

ASAYEL FUND
Managed by
ALBILAD INVESTMENT COMPANY

Interim Condensed Financial Statements (Un-audited)
For the six month period ended 30 June 2012
together with the
Review Report to the Unit Holders



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REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

Scope of Review

We have reviewed the accompanying interim balance sheet of **Asayel Fund** (the "Fund") managed by **AIBilad Investment Company** (the "Fund Manager") as at 30 June 2012, and the related interim statements of income, cash flows and changes in net assets attributable to unit holders for the six-month period ended 30 June 2012 and the notes from (1) to (10) for the six-month period then ended which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Fund Manager and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information 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 review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Al Sadhan

Tareq A. Al Sadhan
License no. 352



Date: 25 Ramadan 1433H
Corresponding to: 13 August 2012

ASAYEL FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
INTERIM BALANCE SHEET (UN-AUDITED)

As at 30 June
(Saudi Riyals '000')

	<i>Note</i>	2012	2011
ASSETS			
Cash and cash equivalent		79,412	23,815
Investments	5	558,708	584,490
Other assets		2,657	777
Total assets		<u>640,777</u>	<u>609,082</u>
LIABILITIES			
Accrued expenses		2,955	58
Total liabilities		<u>2,955</u>	<u>58</u>
Net assets attributable to Unit Holders		<u>637,822</u>	<u>609,024</u>
Units in issue (numbers '000)		<u>1,568,663</u>	<u>1,700,694</u>
Net assets value – per unit (Saudi Riyal)		<u>0.4066</u>	<u>0.3581</u>

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

ASAYEL FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
INTERIM STATEMENT OF INCOME (UN-AUDITED)
For the six months period ended 30 June
(Saudi Riyals '000')

	2012	2011
INCOME		
Dividend income	16,669	13,383
Income on Commodity Murabaha	11	-
Trading gain / (loss), net		
- Realised loss on investments	(12,663)	(68,302)
- Unrealised gain on investments	90,319	37,401
	94,336	(17,518)
EXPENSES		
Management fees	5,651	5,452
Other expenses	81	89
	5,732	5,541
NET INCOME / (LOSS) FOR THE PERIOD	88,604	(23,059)

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

ASAYEL FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
For the six months period ended 30 June
(Saudi Riyals '000')

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the period	88,604	(23,059)
<i>Adjustment to reconcile net income / (loss) to net cash from operating activities:</i>		
Unrealised gain on investments, net	<u>(90,319)</u>	<u>(37,401)</u>
	(1,715)	(60,460)
Changes in operating assets and liabilities		
Investments, net	87,751	112,637
Other assets	(2,657)	(777)
Accrued expenses	<u>413</u>	<u>58</u>
Net cash from operating activities	83,792	51,458
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	7,340	735
Payment towards units redeemed	<u>(29,732)</u>	<u>(35,337)</u>
Net cash used in financing activities	(22,392)	(34,602)
Net increase in cash and cash equivalents	61,400	16,856
Cash and cash equivalents at beginning of the period	18,012	6,959
Cash and cash equivalents at end of the period	79,412	23,815

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

ASAYEL FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE
TO UNITHOLDERS (UN-AUDITED)
For the six months period ended 30 June
(Saudi Riyals '000')

	2012	2011
Net assets value at beginning of the year	571,610	666,685
Net income / (loss) for the year	88,604	(23,059)
Changes from unit transactions		
Proceeds from issuance of units	7,340	735
Payment towards units redeemed	(29,732)	(35,337)
Net change from unit transactions	(22,392)	(34,602)
Net assets value at end of the year	637,822	609,024

UNIT TRANSACTIONS

(Units in '000)

Units at beginning of the year	1,625,447	1,797,393
Units issued	17,136	2,043
Units redeemed	(73,920)	(98,742)
Net change in units	(56,784)	(96,699)
Units at end of the year	1,568,663	1,700,694

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

ASAYEL FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
For the six months period ended 30 June 2012

1. THE FUND AND ITS ACTIVITIES

The Asayel Fund is an open-ended investment fund established and 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 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.

The Fund commenced its operations on 1 January 2006 and operated under the regulations issued by Saudi Arabian Monetary Agency (SAMA) till when 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 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 condensed financial statements have been presented in accordance with generally accepted accounting standards in Kingdom of Saudi Arabia issued by the Saudi Organization of Certified Public Accountants (SOCPA) and do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Fund as at and for the year ended 31 December 2011.

These interim condensed financial statements were authorized for issue by the Fund Board on 25 Ramadan 1433H corresponding to 13 August 2012.

3.2 *Basis of measurement*

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

3.3 *Functional and presentation currency*

These interim condensed 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.

ASAYEL FUND
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(Saudi Riyals '000')

3. BASIS OF PREPARATION (continued)

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.

The significant judgment made by management in applying accounting policies and key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2011.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the financial statements for the year ended 31 December 2011.

5. INVESTMENTS

Investments comprise the following as of 30 June:

	Note	2012	2011
Investments held for trading	5.1		
Equities		526,949	575,044
Mutual Funds		100	9,446
		<u>527,049</u>	<u>584,490</u>
Investments held to maturity	5.2		
Commodity Murabaha		31,659	--
Total Investments		<u>558,708</u>	<u>584,490</u>

5.1 INVESTMENTS HELD FOR TRADING

The fund manager has invested in the following sectors:

<u>30 June 2012</u>	<u>% of market value</u>	<u>Cost</u>	<u>Market value</u>
Quoted shares:			
Banks & financial services	43	348,158	229,666
Telecommunication	15	83,002	80,404
Cement	15	88,615	77,421
Agriculture & food	5	26,098	27,620
Real estate development	7	37,080	36,306
Building & construction	3	11,822	14,148
Retail	8	28,375	40,382
Petrochemical	1	7,630	7,402
Transport	3	13,869	13,600
	<u>100</u>	<u>644,649</u>	<u>526,949</u>
Mutual Funds:			
Mutual Funds	-	95	100
Total	<u>100</u>	<u>644,744</u>	<u>527,049</u>

ASAYEL FUND
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(Saudi Riyals '000')

5.1 INVESTMENTS HELD FOR TRADING (continued)

<u>30 June 2011</u>	<u>% of market value</u>	<u>Cost</u>	<u>Market value</u>
Quoted shares:			
Banks & financial services	47	462,932	274,724
Telecommunication	12	88,074	71,547
Cement	6	66,655	35,106
Industrial investment	9	41,940	49,469
Agriculture & food	9	39,982	53,218
Real estate development	3	24,942	20,359
Building & construction	3	13,166	15,997
Retail	9	44,989	54,624
	98	782,680	575,044
Mutual Funds:			
Mutual Funds	2	9,440	9,446
Total	100	792,120	584,490
		2012	2011
Cost		644,744	792,120
Unrealized loss		(117,695)	(207,630)
		527,049	584,490

5.2 INVESTMENTS HELD TO MATURITY

<u>30 June 2012</u>	<u>% of market value</u>	<u>Acquisition Cost</u>	<u>Amortised Cost</u>
Commodity Murabaha	100	31,648	31,659
Total	100	31,648	31,659

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 Board.

The Fund pays a management fees calculated at an annual rate of 1.75% (30 June 2011: 1.75%) of the net asset value at each valuation date. Additionally, a subscription fees up to 2% (30 June 2011: 2%) of gross subscriptions is charged by the Fund Manager to cover administration costs and is netted off against proceeds from issuance of units.

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6. TRANSACTIONS WITH RELATED PARTIES (continued)

Name of related party	Nature of transaction	Value of transactions during period		Closing balance	
		2012	2011	2012	2011
AlBilad Investment Company	Management fees	5,651	5,452	2,917	--
	Other expenses	69	78	31	--
	Cash and cash equivalent (investment account balance)	--	--	79,412	23,748
Bank AlBilad	Cash and cash equivalent	--	--	--	67

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 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 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 for achieving the investment objectives.

The Fund maintains positions in different financial instruments as dictated by its investment policy. Investments comprise of "held for trading" and "held to maturity" investments. The Fund is exposed to credit risk, equity price risk, profit rate 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 and investments held to maturity. The Fund Manager believes that credit risk is minimal as counterparties have sound credit ratings and strong liquidity.

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.

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8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

8.3 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.

8.4 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in realizing 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.

8.5 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, Fund is 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 cash and cash equivalents, investments held for trading, investments held to maturity, other assets and its financial liabilities consist of accrued expenses. Investments held for trading are carried at fair values, with respect to other financial assets and liabilities, management believes that fair values of these instruments are not materially different from their carrying values.

10. LAST VALUATION DATE

The last valuation date of the period was 27 June 2012 (2011: 29 June 2011).