,344)
Increase in management fee payable	53,655	1,141
Decrease in accrued expenses and other payables	(13,957)	(18,415)
Net cash flows used in operating activities	(6,685,067)	(6,069,365)
Financing activities		
Proceeds from issuance of units	25,229,939	25,805,971
Payment on redemption of units	(18,560,536)	(18,510,247)
Net cash flows from financing activities	6,669,403	7,295,724
Net (decrease) increase in bank balance	(15,664)	1,226,359
Bank balance at the beginning of the period	62,085	607,467
Bank balance at the end of the period	46,421	1,833,826
<u>Operational cash flows from special commission income:</u>		
Special commission income received	1,616,197	1,031,395

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

AL RAJHI SUKUK FUND

Notes to unaudited interim condensed financial statements

At 30 June 2020

1. INCORPORATION AND ACTIVITIES

Al Rajhi Sukuk Fund (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 to achieve income and capital growth over the medium to long term by investing in Shariah compliant investment instruments consisting of sukuk, commodity murabaha placements, Islamic placements, structured Islamic products and commodity mudaraba funds.

The Fund was established on 25 Sha’ban 1435H (corresponding to 23 June 2014) as per notification to the Capital Market Authority (CMA) and commenced its operations on 14 Dulal Qadah 1435 (corresponding to 14 September 2014).

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 10% and 60% 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 financial assets held at FVPTL 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 SUKUK FUND

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

4. 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/year end is summarised below:

30 June 2020 (Unaudited)			
	<i>Cost</i> SR	<i>Market value</i> SR	<i>Unrealised</i> <i>gain/ (loss)</i> SR
Sukuk	85,924,610	85,750,294	(174,316)
Al Rajhi Commodities Mudaraba Fund – Saudi Riyal	17,230,232	17,389,234	159,002
Alinma Liquidity Fund	10,900,000	11,058,580	158,580
Al Rajhi Commodities Mudaraba Fund – USD	32,595	33,389	794
Total financial assets at FVTPL	<u>114,087,437</u>	<u>114,231,497</u>	<u>144,060</u>

31 December 2019 (Audited)			
	<i>Cost</i> SR	<i>Market value</i> SR	<i>Unrealised</i> <i>gain</i> SR
Sukuk	81,398,568	82,305,349	906,781
Al Rajhi Commodities Mudaraba Fund – Saudi Riyal	14,455,711	14,633,236	177,525
Alinma Liquidity Fund	8,900,000	8,954,922	54,922
Al Rajhi Commodities Mudaraba Fund – USD	2,022,685	2,052,951	30,266
Total financial assets at FVTPL	<u>106,776,964</u>	<u>107,946,458</u>	<u>1,169,494</u>

The composition of investments in Sukuk as at 30 June 2020, is summarised below:

	<i>Maturity date</i>	30 June 2020 (Unaudited) SR
Mumtalakat Sukuk	21-Jan-27	14,568,600
Sharjah Government Sukuk 2024	17-Sep-24	11,098,080
Bank Aljazira Sukuk	2-Jun-26	11,000,000
Emaar Sukuk	15-Sep-26	9,467,370
Equate Sukuk	21-Feb-24	7,002,855
Almarai Sukuk 2024 USD	5-Mar-24	6,374,580
Bahri Sukuk	30-Jul-22	5,000,000
Oman Sukuk 2025	31-Oct-25	4,645,305
Almarai Sukuk 2022	16-Sep-22	4,000,000
Savola Group Company Sukuk	9-Jul-26	4,000,000
Sharjah Government Sukuk 2027	10-Jun-27	3,754,763
Oman Sukuk 2024	1-Jun-24	3,316,241
Boubyan Sukuk	18-Feb-25	1,522,500
		<u>85,750,294</u>

AL RAJHI SUKUK FUND

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

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

The composition of investments in Sukuk as at 31 December 2019, is summarised below:

	<i>Maturity date</i>	<i>31 December 2019 (Audited) SR</i>
Najran Cement Sukuk	8-Jun-20	11,916,000
Sharjah Government Sukuk 2024	17-Sep-24	11,083,065
Bahri Sukuk	30-Jul-22	10,000,000
Bank Aljazira Sukuk	2-Jun-26	10,000,000
Emaar Sukuk	15-Sep-26	9,925,344
Oman Sukuk 2025	31-Oct-25	7,748,651
Equate Sukuk	21-Feb-24	7,051,523
Almarai Sukuk 2022	16-Sep-22	4,000,000
Savola Group Company Sukuk	9-Jul-26	4,000,000
Oman Sukuk 2024	1-Jun-24	3,428,966
Almarai Sukuk 2024 USD	5-Mar-24	3,151,800
		<u>82,305,349</u>

5. 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 0.5% per annum calculated on the net assets value at each valuation date. In addition, the Fund Manager also charges a fee at a maximum rate of 0.25 % per annum of the average net assets to meet other expenses of the Fund.

The management fees amounting to SR 309,562 (30 June 2019: SR 175,385) 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 102,501 (31 December 2019: SR 48,846) are payable to the Fund Manager.

The units in issue at 30 June 2020 include Nil units held by the employees of the Fund Manager (31 December 2019: Nil units).

The units in issue at 30 June 2020 include 48,288 units held by the Fund Manager (31 December 2019: 48,288 units).

At the end of the period, the cash balance with the Bank is SR 11,147 (31 December 2019: SR 56,096).

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.

Board of Directors' fees amounting to SR 95 (30 June 2019: SR 236) was charged during the period. As at 30 June 2020, Board of Directors' fees amounting to SR Nil (31 December 2019: SR Nil) is payable to the Fund's Board of Directors.

AL RAJHI SUKUK FUND

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

6. ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2020 (Unaudited) SR	31 December 2019 (Audited) SR
Accrued professional fees	18,275	36,750
Accrued custodian fees	12,175	1,941
Other accrued expenses	2,017	7,733
	<u>32,467</u>	<u>46,424</u>

7. OTHER EXPENSES

	2020 (Unaudited) SR	2019 (Unaudited) SR
Professional fee	18,275	18,224
Custody fee	12,322	6,053
Others	7,035	6,385
	<u>37,632</u>	<u>30,662</u>

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund has only investments at FVTPL which is measured at fair values and are 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.

9. 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			
Bank balance	46,421	-	46,421
Financial assets at FVTPL	28,481,203	85,750,294	114,231,497
Accrued special commission	959,407	-	959,407
TOTAL ASSETS	<u>29,487,031</u>	<u>85,750,294</u>	<u>115,237,325</u>
LIABILITIES			
Management fee payable	102,501	-	102,501
Accrued expenses and other payables	32,467	-	32,467
TOTAL LIABILITIES	<u>134,968</u>	<u>-</u>	<u>134,968</u>

AL RAJHI SUKUK FUND

Notes to unaudited interim condensed financial statements (continued)

At 30 June 2020

9. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

<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			
Bank balance	62,085	-	62,085
Financial assets at FVTPL	37,557,109	70,389,349	107,946,458
Accrued special commission	789,953	-	789,953
TOTAL ASSETS	38,409,147	70,389,349	108,798,496
LIABILITIES			
Management fee payable	48,846	-	48,846
Accrued expenses and other payables	46,424	-	46,424
TOTAL LIABILITIES	95,270	-	95,270

10. LAST VALUATION DAY

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

11. 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 decline in the fair values of Fund’s investments in line with decline in prices of investments. 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.

12. 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)