AL RAJHI COMMODITIES MUDARABA FUND
UNITED STATES DOLLAR
(An open-ended mutual fund)
Managed by
AL RAJHI CAPITAL COMPANY
Financial statements
For the year ended 31 December 2021
together with the
Independent Auditor's Report

KPMG Professional Services
Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No. 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the unitholders of Al Rajhi Commodities Mudaraba Fund United States Dollar

Opinion

We have audited the financial statements of Al Rajhi Commodities Fund United States Dollar (the "Fund") managed by Al Rajhi Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2021, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) (collectively referred to as "IFRS as endorsed in the Kingdom of Saudi Arabia").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the 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.

Other Matter

The financial statements of the Fund for the year ended 31 December 2020 were audited by another auditor, who expressed an unmodified opinion on those financial statements on 4 April 2021.

Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable provisions of the Investment Funds Regulations issued by the Board of the Capital Market Authority, 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, fund manager 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 fund manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Fund Board, is responsible for overseeing the Fund's financial reporting process.

To the unitholders of Al Rajhi Commodities Mudaraba Fund United States Dollar (continued)

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 ISA that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism 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 Fund Manager'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, then 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Professional Services

Khalil Ibrahim Al Sedais
License No: 371

Riyadh: 27 Sha'ban 1443H
Corresponding to: 30 March 2022

كي بي إم جي للاستشارات المهنية
Lic No. 46
C.R. 1010425494
R : 2
KPMG
ترخيص رقم ٤٦
KPMG Professional Services

AL RAJHI COMMODITIES MUDARABA FUND
UNITED STATES DOLLAR
(An open-ended mutual fund)
Managed by
AL RAJHI CAPITAL COMPANY
Statement of Financial Position
As at 31 December 2021
(Amounts in USD)

	Notes	**31 December 2021**	31 December 2020
ASSETS			
Cash and cash equivalents	*5*	**44,242,922**	10,665,359
Investments measured at fair value through profit or loss (FVTPL)	*6*	**13,834,828**	20,519,021
Investments measured at amortized cost	*7*	**129,079,935**	184,814,969
Total Assets		**187,157,685**	215,999,349
LIABILITY			
Management fee payable	*8, 9*	**24,869**	26,696
Accrued expenses	*10*	**10,631**	9,697
Total Liability		**35,500**	36,393
Net assets (equity) attributable to the unitholders		**187,122,185**	215,962,956
Units in issue (numbers)		**79,777**	92,741
Net assets value attributable to each unit (USD)		**2345.55**	2,328.67

The accompanying notes 1 to 18 form an integral part of these financial statements

AL RAJHI COMMODITIES MUDARABA FUND
UNITED STATES DOLLAR
(An open-ended mutual fund)
Managed by
AL RAJHI CAPITAL COMPANY
Statement of Comprehensive Income
For the year ended 31 December 2021
(Amounts in USD)

	Notes	**2021**	2020
INCOME			
Special commission income		**1,696,152**	2,706,359
Net unrealized gains from investments measured at FVTPL	*6.1*	**(162,439)**	123,603
Net realized gains from investments measured at FVTPL		**329,174**	150,066
		1,862,887	2,980,028
EXPENSES			
Management fees	*8, 9*	**(308,444)**	(467,038)
Other expenses	*11*	**(19,438)**	(19,921)
		(327,882)	(486,959)
Net Income for the year		**1,535,005**	2,493,069
Other comprehensive income		**-**	-
Total comprehensive income for the year		**1,535,005**	2,493,069

The accompanying notes 1 to 18 form an integral part of these financial statements.

AL RAJHI COMMODITIES MUDARABA FUND
UNITED STATES DOLLAR
(An open-ended mutual fund)
Managed by
AL RAJHI CAPITAL COMPANY
Statement of changes in net assets (equity) attributable to the unitholders
For the year ended 31 December 2021
(Amounts in USD)

	2021	2020
Net assets (equity) attributable to the unitholders at beginning of the year	**215,962,956**	159,143,158
Net income for the year	**1,535,005**	2,493,069
Proceeds from issuance of units	**64,781,514**	115,792,756
Payments for redemption of units	**(95,157,290)**	(61,466,027)
Net change from unit transactions	**(30,375,776)**	54,326,729
Net assets (equity) attributable to the unitholders at end of the year	**187,122,185**	215,962,956

Unit transactions (numbers)

Transactions in units for the year are summarized as follows:

	2021 (In units)	2020 (In units)
Units in issue at beginning of the year	**92,741**	69,299
Units issued	**27,735**	49,990
Units redeemed	**(40,699)**	(26,548)
Net increase / (decrease) in units	**(12,964)**	23,442
Units in issue at end of the year	**79,777**	92,741

The accompanying notes 1 to 18 form an integral part of these financial statements.

AL RAJHI COMMODITIES MUDARABA FUND
UNITED STATES DOLLAR
(An open-ended mutual fund)
Managed by
AL RAJHI CAPITAL COMPANY
Statement of Cash Flows
For the year ended 31 December 2021
(Amounts in USD)

	Notes	2021	2020
Cash flows from operating activities			
Net income for the year		**1,535,005**	2,493,069
Adjustments to reconcile net income to net cash generated from / (used in) operating activities:			
Unrealized gains from investments measured at FVTPL	*6.1*	**162,438**	(123,603)
Realized gains from investments measured at FVTPL		**(329,174)**	(150,066)
Net changes in operating assets and liabilities			
Increase in investments measured at FVTPL		**(20,162,912)**	(20,312,641)
Proceeds from sale of investments measured at FVTPL		**27,013,841**	10,296,733
Increase in investments measured at amortized cost		**55,735,034**	(180,483,405)
Proceeds from maturity of financial assets measured at amortized cost		-	132,188,301
Decrease in management fee payable		**(1,827)**	(29,064)
Increase / (decrease) in accrued expenses		**934**	(2,893)
Net cash generated from / (used in) operating activities		**63,953,339**	(56,123,569)
Cash flows from financing activities			
Proceeds from issuance of units		**64,781,514**	115,792,756
Payments for redemption of units		**(95,157,290)**	(61,466,027)
Net cash (used in) / generated from financing activities		**(30,375,776)**	54,326,729
Net increase in cash and cash equivalents		**33,577,563**	(1,796,840)
Cash and cash equivalents at beginning of the year	*5*	**10,665,359**	12,462,199
Cash and cash equivalents at end of the year	*5*	**44,242,922**	10,665,359

The accompanying notes 1 to 18 form an integral part of these financial statements.

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Rajhi Commodities Mudaraba Fund – United States Dollar (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 14 December 1990.

The Fund has appointed Al Bilad Investment Company (the "Custodian") to act as its custodian. The fees of the Custodian are paid by the Fund Manager as per the constituting documents of 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, registrar or other administrative services on behalf of the Fund. Based on historical information, between 20% and 40% of the Fund's units are redeemed throughout the year.

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) The Regulation was further amended (the "Amended Regulations") on 17 Rajab 1442 H (corresponding to 1 March 2021), detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations have effective dates starting from 19 Ramadan 1442 H (corresponding to 1 May 2021).

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as 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 Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in the KSA").

3.2 Basis of measurement

The financial statements have been prepared on a historical cost basis (except for investments measured at FVTPL which are stated at their fair value) using the accrual basis of accounting.

The Fund Manager has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the Fund Manager 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.

The line items in the statement of financial position have been presented in the order of liquidity.

3. BASIS OF PREPARATION (CONTINUED)

3.3 Functional and presentation currency

These financial statements are presented in United States Dollar ("USD"), which is also the functional currency of the Fund. All financial information presented has been rounded to the nearest USD.

3.4 Use of estimates and judgments

The preparation of these financial statements in accordance with IFRS requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires the Fund Manager to exercise its judgement in the process of applying the Fund's accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice 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 accounting estimates are recognized prospectively.

Measurement of the expected credit loss allowance
The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

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.

3.5 Impact of change in accounting policies

New IFRS Standards, interpretations and amendments adopted by the Fund

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2021 and accordingly adopted by the Fund, as applicable:

Standards / Amendments	***Description***
Amendments to IFRS 16	Leases for COVID -19 rent related concessions
Amendments to IFRS 7, IFRS 4 and IFRS 16	IBOR Benchmark Reform – Phase 2

The adoption of the amended standards and interpretations applicable to the Fund did not have any significant impact on these financial statements.

Accounting standards issued but not yet effective

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Fund's accounting year beginning on or after 1 January 2022 are listed below. The Fund has opted not to early adopt these pronouncements.

- IFRS 17 - Insurance contracts, applicable for the period beginning on or after January 1, 2023;

3. BASIS OF PREPARATION (CONTINUED)

- Amendments to IAS 1, Presentation of financial statements', on classification of liabilities;
- Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors, definition of accounting estimates;
- Amendments to IAS 1 Presentation of financial statements and IFRS practice statement 2 making materiality judgements, disclosure Initiative: Accounting policies;
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction; and

The Fund manager anticipates that the application of these new standards and amendments in the future will not have significant impact on the amounts reported.

4. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Fund in preparing its financial statements.

A. Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks, cash held with local Bank in trading account and with custodian in investment account and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments.

B. Financial assets and liabilities

Recognition and initial measurement

Financial assets and liabilities at Fair value through Profit and loss ("FVTPL") are initially recognised at trade date, which is the date on which the Fund becomes party to the contractual provisions of the instruments. Other financial assets and liabilities are recognised on the date on which they are originated.

Financial assets at FVTPL are initially recognised at fair value, with transaction costs recognised in profit or loss. Financial assets not at FVTPL are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Classification of financial assets

On initial recognition, the Fund classifies financial assets as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL.

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

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial assets and liabilities (continued)

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

All other financial assets of the Fund are measured at FVTPL.

As at 31 December 2021, the Fund’s financial assets are as follows:

- Cash and cash equivalents
- Investments measured at FVTPL
- Investments measured at amortized cost

Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and the information is provided to the Fund Manager. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund Manager;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly purchased financial assets going forward.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial assets and liabilities (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Reclassification
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing the financial assets.

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

Derecognition
The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Transactions in which the Fund transfers assets recognized on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or portion of them, the transferred assets are not derecognized. Transfer of assets with retention of all or substantially all of the risk and rewards include sale and repurchase transactions.

Transactions in which the Fund neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Fund continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. The Fund derecognizes a financial liability when its contractual obligations are either discharged or cancelled or expired.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from similar investment transactions such as in the Fund’s trading activity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial assets and liabilities (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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on going basis. The Fund measures instruments quoted in an active market at a mid price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

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 12.

C. Subscription and redemption on units

Units subscribed and redeemed are recorded at net asset (equity) value per unit on the Valuation Day for which the subscription request and redemption applications are received.

Redeemable units

Redeemable units are as equity instruments as they meet certain criteria. Those criteria include:

- the redeemable units must entitle the holder to a pro-rata share of net assets;
- the redeemable units must be the most subordinated class and class features must be identical;
- there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and
- the total expected cash flows from the redeemable units over its life must be based substantially on the profit or loss of the issuer.

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

D. Net assets value per unit

The net asset 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenue recognition

Net gain or loss on financial assets and liabilities at 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.

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

Dividend income

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

Special commission income

Special commission income including special commission income from non-derivative financial assets measured at amortised cost, are recognized in the statement of comprehensive income, using 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 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.

F. Fee and other expenses

Fee and other expenses are measured and recognized as expenses on an accrual basis in the period in which they are incurred.

G. Zakat and Income tax

Under the current system of zakat and income taxation in the Kingdom of Saudi Arabia the Fund does not pay any zakat and income tax. Zakat and income tax are considered to be the obligation of the unitholders and are not provided in the these financial statements.

The value added tax (VAT) applicable for fees and expenses are recognized in the statement of comprehensive income.

H. Provisions

Provisions are recognized whenever there is a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

5. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Bank balances - current account	**611,829**	659,065
- Cash with Custodian	**1,353**	
Short term Murabaha placements with having original maturity of three months or less	**43,600,000**	10,000,000
Accrued special commission	**29,740**	6,294
	44,242,922	10,665,359

5.1 Murabaha placements are held with the local and international banks. They carry profit rate ranging from 0.5% to 1.3% per annum (31 December 2020: 1.03% per annum).

6. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

This represents investment in the units of Al Rajhi commodities Murabaha Fund, a fund managed by the Fund Manager, the cost and fair value of the investment is as follows:

	31 December 2021			
	% of Fair Value	**Cost**	**Fair value**	**Unrealised gain**
Al Rajhi Commodities Mudaraba Fund – Saudi Riyal	**100.00**	**13,687,055**	**13,834,828**	**147,773**

6. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) (CONTINUED)

	31 December 2020			
	% of Market Value	Cost	Fair Market value	Unrealised gain
Al Rajhi Commodities Mudaraba Fund – Saudi Riyal	100.00	20,208,809	20,519,021	310,212

Investments in mutual funds are unrated. The Fund also does not have an internal grading mechanism. The Fund Manager seeks to limit risk of the Fund by monitoring exposures in each investment sector and individual securities.

6.1 Movement of unrealized gain / loss on re-measurement of investment classified as Financial asset at FVTPL:

	2021	2020
Fair value as at 31 December	**13,834,828**	20,519,021
Cost as at 31 December	**13,687,055**	20,208,809
Unrealised gain as at 31 December	**147,773**	310,212
Unrealised gain as at 1 January	**310,212**	186,609
Unrealised gain / (loss) for the year	**(162,439)**	123,603

7. INVESTMENTS MEASURED AT AMORTISED COST

	Notes	***31 December 2021 USD***	*31 December 2020 USD*
Murabaha placements with the other banks	**7.1**	**123,602,000**	180,842,000
Sukuk	**7.2**	**5,002,776**	3,412,716
Accrued special commission		**475,159**	560,253
		129,079,935	184,814,969

7.1 Murabaha placements with the other banks are composed of the following:

<u>31 December 2021</u>

Remaining maturity	***% of Value***	***Amount USD***
Up to 1 month	**19.58**	**24,200,000**
1-3 months	**33.23**	**41,077,000**
3-6 months	**8.90**	**11,000,000**
6-9 months	**18.82**	**23,265,000**
9-12 months	**19.47**	**24,060,000**
	100.00	**123,602,000**

7. INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

31 December 2020

Remaining maturity	*% of Value*	*Amount USD*
Up to 1 month	15.68	28,360,000
1-3 months	38.87	70,302,000
3-6 months	28.23	51,050,000
6-9 months	13.30	24,060,000
9-12 months	3.92	7,070,000
	100.00	**180,842,000**

7.1.1 Murabaha placements are held with the local banks and international banks. These placements have original maturity periods of more than three months and carry profit rate ranging from 0.5% to 1.25% per annum (31 December 2020: 0.4% to 2.94% per annum).

7.2 Sukuk investments are comprised of the following:

As at 31 December 2021	*Rate*	*Maturity date*	*Amount USD*
Mumtalakat Sukuk	**2.90%**	**27 February 2024**	**1,594,500**
State of Qatar Sukuk	**2.98%**	**18 January 2023**	**1,003,453**
Sharjah Govt. Sukuk 2024	**3.44%**	**17 September 2024**	**1,008,363**
Almarai Sukuk	**4.31%**	**5 March 2024**	**700,000**
Mumtalakat Sukuk	**4.24%**	**21 January 2027**	**496,460**
Sharjah Govt. Sukuk 2027	**2.94%**	**10 June 2027**	**200,000**
			5,002,776

As at 31 December 2020		*Maturity date*	***Amount USD***
State of Qatar Sukuk	2.98%	18 January 2023	1,005,749
Sharjah Govt. Sukuk 2024	3.43%	17 September 2024	1,011,147
Almarai Sukuk	4.31%	5 March 2024	700,000
Mumtalakat Sukuk	4.39%	21 January 2027	495,820
Sharjah Govt. Sukuk 2027	1.03%	10 June 2027	200,000
			3,412,716

8. MANAGEMENT FEE

As per the terms and conditions of the Fund, the Fund pays a management fee at a maximum rate of 16% per annum (2020:16%) calculated on the Fund’s special commission. The fee is intended to compensate the Fund Manager for administration of the Fund.

9. TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The related parties of the Fund include the Fund Manager, the Fund Board, other funds managed by the Fund Manager . In the ordinary course of its activities, the Fund has transactions with the Fund Manager.

The Fund does not charge any subscription fee on subscription of units and redemption fees on redemption of units. Other expenses paid by the Fund Manager on the behalf of the Fund are recharged to the fund as they are incurred as per constituting documents of the Fund.

In addition to transactions disclosed elsewhere in these financial statements, significant transactions with related parties for the years and related balances as at 31 December are as follows:

9. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

		Transactions		**Balance**	
Related party	**Nature of transaction**	**For the year ended 31 December 2021**	For the year ended 31 December 2020	**31 December 2021**	31 December 2020
		USD	*USD*	***USD***	*USD*
The Fund Manager	Management fee	**308,444**	467,038	**24,869**	26,696
Fund Board	Board fee	**368**	446	**489**	446

10. ACCRUED EXPENSES

	For the year ended 31 December	
Accrued audit fees	**5,518**	6,729
Accrued CMA fees	**2,000**	2,000
Others	**3,113**	968
	10,631	9,697

11. OTHER EXPENSES

	For the year ended 31 December	
	2021	2020
	USD	*USD*
Audit fees	**9,171**	10,734
CMA fees	**2,000**	2,000
Tadawul fees	**1,533**	1,400
Other expense	**6,734**	5,787
	19,438	19,921

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 principal or the most advantageous market must be accessible by the Fund. 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Changes in assumptions about these factors could affect the fair value of financial instruments.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation models

The fair values of financial instruments that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair value hierarchy – Financial instruments measured at fair value

The table below analyses financial instruments at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized.

	Carrying value	**31 December 2021**			
		Level 1	**Level 2**	**Level 3**	**Total**
Investments at FVTPL	**13,834,828**	**-**	**13,834,828**	**-**	**13,834,828**
Investments at amortized cost	**129,079,935**	**5,183,420**	**-**	**124,012,497**	**129,195,917**

		31 December 2020			
		Level 1	Level 2	Level 3	Total
Investments at FVTPL		-	20,519,021	-	20,519,021
Investments at amortized cost	184,814,969	3,648,096	-	181,364,266	185,012,362

12. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

During the year, there has been no transfer in fair value hierarchy for the financial assets held at fair value.

The Fund values securities that are traded on a stock exchange at their last reported prices. To the extent that securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy, hence the Fund's assets (sukuk) recorded at amortized cost have been categorized based on fair value hierarchy Level 1.

For level 2 investments (measured at FVTPL), fair value is determined based on the similar security external price.

Financial instruments such as cash and cash equivalents are classified under level 1 and the other financial instruments such as Murabaha placements, other assets, management fee payable and accrued expenses and other liabilities are short term financial assets and financial liabilities whose carrying amounts approximate their fair value, because of the short-term nature and high credit quality of counterparties are classified under level 3. This considers (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted prices of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.

13. 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:

	Within 12 months USD	**After 12 months USD**	**Total USD**
As at 31 December 2021			
ASSETS			
Cash and cash equivalents	**44,242,922**	-	**44,242,922**
Investments measured at FVTPL	**13,834,828**	-	**13,834,828**
Investments measured at amortized cost	**124,077,159**	**5,002,776**	**129,079,935**
TOTAL ASSETS	**182,154,909**	**5,002,776**	**187,157,685**
LIABILITIES			
Management fee payable	**24,869**	-	**24,869**
Accrued expenses	**10,631**	-	**10,631**
TOTAL LIABILITIES	**35,500**	-	**35,500**

	Within 12 months USD	After 12 months USD	Total USD
As at 31 December 2020			
ASSETS			
Cash and cash equivalents	10,665,359	-	10,665,359
Investments measured at FVTPL	20,519,021	-	20,519,021
Investments measured at amortized cost	181,402,253	3,412,716	184,814,969
TOTAL ASSETS	212,586,633	3,412,716	215,999,349
LIABILITIES			
Management fee payable	26,696	-	26,696
Accrued expenses	9,697	-	9,697
TOTAL LIABILITIES	36,393	-	36,393

14. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below sets out the classification of the carrying amounts of the Fund's financial assets and financial liabilities into categories of financial instruments:

31 December 2021	**Amortized cost**	**FVTPL**
FINANCIAL ASSETS		
Cash and cash equivalents	**44,242,922**	**-**
Money market placements and sukuks	**129,079,935**	**-**
Mutual Funds	**-**	**13,834,828**
Total Financial Assets	**173,322,857**	**13,834,828**
FINANCIAL LIABILITIES		
Management fee payable	**24,869**	**-**
Accrued expenses	**10,631**	**-**
Total Financial Liabilities	**35,500**	**-**

31 December 2020	Amortized cost	FVTPL
FINANCIAL ASSETS		
Cash and cash equivalents	10,665,359	-
Money market placements and sukuks	184,814,969	-
Mutual Funds	-	20,519,021
Total Financial Assets	195,480,328	20,519,021
FINANCIAL LIABILITIES		
Management fee payable	26,696	-
Accrued expenses	9,697	-
Total Financial Liabilities	36,393	-

15. RISK MANAGEMENT POLICIES

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

- credit risk
- liquidity risk
- market risks; and
- operational 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.

15. RISK MANAGEMENT POLICIES (CONTINUED)

Risk management framework

The Fund primarily aims to invest in a diversified portfolio consisting of investments in sukuks and Murabaha placements. The nature and extent of the financial instruments outstanding at the statement of financial position dare and the risk management policies employed by the Fund are discussed below.

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's Board.

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 the 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 further 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 is exposed to credit risk for its cash and cash equivalents, money market placements and sukuk investments. The Fund Manager seeks to limit its credit risk by monitoring credit exposures and by dealing with only reputable counterparties.

The Fund's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the certain credit standards.

Credit risk is monitored on a regular basis by the Fund Manager to ensure it is in line with the investment guidelines of the Fund Board.

Credit risk is monitored on a regular basis by the Fund Manager to ensure it is in line with the investment guidelines of the Fund Board.

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

	31 December 2021	31 December 2020
Cash and cash equivalents	**44,213,182**	10,659,065
Financial assets measured at amortized cost	**129,079,935**	184,254,716
Total exposure to credit risk	**173,293,117**	194,913,781

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 risk are generally managed on the basis or external credit ratings of the counterparties. Cash and cash equivalents are maintained with banks having sound credit ratings.

Allowance for impairment

The Fund has investments in Murabaha placements and sukuk, the ECL impact of which is not material to the financial statements. Hence, no impairment allowance is recorded in these financial statements as per IFRS 9.

15. RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities.

The Fund's Terms and Conditions provide for the subscriptions and redemptions of units throughout the week and it is, therefore, exposed to the liquidity risk of meeting unitholders redemptions at any time. As at 31 December 2021 and 31 December 2020, the Fund's cash and cash equivalents and investments measured at FVTPL are considered to be short-term in nature and realisable. The Fund Manager monitors liquidity requirements on a regular basis and seek to ensure that funds are available to meet commitments as they arise.

The maturity analysis of the financial assets and liabilities of the Fund is detailed in Note 13 to the financial statements.

Market risk

Market risk is the risk that changes in market prices – such as foreign currency risk, special commission rate risk and equity price risk – 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.

Special commission rate risk

Special commission rate risk is the risk that the financial instruments will fluctuate due to changes in the market special commission rates. The Fund is subject to special commission rate risk on its murabaha placements and investments in Sukuk.

A breakdown of the investments based on the type of commission rate on sukuk and money market placements is as follows:

	31 December 2021	
	Cost in USD	**Fair value in USD**
Fixed rate	**172,204,776**	**172,327,713**
	172,204,776	**172,327,713**

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

Change in profit rate	**Impact on income**	
	31 December 2021	*31 December 2020*
	USD	*USD*
Increase by 1%	**1,722,043**	1,842,547
Decrease by 1%	**(1,722,043)**	(1,842,547)

15. RISK MANAGEMENT POLICIES (CONTINUED)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments, either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior.

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

The primary responsibility for the development and implementation of control over operational risks rests with the Risk Management team of the fund manager. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures;
- requirements for:
  - appropriate segregation of duties between various functions, roles and responsibilities;
  - reconciliation and monitoring of transactions; and
  - periodic assessment of operational risks faced
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective

16. SUBSEQUENT EVENT

No events have occurred since the reporting date that require adjustments to or disclosure in the Financial Statements.

17. LAST VALUATION DAY

The last valuation day of the period was 31 December 2021 (year ended 31 December 2020: 31 December 2020).

18. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board of Directors on 24 Sha'aban 1443H (corresponding to 27 March 2022).