

**AL MURABIH SAR MURABAHA FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016
AND LIMITED REVIEW REPORT TO THE UNIT HOLDERS**

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MANAGED BY ALBILAD INVESTMENT COMPANY
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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LIMITED REVIEW REPORT

July 26, 2016

To the Unit Holders and the Fund Manager of
Al Murabih SAR Murabaha Fund (Murabaha):

Scope of review

We have reviewed the accompanying balance sheet of Al Murabih SAR Murahaba Fund ("Murabaha") (the "Fund") as of 30 June 2016, and the related interim statements of income, cash flows and changes in net assets attributable to unit holders for the six-month period then ended and the related notes from (1) to (12) which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Fund's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the standard of review of interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of the limited review is substantially less than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in Saudi Arabia.

PricewaterhouseCoopers

By: _____

Omar M. Al Sagga
License Number 369



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

		As at 30 June	
	Note	2016	2015
ASSETS			
Cash and cash equivalents	6	109,598	94,658
Investments	7	110,000	268,366
Accrued revenue on held to maturity investments		1,433	934
Total assets		221,031	363,958
LIABILITIES			
Accrued management fee	8	132	192
Accrued expenses		9	10
Total liabilities		141	202
Net assets attributable to unit holders		220,890	363,756
Units in issue (units in '000)		185,227	309,757
Net assets value - per unit (Saudi Riyal)		1.1925	1.1743

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

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

		For the six-month period ended 30 June	
	Note	2016	2015
INCOME			
Profit on commodity murabaha		2,431	1,263
Profit on investment in sukuk		119	94
Trading gains, net			
- Realised gain on investments		-	470
- Movement in unrealised loss on investments		-	(247)
		<u>2,550</u>	<u>1,580</u>
EXPENSES			
Management fees	5,8	(268)	(389)
Other expenses	5	(19)	(21)
		<u>(287)</u>	<u>(410)</u>
Net income for the period		<u>2,263</u>	<u>1,170</u>

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

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

	For the six-month period ended 30 June	
	2016	2015
OPERATING ACTIVITIES		
Net income for the period	2,263	1,170
Adjustment to reconcile net income to net cash from operating activities:		
Profit on held to maturity investments	(2,550)	(1,357)
Movement in unrealised loss on investments held for trading	-	247
	(287)	60
Changes in operating assets and liabilities		
Investments, net	119,450	18,015
Accrued management fee	(40)	13
Accrued expenses	(2)	(1)
Profit on held to maturity investments, net	2,868	(75)
Net cash from operating activities	121,989	18,012
FINANCING ACTIVITIES		
Proceeds from issuance of units	53,183	327,212
Payment towards units redeemed	(67,890)	(251,939)
Net cash (used in) / from financing activities	(14,707)	75,273
Net increase in cash and cash equivalents	107,282	93,285
Cash and cash equivalents at beginning of the period	2,316	1,373
Cash and cash equivalents at end of the period	109,598	94,658

The accompanying notes 1 to 12 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)

	For the six-month period ended 30 June	
	2016	2015
Net assets value at beginning of the period	233,334	287,313
Net income for the period	2,263	1,170
Changes from unit transactions		
Proceeds from issuance of units	53,183	327,212
Payment towards units redeemed	(67,890)	(251,939)
Net change from unit transactions	(14,707)	75,273
Net assets value at end of the period	220,890	363,756

UNIT TRANSACTIONS
(Units in '000)

	For the six-month period ended 30 June	
	2016	2015
Units at beginning of the period	197,730	245,575
Units issued	44,814	279,141
Units redeemed	(57,317)	(214,959)
Net change in units	(12,503)	64,182
Units at end of the period	185,227	309,757

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

**AL MURABIH SAR MURABAHA FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016
(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 interim 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 interim financial statements have been prepared under the historical cost convention except for the measurement of investments held for trading at fair value, using the accrual basis of accounting and the going concern concept.

3.3 Functional and presentation currency

These interim 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 interim 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. The significant judgment made by management in applying accounting policies and key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 31 December 2015.

**AL MURABIH SAR MURABAHA FUND
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016
(All amounts in Saudi Riyals '000' unless otherwise stated)**

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2015.

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 interim 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 investment account with Bank AlBilad in a pool of accounts managed by the Fund Manager and murabaha contracts with maturities of less than 90 days.

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.

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(All amounts in Saudi Riyals '000' unless otherwise stated)**

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 period-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% (2015: 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.

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following as of 30 June:

	Note	2016	2015
Cash at bank		13,598	20,658
Murabaha contracts with maturities of less than 90 days	6.1	96,000	74,000
		109,598	94,658

7. INVESTMENTS HELD FOR TRADING

	Note	2016	2015
Investments held for trading			
Mutual Funds	7.1.	-	26,366
		-	26,366
Investments held to maturity			
Commodity murabaha contracts	7.2	100,000	232,000
Sukuk	7.3	10,000	10,000
			242,000
Total investments		110,000	268,366
Investments held for trading			
Cost		-	25,831
Unrealised gain, net		-	535
		-	26,366

7.1 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 the second half of 2015.

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7.2 The Fund Manager invested in the following commodities through murabaha placements:

	% of cost plus accrued profit	Acquisition Cost	Cost plus accrued profit
30 June 2016			
Aluminium	35	35,000	35,549
Platinum	65	65,000	65,622
Total investment	100	100,000	101,171
30 June 2015			
Palladium	65	151,800	152,429
Aluminium	10	23,200	23,323
Platinum	23	53,000	53,156
Copper	2	4,000	4,017
Total investment	100	232,000	232,925

All the fund's investments in murabaha contracts mature between three to twelve months.

7.3 The Fund has invested in Sukuk issued by Sadara Basic Services Company. The Sukuk carries coupon rate of 6 months Saudi Inter Bank Open Rate (SIBOR) plus 0.95 percent payable on a semi-annual basis. The maximum maturity date of sukuk is 15 December 2028.

8. 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.

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.

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(All amounts in Saudi Riyals '000' unless otherwise stated)

The following is a summary of the transactions with the related parties and the closing balances as of 30 June:

Name of related party	Nature of transaction	Value of transactions during the period		Closing balance	
		2016	2015	2016	2015
AlBilad Investment Company	Management fees	268	389	132	192
	Cash and cash equivalents	-	-	-	20,658
Bank AlBilad	Murabaha deals	31,000	5,000	31,000	-
	Investment	-	-	-	25,148
	Current Account Balance	-	-	13,598	-
Bank AlBilad	Investment in Fund as unit holder				
	Units purchased	10,000	-	-	-
	Closing balance	-	-	10,045	-
Asayel Fund	Investment in Fund as unit holder				
	Units purchased	6,000	68,100	-	-
	Units redeemed	10,000	41,120	-	-
	Investment	-	-	22,466	59,136
Aqaar Fund	Investment in Fund as unit holder				
GCC Ithmar Fund	Investment in Fund as unit holder	-	241	-	-
	Units purchased	-	8,500	-	-
	Units redeemed	-	10,027	-	-
	Investment	-	-	-	3,500
Ithmar Fund	Investment in Fund as unit holder				
	Units purchased	-	5,000	-	-
	Units redeemed	-	3,812	-	-
	Investment	-	-	-	4,701

9. 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.

10. 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.

Asset allocation is determined by the Fund Manager with a view to achieving the investment objectives.

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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.

10.1 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.

10.2 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.

10.3 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.

11. LAST VALUATION DATE OF THE PERIOD

In accordance with the terms and condition of the Fund, the last valuation day of the year was June 30, 2016 (2015: June 28, 2015).

12. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved by the Fund Board before issuance.