

**AL MURABIH SAR MURABAHA FUND  
MANAGED BY  
ALBILAD INVESTMENT COMPANY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
TOGETHER WITH THE INDEPENDENT AUDITORS'  
REPORT TO THE UNIT HOLDERS**

**AL MURABIH SAR MURABAHA FUND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Unit Holders and the Fund Manager of  
Al Murabih SAR Murahaba Fund:

March 29, 2016

### Scope of audit

We have audited the accompanying balance sheet of the Al Murabih SAR Murahaba Fund ("the Fund") managed by AlBilad Investment Company (the "Fund Manager") as of December 31, 2015 and the related statements of income, cash flows and changes in net assets attributable to unit holders for the year then ended, and the notes from (1) to (11) which form an integral part of the financial statements. These financial statements, which were prepared by the Fund's management and presented to us with all information and explanations which we required, are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### Unqualified opinion

In our opinion, such financial statements taken as a whole present fairly, in all material respects, the financial position of the Fund as of December 31, 2015 and the results of its operations, cash flows and the changes in its net assets attributable to unit holders for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Fund.

PricewaterhouseCoopers

  
By: \_\_\_\_\_

Omar M. Al Sagga  
License Number 369

**AL MURABIH SAR MURABAHA FUND**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**BALANCE SHEET**  
 (All amounts in Saudi Riyals '000' unless otherwise stated)

		<b>As at 31 December</b>	
	<b>Notes</b>	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>			
Cash and cash equivalents		<b>2,316</b>	1,373
Investments	6	<b>229,450</b>	285,271
Accrued revenue on held to maturity investments		<b>1,751</b>	859
<b>Total assets</b>		<b>233,517</b>	<b>287,503</b>
<b>LIABILITIES</b>			
Accrued management fee	7	<b>172</b>	179
Accrued expenses		<b>11</b>	11
<b>Total liabilities</b>		<b>183</b>	190
<b>Net assets attributable to unit holders</b>		<b>233,334</b>	287,313
<b>Units in issue (numbers '000)</b>		<b>197,730</b>	245,575
<b>Net assets value - per unit (Saudi Riyal)</b>		<b>1.1800</b>	1.1700

The accompanying notes 1 to 11 form an integral part of these financial statements.

**AL MURABIH SAR MURABAHA FUND**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**STATEMENT OF INCOME**  
 (All amounts in Saudi Riyals '000' unless otherwise stated)

		<b>For the year ended 31 December</b>	
	<b>Notes</b>	<b>2015</b>	<b>2014</b>
<b>INCOME</b>			
Profit on commodity murabaha		<b>2,916</b>	1,900
Profit on investment in sukuk		<b>197</b>	197
Trading gains, net			
- Realised gain on investments		<b>220</b>	112
- Movement in unrealised gain on investments		<b>-</b>	541
		<b>3,333</b>	<b>2,750</b>
<b>EXPENSES</b>			
Management fees	5,7	<b>(748)</b>	(607)
Other expenses	5	<b>(39)</b>	(43)
		<b>(787)</b>	<b>650</b>
<b>Net income for the year</b>		<b>2,546</b>	<b>2,100</b>

The accompanying notes 1 to 11 form an integral part of these financial statements.

**AL MURABIH SAR MURABAHA FUND**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**STATEMENT OF CASH FLOWS**  
(All amounts in Saudi Riyals '000' unless otherwise stated)

	<b>For the year ended 31 December</b>	
	<b>2015</b>	<b>2014</b>
<b>OPERATING ACTIVITIES</b>		
<b>Net income for the year</b>	<b>2,546</b>	2,100
<i>Adjustment to reconcile net income to net cash from operating activities:</i>		
Profit on commodity murabaha and investment in sukuk	<b>(3,113)</b>	(2,097)
Movement in unrealised gain on investments held for trading	-	(541)
	<b>(567)</b>	(538)
<b>Changes in operating assets and liabilities</b>		
Investments, net	<b>55,821</b>	(48,542)
Accrued management fee	<b>(7)</b>	15
Profit received on commodity murabaha and investment in sukuk	<b>2,221</b>	2,442
<b>Net cash from / (used in) operating activities</b>	<b>57,468</b>	(46,623)
<b>FINANCING ACTIVITIES</b>		
Proceeds from sales of units	<b>435,719</b>	337,515
Value of units redeemed	<b>(492,244)</b>	(299,781)
<b>Net cash (used in) / from financing activities</b>	<b>(56,525)</b>	37,734
Net increase / (decrease) in cash and cash equivalents	<b>943</b>	(8,889)
Cash and cash equivalents at beginning of the year	<b>1,373</b>	10,262
<b>Cash and cash equivalents at end of the year</b>	<b>2,316</b>	1,373

The accompanying notes 1 to 11 form an integral part of these financial statements.

**AL MURABIH SAR MURABAHA FUND**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS**  
(All amounts in Saudi Riyals '000' unless otherwise stated)

	<b>For the year ended 31 December</b>	
	<b>2015</b>	<b>2014</b>
<b>Net assets value at beginning of the year</b>	<b>287,313</b>	247,479
<b>Net income for the year</b>	<b>2,546</b>	2,100
<b>Changes from unit transactions</b>		
Proceeds from issuance of units	<b>435,719</b>	337,515
Payment towards units redeemed	<b>(492,244)</b>	(299,781)
<b>Net change from unit transactions</b>	<b>(56,525)</b>	37,734
<b>Net assets value at end of the year</b>	<b>233,334</b>	287,313

**UNIT TRANSACTIONS**

*(Units in '000)*

	<b>For the year ended 31 December</b>	
	<b>2015</b>	<b>2014</b>
<b>Units at beginning of the year</b>	<b>245,575</b>	213,394
Units issued	<b>371,335</b>	289,705
Units redeemed	<b>(419,180)</b>	(257,524)
Net change in units	<b>(47,845)</b>	32,181
<b>Units at end of the year</b>	<b>197,730</b>	245,575

The accompanying notes 1 to 11 form an integral part of these financial statements.

**AL MURABIH SAR MURABAHA FUND  
MANAGED BY ALBILAD INVESTMENT COMPANY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**  
(All amounts in Saudi Riyals '000' unless otherwise stated)

**1. THE FUND AND ITS ACTIVITIES**

Al Murabih SAR Murabaha Fund (the "Fund") is an open-ended investment fund, managed by AlBilad Investment Company ("the Fund Manager"), a subsidiary of Bank AlBilad (the "Bank") for the benefit of the Fund's Unit Holders. The objective of the Fund is to protect investor's principal investment and to achieve reasonable return by way of Murabaha based transactions that do not conflict with Shari'ah rules.

The Fund commenced its operations on 1 January 2006 and operated under the regulations issued by Saudi Arabian Monetary Agency (SAMA) until the Capital Market Authority (CMA) pursuant to resolution number 1-219-2006 dated 3 Dhul Hijja 1427H (corresponding to 24 December 2006), issued Investment Funds Regulations detailing regulatory requirements for all funds operating within the Kingdom of Saudi Arabia. The terms and conditions of the Fund were initially approved by SAMA and subsequently endorsed by the CMA on 20 January 2009.

In dealing with the Unit Holders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund. Furthermore, Unit Holders are considered to be the beneficial owners of the assets of the Fund.

**2. REGULATORY AUTHORITY**

The Fund is governed by the Investment Fund Regulations ("the Regulations") published by the Capital Market Authority (CMA) on 22 Dhul Hijja 1427H (corresponding to 12 January 2007) detailing requirements for all funds within the Kingdom of Saudi Arabia.

**3. BASIS OF PREPARATION**

**3.1 *Statement of compliance***

These financial statements are prepared in accordance with the generally accepted accounting standards issued by the Saudi Organization of Certified Public Accountants ("SOCPA").

**3.2 *Basis of measurement***

These financial statements have been prepared under the historical cost convention except for held for trading investments at fair value, using the accrual basis of accounting and the going concern concept.

**3.3 *Functional and presentation currency***

These financial statements have been presented in Saudi Riyals (SR), which is the functional currency of the Fund. All financial information presented in SR has been rounded to the nearest thousand.

**3.4 *Use of estimates and judgment***

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and future years affected.



**AL MURABIH SAR MURABAHA FUND  
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NOTES TO THE FINANCIAL STATEMENTS  
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#### **4. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2014.

##### **4.1 Investments held for trading**

Investments are classified as "held for trading" if they are purchased for the purpose of resale in the short term. Investments held for trading are initially recorded at cost which includes the purchase price plus all expenditures made by the Fund for the purpose of acquiring securities. Subsequent to initial recognition, investments held for trading are measured at fair value and resulting gains or losses are recognised in the statement of income but excluding dividend income which is separately shown in the statement of income. Realised gains or losses at disposal and unrealised gains or losses are determined on average cost basis.

##### **4.2 Investments held to maturity**

Investments are classified as "held to maturity" if the intention is to hold these to maturity date and there is capability to achieve this. Investments held to maturity are initially recorded at cost. The cost includes the purchase price plus all expenditure made by the Fund for the purpose of acquiring the investment. These are subsequently measured at amortised cost less any amount written off and allowance for impairment charge, if any.

##### **4.3 Trade date accounting**

All regular-way purchases and sales of financial assets are recognized and derecognized on the trade date, i.e. the date that the Fund commits to purchase or sell the assets. Regular-way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place.

All other financial assets and liabilities are initially recognized on the trade date at which the Fund becomes a party to the contractual provision of the instrument.

##### **4.4 Management fees and other expenses**

Management fees and other expenses are charged at rates / amounts within limits mentioned in the terms and conditions of the Fund. These charges are calculated and accrued on each valuation date.

##### **4.5 Provisions**

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

##### **4.6 Zakat / taxation**

Zakat / taxation is the obligation of the unit holders and is not provided for in these financial statements.

##### **4.7 Income**

Profit on Murabaha contracts is recognized on time-proportion basis over the period of the contract based on the principal amounts outstanding and agreed rate of profit.

##### **4.8 Cash and cash equivalents**

Cash and cash equivalents comprise balances held with a bank and investment account with Bank AlBilad in a pool of accounts managed by the Fund Manager.

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NOTES TO THE FINANCIAL STATEMENTS  
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**4.9 Subscription and redemption of units**

Units subscribed and redeemed are recorded at the net asset value per unit on the valuation day for which the subscription request and redemption applications are received.

**4.10 Net asset value**

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

**4.11 Financial instruments**

Financial assets and liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of financial assets and financial liabilities is taken directly to the statement of income.

**5. MANAGEMENT FEE, ADMINISTRATION AND OTHER CHARGES**

The Fund Manager charges the Fund a management fee at an annual rate of 0.25% (2014: 0.25%) of the net asset value at each valuation date of the Fund's net asset value.

The Fund Manager also recovers certain expenses incurred on behalf of the Fund within limits mentioned in the terms and conditions of the Fund. Breakup of such expenses are as follows:

	<b>Notes</b>	<b>2015</b>	<b>2014</b>
Professional fees	5.1	<b>23</b>	23
CMA and Tadawul fees		<b>12</b>	12
Other	5.2	<b>4</b>	8
		<b>39</b>	<b>43</b>

**5.1** During the year, the Fund Manager initially calculated a higher Net asset Value (NAV) for the period from 23 July 2015 to 9 December 2015 based on a revised audit fees of SR 20,000 which was not approved by the Capital Market Authority ("CMA") at that date. During December 2015, the Fund Manager recalculated and decreased the NAV for the stated period based on audit fees of SR 22,500 as stated in the terms and conditions of the Fund previously approved by the CMA. The Fund Manager appropriately accounted for the minimal resultant difference in the Fund's books and compensated the unit holders and the Fund accordingly in the amounts of SR 10.52 and SR 74.89 respectively, with respect to the units subscribed and redeemed at a higher NAV during the stated period.

**5.2** Other expenses include printing charges amounting to SR 2,884. These charges are allocated to the Fund by the Fund Manager based on the actual cost of printing.

**6. INVESTMENTS**

Investments comprise the following as of 31 December:

	<b>Notes</b>	<b>2015</b>	<b>2014</b>
<b>Investments held for trading</b>			
Mutual Funds	6.1	-	65,091
		-	65,091
<b>Investments held to maturity</b>			
Commodity murabaha contracts	6.2	<b>219,450</b>	210,180
Sukuk	6.3	<b>10,000</b>	10,000
		<b>229,450</b>	220,180
<b>Total Investments</b>		<b>229,450</b>	285,271

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**6.1 Mutual Funds**

	<b>Notes</b>	<b>2015</b>	<b>2014</b>
Al Rajhi Commodities Mudaraba Fund - Saudi Riyal	6.1.1	-	26,243
Asia Islamic Trade Finance Fund	6.1.2	-	11,829
Alistithmar Trade Finance Fund	6.1.3	-	27,019
		-	65,091
Cost		-	64,309
Unrealised gain, net		-	782
		-	65,091

**6.1.1** Al Rajhi Commodities Mudaraba Fund – Saudi Riyal is an open ended fund managed by Al Rajhi Capital, a wholly owned subsidiary of Al Rajhi Bank. The primary activity of the fund is to invest in Mudaraba Funds and in Mudaraba transactions executed in accordance Sharia Principles. The investment in this fund was redeemed during 2015.

**6.1.2** Asia Islamic Trade Finance Fund is an open ended fund managed by Asiya Asset Management (Cayman) Limited, domiciled in Cayman Islands. The objective of the fund is to provide Shariah Compliant trade finance facilities secured with raw materials, commodities and semi-finished goods. The investment in this fund was redeemed during 2015.

**6.1.3** Alistithmar Trade Finance Fund is an open ended fund managed by Alistithmar Capital, a subsidiary of The Saudi Investment Bank. The investment objective is safety of capital, higher liquidity and return exceeding 3 months Saudi Interbank Offering Rate ("SIBOR"). The fund invests in Murabaha Trades, Sukuks, Shariah compliant consumer facilities, Shariah compliant vehicle facilities, Shariah compliant housing facilities, Shariah compliant stock facilities and any other liquid Islamic investment instruments or funds. The investment in this fund was redeemed during 2015.

**6.2** The Commodity murabaha contracts are based on commodities such as aluminum, platinum, palladium and crude palm oil.

**6.3** The investment in sukuk represents sukuk issued by Sadara Basic Services Company. The sukuk carries coupon rate of 6 months SIBOR plus 0.95 percent payable on semi-annual basis. The maximum maturity date of sukuk is 15 December 2028.

**7. TRANSACTIONS WITH RELATED PARTIES**

In the ordinary course of its activities, the Fund transacts business with related parties. Related party transactions are in accordance with the terms and conditions of the Fund. All the related party transactions are approved by the Fund Board.

**AL MURABIH SAR MURABAHA FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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(All amounts in Saudi Riyals '000' unless otherwise stated)

Related parties comprise the Fund Manager, Bank AlBilad (the Parent Company of the Fund Manager) and entities related to Bank AlBilad and the Fund Manager.

Name of related party	Nature of transaction/balance	Value of transactions during the year		Closing balance	
		2015	2014	2015	2014
AIBilad Investment Company	Management fees	748	607	172	179
Bank AlBilad	Cash and cash equivalents (Investment Account Balance)	-	-	2,316	1,373
	Investment in Fund's units as unit holder				
	- Purchase	5,000	41,000	-	-
	- Redeemed	25,218	21,002	-	-
	- Closing balance	-	-	-	20,063
Asayel Fund	Investment in Fund's units as unit holder				
	- Purchase	89,800	74,509	-	-
	- Redeemed	96,020	47,001	-	-
	- Closing balance	-	-	26,190	32,101
Ithmar Fund	Investment in Fund's units as unit holder				
	- Purchase	6,200	10,000	-	-
	- Redeemed	9,717	7,000	-	-
	- Closing balance	-	-	-	3,512
GCC Ithmar	Investment in Fund's units as unit holder				
	- Purchase	8,500	5,000	-	-
	- Redeemed	13,529	-	-	-
	- Closing balance	-	-	-	5,023
Aqaar Fund	Investment in Fund's units as unit holder				
	- Purchase	-	-	-	-
	- Redeemed	241	207	-	-
	- Closing balance	-	-	-	241

## 8. SUBSCRIPTION AND REDEMPTION OF UNITS

Units of the Fund are made available for purchase only in the Kingdom of Saudi Arabia at the Bank AlBilad branches by natural and corporate persons. The net asset value of the Fund is determined daily ("Valuation Day") by dividing the net value of assets (fair value of Fund total assets minus liabilities) by the total number of outstanding units on the relevant Valuation day.

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund's financial assets comprise cash and cash equivalents and investments and its financial liabilities consist of accrued expenses. Management believes that fair values of these instruments are not materially different from their carrying values.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise financial assets and financial liabilities.

The objective of the Fund is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety to unit holders.

The Fund manages its investment portfolio and other assets by monitoring the return on net assets and makes adjustments to its investment policy in the light of changes in market conditions. The capital available is dependent upon the issuance and redemption of units.

**AL MURABIH SAR MURABAHA FUND  
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NOTES TO THE FINANCIAL STATEMENTS  
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Asset allocation is determined by the Fund Manager with a view to achieving the investment objectives.

The Fund maintain positions in different financial instruments as dictated by its investment policy. The Fund is exposed to credit risk, profit rates risk, liquidity risk and currency risk.

**9.1 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 on its cash and cash equivalents and investments. The Fund Manager seeks to limit its credit risk by monitoring credit exposures, setting limits and dealing with individual counterparties with sound credit ratings.

The Fund's maximum exposure at the reporting date is represented by respective carrying amounts of the relevant financial assets in the balance sheet.

**9.2 Profit rate risk**

Profit rate risk arises from the possibility that changes in market profit rate will affect future returns or the fair value of the Murabaha contracts.

The Financial assets of the Fund are not exposed to profit rate risk as murabaha investments are held to maturity and are entered for short term at fixed rates of profit.

**9.3 Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The financial instruments of the Fund are denominated in Saudi Riyals and United States Dollar (USD). The Saudi Riyal is pegged against USD and hence, the Fund is not exposed to currency risk.

**10. LAST VALUATION DATE OF THE YEAR**

In accordance with the terms and condition of the Fund, the last valuation day of the year was 31 December 2015 (2014: 31 December 2014).

**11. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements are approved by the Fund Board on 23 March 2016 corresponding to 14 Jumada Al-Thani 1437H.