

**Al Rajhi Commodities Mudaraba Fund –
United States Dollar
(Managed by Al Rajhi Capital)**

UNAUDITED INTERIM FINANCIAL STATEMENTS

30 JUNE 2016

**LIMITED REVIEW REPORT TO THE UNITHOLDERS OF
AL RAJHI COMMODITIES MUDARABA FUND - UNITED STATES DOLLAR**


Scope of review

We have reviewed the accompanying balance sheet of Al Rajhi Commodities Mudaraba Fund - United States Dollar ("the Fund") as at 30 June 2016, and the related statements of operations, cash flows and changes in net assets for the six month period then ended. 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


Waleed G. Tawfiq
Certified Public Accountant
Registration No. 437



Riyadh: 26 Shawwal 1437H
(31 July 2016)

Al Rajhi Commodities Mudaraba Fund – United States Dollar

BALANCE SHEET

As at 30 June 2016

	<i>Note</i>	<i>30 June 2016 (Unaudited) USD</i>	<i>31 December 2015 (Audited) USD</i>	<i>30 June 2015 (Unaudited) USD</i>
ASSETS				
Bank balance		590,810	7,584,446	11,260,165
Trading investments	5	10,219,687	9,788,881	13,637,861
Money market placements	6	81,500,000	71,400,000	98,800,000
Held to maturity investments		11,618,460	16,725,351	16,832,085
Accrued income		288,135	424,906	605,260
Others		1,101,897	-	457,008
		<u>105,318,989</u>	<u>105,923,584</u>	<u>141,592,379</u>
LIABILITY				
Accrued expenses		6,621	9,028	5,799
NET ASSETS		<u>105,312,368</u>	<u>105,914,556</u>	<u>141,586,580</u>
Units in issue		<u>49,201</u>	<u>49,861</u>	<u>67,012</u>
Per unit value		<u>USD 2,140.45</u>	<u>USD 2,124.20</u>	<u>USD 2,112.85</u>

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

Al Rajhi Commodities Mudaraba Fund – United States Dollar

STATEMENT OF OPERATIONS

For the six month period ended 30 June 2016

	<i>Note</i>	2016 (Unaudited) USD	2015 (Unaudited) USD
INVESTMENT INCOME			
Special commission income		818,338	848,263
Trading income, net	7	80,806	78,642
		<u>899,144</u>	<u>926,905</u>
EXPENSES			
Management fees	4	(131,170)	(135,949)
Others		(5,752)	(5,799)
		<u>(136,922)</u>	<u>(141,748)</u>
NET INCOME FROM OPERATIONS		<u>762,222</u>	<u>785,157</u>

Al Rajhi Commodities Mudaraba Fund – United States Dollar

STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2016

	2016 (Unaudited) USD	2015 (Unaudited) USD
OPERATING ACTIVITIES		
Net income from operations	762,222	785,157
Adjustments for:		
Movement in unrealized gain on trading investments	(56,395)	(17,724)
Changes in operating assets and liabilities:		
Trading investments, net	(374,411)	3,939,082
Money market placements	(10,100,000)	47,999,486
Held to maturity investments	5,106,891	105,378
Accrued income	136,771	246,271
Other assets	(1,101,897)	(457,008)
Accrued expenses	(2,407)	(2,482)
Net cash (used in) from operating activities	(5,629,226)	52,598,160
FINANCING ACTIVITIES		
Proceeds from units sold	22,960,272	7,250,664
Value of units redeemed	(24,324,682)	(55,532,390)
Net cash used in financing activities	(1,364,410)	(48,281,726)
(DECREASE) INCREASE IN BANK BALANCE	(6,993,636)	4,316,434
Bank balance at the beginning of the period	7,584,446	6,943,731
BANK BALANCE AT THE END OF THE PERIOD	590,810	11,260,165
<u>Operational cash flows from special commission income:</u>		
Special commission income received	955,109	1,094,534

Al Rajhi Commodities Mudaraba Fund – United States Dollar

STATEMENT OF CHANGES IN NET ASSETS

For the six month period ended 30 June 2016

	2016 (Unaudited) USD	2015 (Unaudited) USD
NET ASSETS AT THE BEGINNING OF THE PERIOD	105,914,556	189,083,149
CHANGES FROM OPERATIONS		
Net income from operations	762,222	785,157
CHANGES FROM UNIT TRANSACTIONS		
Proceeds from units sold	22,960,272	7,250,664
Value of units redeemed	(24,324,682)	(55,532,390)
Net change from unit transactions	(1,364,410)	(48,281,726)
NET ASSETS AT THE END OF THE PERIOD	105,312,368	141,586,580

UNIT TRANSACTIONS

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

	2016 (Unaudited) Units	2015 (Unaudited) Units
UNITS AT THE BEGINNING OF THE PERIOD	49,861	89,877
Units sold	10,764	3,438
Units redeemed	(11,424)	(26,303)
Net decrease in units	(660)	(22,865)
UNITS AT THE END OF THE PERIOD	49,201	67,012

Al Rajhi Commodities Mudaraba Fund – United States Dollar

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

At 30 June 2016

1 GENERAL

Al Rajhi Commodities Mudaraba Fund – United States Dollar ("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 for investors seeking current income consistent with the preservation of capital and liquidity. The assets of the Fund are invested in Mudaraba funds and in Mudaraba transactions executed in accordance with Sharia principles. Mudaraba 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 books and records of the Fund are maintained in the United States Dollar (USD).

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 used in the preparation of these interim financial statements are consistent with those used and disclosed in the annual financial statements for the year ended 31 December 2015.

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.

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.

Al Rajhi Commodities Mudaraba Fund – United States Dollar

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (continued)

At 30 June 2016

4 TRANSACTIONS WITH RELATED PARTIES

The Fund pays to the Fund Manager a management fee calculated at an annual rate of 16% per annum of the Fund's special commission income. The fee is intended to compensate the Fund Manager for administration of the Fund. The management fees reflected in the interim statement of operations represent the fees charged by the Fund Manager during the period.

In addition, the Fund Manager has the right to collectively charge the Fund at any time with any charges relating to the Fund.

In the normal course of business, the Fund places Mudaraba investments with the Bank at prevailing market rates. Mudaraba investments involve typically the purchase of a commodity by the Fund for the purpose of its re-sale. The re-sale and the related mark up over cost is agreed with a counterparty at the inception of the Mudaraba transaction deals.

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 USD</i>	<i>Market value USD</i>
30 June 2016 (Unaudited)		
<u><i>Mutual Fund</i></u>		
Al Rajhi Commodities Mudaraba Fund – Saudi Riyals	10,065,698	10,219,687
31 December 2015 (Audited)		
<u><i>Mutual Fund</i></u>		
Al Rajhi Commodities Mudaraba Fund – Saudi Riyals	9,691,287	9,788,881
30 June 2015 (Unaudited)		
<u><i>Mutual Fund</i></u>		
Al Rajhi Commodities Mudaraba Fund – Saudi Riyals	13,381,703	13,637,861

6 MONEY MARKET PLACEMENTS

	<i>30 June 2016 (Unaudited) USD</i>	<i>31 December 2015 (Audited) USD</i>	<i>30 June 2015 (Unaudited) USD</i>
Mudaraba investments with the other banks	81,500,000	71,400,000	98,800,000

Al Rajhi Commodities Mudaraba Fund – United States Dollar

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (continued)

At 30 June 2016

7 TRADING INCOME, NET

	<i>30 June 2016 (Unaudited) USD</i>	<i>30 June 2015 (Unaudited) USD</i>
Realised gains on sale, net	24,411	60,918
Movement in unrealised gain on trading investments	56,395	17,724
	<u>80,806</u>	<u>78,642</u>

8 LAST VALUATION DAY

The last valuation day of the period was 30 June 2016 (2015: 30 June 2015).