

ASAYEL FUND
Managed by
ALBILAD INVESTMENT COMPANY

Financial Statements
For the year ended 31 December 2011
together with the
Independent Auditors' Report to the Unit Holders



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License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT

To: **The Unit Holders**
Asayel Fund
Riyadh
Kingdom of Saudi Arabia

We have audited the accompanying financial statements of **Asayel Fund** (the "Fund") managed by AlBilad Investment Company (the "Fund Manager") which comprise the balance sheet as at 31 December 2011 and the related statements of income, cash flows and changes in net assets attributable to unit holders for the year then ended and the attached notes (1) through (10) which form an integral part of the financial statements.

Fund Manager's responsibility for the financial statements

The Fund Manager is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and for such internal control the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Fund Manager has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Fund's preparation and fair presentation of the financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Fund Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the financial statements taken as a whole present fairly, in all material respects, the financial position of the Fund as at 31 December 2011 and the results of its operations and its cash flows and for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Fund.

For KPMG Al Fozan & Al Sadhan

Tareq A. Al Sadhan

License No.: 352

Date: 5 Jumada I 1433H

Corresponding to: 28 March 2012



ASAYEL FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
BALANCE SHEET
As at 31 December
(Saudi Riyals 000')

	<i>Note</i>	2011	2010
ASSETS			
Cash and cash equivalents		18,012	6,959
Investments held for trading	5	556,140	659,726
Total assets		574,152	666,685
LIABILITIES			
Accrued expenses		2,542	--
Total liabilities		2,542	--
Net assets attributable to unit holders		571,610	666,685
Units in issue (numbers '000)		1,625,447	1,797,393
Net assets value – per unit (Saudi Riyal)		0.3517	0.3709

The accompanying notes 1 to 10 form an integral part of these financial statements.

ASAYEL FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
STATEMENT OF INCOME
For the year ended 31 December
(Saudi Riyals 000')

	Note	2011	2010
INCOME			
Dividend income		20,613	24,189
Trading gain / (loss)			
- Realised loss on investments		(81,335)	(121,237)
- Unrealised gain on investments		37,017	163,128
		<u>(23,705)</u>	<u>66,080</u>
EXPENSES			
Management fees	6	10,551	12,040
Other expenses		178	178
		<u>10,729</u>	<u>12,218</u>
Net (loss) income for the year		<u>(34,434)</u>	<u>53,862</u>

The accompanying notes 1 to 10 form an integral part of these financial statements.

ASAYEL FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
STATEMENT OF CASH FLOWS
For the year ended 31 December
(Saudi Riyals 000')

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income for the year	(34,434)	53,862
<i>Adjustment to reconcile net (loss) income to net cash from operating activities:</i>		
Unrealised gain on investments	<u>(37,017)</u>	<u>(163,128)</u>
	(71,451)	(109,266)
Changes in operating assets and liabilities		
Investments held for trading	140,603	150,753
Accrued expenses	2,542	(4,074)
Net cash from operating activities	<u>71,694</u>	<u>37,413</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	1,106	4,447
Payment towards units redeemed	(61,747)	(91,228)
Net cash used in financing activities	<u>(60,641)</u>	<u>(86,781)</u>
Net increase (decrease) in cash and cash equivalents	11,053	(49,368)
Cash and cash equivalents at beginning of the year	6,959	56,327
Cash and cash equivalents at end of the year	<u>18,012</u>	<u>6,959</u>

The accompanying notes 1 to 10 form an integral part of these financial statements.

ASAYEL FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
For the year ended 31 December
(Saudi Riyal 000')

	2011	2010
Net assets value at beginning of the year	666,685	699,604
Net (loss) income for the year	(34,434)	53,862
Changes from unit transactions		
Proceeds from issuance of units	1,106	4,447
Payment towards units redeemed	(61,747)	(91,228)
Net change from unit transactions	(60,641)	(86,781)
Net assets value at end of the year	571,610	666,685

UNIT TRANSACTIONS

(Units in '000)

Units at beginning of the year	1,797,393	2,039,652
Units issued	3,121	12,669
Units redeemed	(175,067)	(254,928)
Net change in units	(171,946)	(242,259)
Units at end of the year	1,625,447	1,797,393

The accompanying notes 1 to 10 form an integral part of these financial statements.

ASAYEL FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

1. GENERAL

Asayel Fund is an open-ended investment fund established and managed by AlBilad Investment Company (“the Fund Manager”) and licensed by the Saudi Arabian Monetary Agency (SAMA) through its letter number 15734/MZT dated 28 Shawaal 1426H (corresponding to 30 November 2005). The Fund commenced its operations on 1 January, 2006.

The objective of the Fund is to achieve capital growth with strong returns over the long term (at least three years). The Fund is managing a diversified portfolio including local shares that comply with the criteria set by the Sharia’h Board.

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 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 have been presented in accordance with the requirements of the accounting standard on financial reporting issued by the Saudi Organization of Certified Public Accountants (the “SOCPA”) and the terms and conditions stipulated in the management agreement.

These financial statements were authorized for issue by the Fund Board on 5 Jumada I 1433H corresponding to 28 March 2012.

3.2 *Basis of measurement*

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

3.4 *Use of estimates and judgment*

In the ordinary course of business, the preparation of financial statements requires the Fund Manager 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 period in which the estimates are revised.

ASAYEL FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are consistent with those used and disclosed in the previous year and are set out below:

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 the 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. Realised gains or losses at disposal and unrealised gains or losses are determined on average cost basis.

4.2 *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 asset and liabilities (including assets and liabilities designated at fair value through income statement) are initially recognized on trade date at which the Fund becomes a party to the contractual provision of the instrument.

4.3 *Management fees and other expenses*

Management fees are payable at agreed rates to the Fund Manager. These charges are calculated on each valuation date at the agreed annual percentage of the Fund’s net asset value.

The Fund Manager also recover expenses incurred on behalf of the Fund, such as regulatory and Sharia’h audits, legal, custody, brokerage, consultation services, data processing and other similar charges. Other expenses are recognized on an accrual basis.

4.4 *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.

4.5 *Zakat and income tax*

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

4.6 *Income*

Dividend income is recognized when the right to receive the dividend is established.

ASAYEL FUND
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011
(Saudi Riyals 000')

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Cash and cash equivalents

Cash and cash equivalents comprise of balances held with a bank with an original maturity of less than ninety days.

4.8 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.

4.9 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.

4.10 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. INVESTMENTS HELD FOR TRADING

The Fund Manager has invested in the following sectors.

Description by industry segment	% of market value	Cost	Market value
31 December 2011			
Quoted			
Banks & financial services	45	436,979	251,042
Telecommunication	13	88,074	71,547
Agriculture & food	4	16,570	20,312
Real estate development	6	38,529	31,724
Cement	7	61,652	37,463
Industrial investment	4	20,196	23,204
Building & construction	3	13,166	16,875
Petrochemical industries	4	23,794	23,296
Retail	12	54,749	70,189
Mutual funds	2	10,445	10,488
Total investment	100	764,154	556,140

ASAYEL FUND
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

(Saudi Riyals 000')

5. INVESTMENTS HELD FOR TRADING (Continued)

Description by industry segment	% of market value	Cost	Market value
<i>31 December 2010</i>			
Quoted			
Banks & financial services	49	489,157	322,366
Telecommunication	22	189,475	144,724
Agriculture & food	13	54,484	84,687
Real estate development	3	20,740	19,026
Cement	3	93,563	22,647
Industrial investment	5	30,942	35,048
Building & construction	3	13,166	16,705
Retail	2	13,230	14,523
Total investment	<u>100</u>	<u>904,757</u>	<u>659,726</u>
		2011	2010
Cost		764,154	904,757
Unrealised loss, net		<u>(208,014)</u>	<u>(245,031)</u>
		<u>556,140</u>	<u>659,726</u>

6. TRANSACTIONS WITH RELATED PARTIES

The Fund Manager and Bank AlBilad (the Parent Company of the Fund Manager) and entities related to Bank AlBilad are related parties.

In the ordinary course of its activities, the Fund transacts business with related parties. Related party transactions are governed by limits set by the regulations issued by CMA. All the related party transactions are approved by the Fund Manager.

The Fund pays a management fees calculated at an annual rate of 1.75% (2010: 1.75%) of the net asset value at each valuation date. Additionally, a subscription fees up to 2% (2010: 2%) of gross subscriptions is charged by the Fund Manager to cover administration costs and is netted off against proceeds from issuance of units.

Name of related party	Nature of transaction	Value of transactions during the year		Closing balance	
		2011	2010	2011	2010
AlBilad Investment Company	Management fees	10,551	12,040	2,496	--
	Other expenses	155	155	39	--
	Cash and cash equivalents (investment account balance)	--	--	18,012	6,859
Bank AlBilad	Cash and cash equivalents	--	--	--	100

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011
(Saudi Riyals 000')

7. 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 on every Sunday and Wednesday ("Valuation Day"). The net asset value of the Fund for the purpose of purchase or sale of units is determined by dividing the net value of assets (fair value of fund assets minus fund liabilities) by the total number of outstanding units on the relevant valuation day.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The objective of the Funds 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 for achieving the investment objectives.

The Fund maintains positions in different financial instruments as dictated by its investment policy. All investments are "held for trading" investments. The Fund is exposed to credit risk, equity price risk, liquidity risk and currency risk.

8.1 Credit risk

Credit risk is a 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 which are maintained with a related party (note 6) that has good credit ratings.

8.2 Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices. The Fund is exposed to equity price risk arising from its investments held for trading as the underlying investments comprise quoted equity shares. The Fund Manager manages this risk through diversification of the investment portfolio in terms of industry concentration.

8.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities and payment towards units redeemed. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

The Fund's terms and conditions provide for the subscription and redemption of units on every valuation day and it is, therefore, exposed to the liquidity risk of meeting redemptions at any time. The Fund's securities are considered to be readily realisable and they can be liquidated at any time. However, the Fund Manager has established certain liquidity guidelines for the Fund and monitors liquidity requirements on a regular basis to ensure sufficient funds are available to meet any commitments as they arise.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

(Saudi Riyals 000')

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

8.4 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates.

All the financial instruments of the fund are denominated in Saudi Riyals and hence, not exposed to currency risk.

9. FAIR VALUES OF FINANCIAL INSTRUMENTS

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 Fund's financial assets consist of bank balances and held for trading investments and its financial liabilities consist of certain other liabilities. Investments are carried at fair values and with respect to other financial assets and liabilities, Fund Manager believes that fair values of these instruments are not materially different from their carrying values.

10. LAST VALUATION DATE OF THE YEAR

The last valuation date of the year was 28 December 2011 (2010: 29 December 2010).