

Al Rajhi Sukuk Fund
(Managed by Al Rajhi Capital)

UNAUDITED INTERIM FINANCIAL STATEMENTS

30 JUNE 2015

LIMITED REVIEW REPORT TO THE UNITHOLDERS OF AL RAJHI SUKUK FUND

Scope of review

We have reviewed the accompanying balance sheet of Al Rajhi Sukuk Fund ("the Fund") as at 30 June 2015, and the related statements of operations, cash flows and changes in net assets for the period from 14 September 2014 to 30 June 2015. 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 on Review of Interim Financial Reporting issued by Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the 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 the Kingdom of Saudi Arabia.

for Ernst & Young



Rashid S. AlRashoud
Certified Public Accountant
Registration No. 366

Riyadh: 11 Shawwal 1436H
(27 July 2015)



Al Rajhi Sukuk Fund

BALANCE SHEET

As at 30 June 2015

	Notes	30 June 2015 (Unaudited) SR
ASSETS		
Bank balance		11,058,218
Trading investments	5	174,415,055
Money market placements	6	77,000,000
Accrued income		1,105,500
Other assets		66,751
		<u>263,645,524</u>
LIABILITY		
Accrued expenses		<u>29,632</u>
NET ASSETS		<u><u>263,615,892</u></u>
Units in issue		<u><u>2,611,305</u></u>
Per unit value		<u><u>100.95</u></u>

The accompanying notes 1 to 8 form part of these interim financial statements.

Al Rajhi Sukuk Fund

STATEMENT OF OPERATIONS

For the period from 14 September 2014 to 30 June 2015

	Notes	2015 (Unaudited) SR
INVESTMENT INCOME		
Trading income, net	7	1,473,719
Special commission income		599,907
		<u>2,073,626</u>
EXPENSES		
Management fees	4	(286,162)
Other fees	4	(105,957)
		<u>(392,119)</u>
NET INCOME FROM OPERATIONS		<u><u>1,681,507</u></u>

The accompanying notes 1 to 8 form part of these interim financial statements.

Al Rajhi Sukuk Fund

STATEMENT OF CASH FLOWS

For the period from 14 September 2014 to 30 June 2015

	2015 (Unaudited) SR
OPERATING ACTIVITIES	
Net income from operations	1,681,507
Adjustments for:	
Unrealized loss on trading investments	325,955
Changes in operating assets and liabilities:	
Trading investments, net	(174,741,010)
Money market placements	(77,000,000)
Accrued income	(1,105,500)
Other assets	(66,751)
Accrued expenses	29,632
Net cash used in operating activities	(250,876,167)
FINANCING ACTIVITIES	
Proceeds from units sold	297,011,157
Value of units redeemed	(35,076,772)
Net cash from financing activities	261,934,385
INCREASE IN BANK BALANCE	11,058,218
Bank balance at the beginning of the period	-
BANK BALANCE AT THE END OF THE PERIOD	11,058,218
<u>Operational cash flows from special commission income:</u>	
Special commission income received	289,991

The accompanying notes 1 to 8 form part of these interim financial statements.

Al Rajhi Sukuk Fund

STATEMENT OF CHANGES IN NET ASSETS

For the period from 14 September 2014 to 30 June 2015

	2015 (Unaudited) SR
NET ASSETS AT THE BEGINNING OF THE PERIOD	-
CHANGES FROM OPERATIONS	
Net income from operations	1,681,507
CHANGES FROM UNIT TRANSACTIONS	
Proceeds from units sold	297,011,157
Value of units redeemed	(35,076,772)
Net change from unit transactions	261,934,385
NET ASSETS AT THE END OF THE PERIOD	263,615,892

UNIT TRANSACTIONS

Transactions in units for the period ended 30 June are summarized as follows:

	2015 (Unaudited) Units
UNITS AT THE BEGINNING OF THE PERIOD	-
Units sold	2,959,518
Units redeemed	(348,213)
Net increase in units	2,611,305
UNITS AT THE END OF THE PERIOD	2,611,305

The accompanying notes 1 to 8 form part of these interim financial statements.

1 GENERAL

Al Rajhi Sukuk Fund ("the Fund") is an open ended 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 Fund is designed to achieve income and capital growth over the medium to long term by investing in Shariah compliant investment instruments consisting of sukuk, commodity murabaha placements, Islamic placements, structured Islamic products and commodity mudaraba Funds.

The Fund was established on 25 Sha'ban 1435H (corresponding to 23 June 2014) as per notification to the Capital Market Authority (CMA).

The fund commenced its operations on 19 Dhul-Qa'dah 1435H (corresponding to 14 September 2014) and its first financial year will end on 31 December 2015. Accordingly, these are the first interim financial statements of the Fund and cover the period from 14 September 2014 to 30 June 2015.

The books and records of the Fund are maintained in Saudi Riyals (SR).

The interim results may not be indicator of the annual results of the operations.

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the regulations) published by CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) detailing requirements for all funds within the Kingdom of Saudi Arabia.

3 SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared in accordance with the standard of accounting for interim financial reporting issued by the Saudi Organization of Certified Public Accountants ("SOCPA").

The significant accounting policies adopted are as follows:

Accounting convention

The interim financial statements are prepared under the historical cost convention modified to include the measurement at fair value of trading investments.

Revenue recognition

Special commission income from Mudaraba investment is recognized on an effective yield basis.

Trading income includes all unrealized gains and losses from changes in fair value. Realised gains and losses on trading investments sold are determined on the weighted average cost basis.

Investment valuation

Money market placements are carried at cost.

Investments which are purchased for trading purposes are valued at their market price. Investments in mutual funds are valued on the basis of net assets value published by the fund manager.

Investments that are bought with the intention of being held to maturity are carried at cost (adjusted for any premium or discount on an effective yield basis), less provision for any permanent decline in value.

Investment transactions

Investment transactions are accounted for as of the trade date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)***Zakat and income tax***

Zakat and income tax are the obligations of the Unitholders and are not provided for in the accompanying interim financial statements.

4 TRANSACTIONS WITH RELATED PARTIES

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

The management fees amounting to SR 286,162 and other fees amounting to SR 105,957 reflected in the statement of operations, represent the fees charged by the Fund Manager during the period as described above.

The Bank acts as the Fund's banker.

5 TRADING INVESTMENTS

Investments held for trading comprise the following as at 30 June:

<i>Description</i>	<i>Cost SR</i>	<i>Market value SR</i>
30 June 2015 (Unaudited)		
Investment in Sukuk	130,533,415	130,054,444
Al Rajhi Commodities Mudaraba Fund – Saudi Riyals	20,113,170	20,145,461
Al Rajhi Commodities Mudaraba Fund – USD	24,094,425	24,215,150
	<u>174,741,010</u>	<u>174,415,055</u>

6 MONEY MARKET PLACEMENTS

	<i>30 June 2015 (Unaudited) SR</i>
Murabaha and mudaraba investments with the other banks	<u>77,000,000</u>

7 TRADING INCOME, NET

	<i>For the period from 14 September 2014 to 30 June 2015 (Unaudited) SR</i>
Sukuk coupon income	1,681,145
Realised gains on sale, net	118,529
Unrealised loss on trading investments	(325,955)
	<u>1,473,719</u>

8 LAST VALUATION DAY

The last valuation day of the period was 30 June 2015.