

**ITHMAR SHARIA COMPLIANT SAUDI EQUITY 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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INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2016**

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LIMITED REVIEW REPORT

July 26, 2016

To the Unit Holders and the Fund Manager of
Ithmar Sharia Compliant Saudi Equity Fund (Ithmar Fund):

Scope of review

We have reviewed the accompanying balance sheet of Ithmar Sharia Compliant Saudi Equity Fund ("Ithmar") (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 (13) 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 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



**ITHMAR SHARIA COMPLIANT SAUDI EQUITY FUND (ITHMAR FUND)
MANAGED BY ALBILAD INVESTMENT COMPANY
INTERIM BALANCE SHEET (UN-AUDITED)
(All amounts in Saudi Riyal '000' unless otherwise stated)**

	Note	As of 30 June	
		2016	2015
ASSETS			
Cash and cash equivalents		291	99
Investments held for trading	6	36,861	75,426
Dividend receivable		110	63
Total assets		37,262	75,588
LIABILITIES			
Accrued management fee		143	336
Accrued expenses		18	20
Total liabilities		161	356
Net assets attributable to unit holders		37,101	75,232
Units in issue (Units in '000)		33,168	46,008
Net assets value – per unit (Saudi Riyal)		1.1186	1.6352

The accompanying notes 1 to 13 form an integral part of these interim financial statements.

ITHMAR SHARIA COMPLIANT SAUDI EQUITY FUND (ITHMAR FUND)
MANAGED BY ALBILAD INVESTMENT COMPANY
INTERIM STATEMENT OF INCOME (UN-AUDITED)
 (All amounts in Saudi Riyal '000' unless otherwise stated)

		For the six-month period ended 30 June	
	Note	2016	2015
INCOME			
Dividend income, net	10	1,136	1,665
Trading (loss) / gain, net			
- Realised (loss) / gain on investments		(2,616)	8,915
- Movement in unrealised (loss) / gain from investments		(262)	4,805
		<u>(1,742)</u>	<u>15,385</u>
EXPENSES			
Management fees	5,7	(280)	(693)
Other expenses	5	(34)	(41)
		<u>(314)</u>	<u>(734)</u>
Net (loss) / income for the period		<u>(2,056)</u>	<u>14,651</u>

The accompanying notes 1 to 13 form an integral part of these interim financial statements.

ITHMAR SHARIA COMPLIANT SAUDI EQUITY FUND (ITHMAR FUND)
MANAGED BY ALBILAD INVESTMENT COMPANY
INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
(All amounts in Saudi Riyal '000' unless otherwise stated)

	For the six-month period ended 30 June	
	2016	2015
OPERATING ACTIVITIES		
Net (loss) / income for the period	(2,056)	14,651
<i>Adjustment to reconcile net (loss) / income to net cash from operating activities:</i>		
Movement in unrealised loss / (gain) on investments held for trading, net	262	(4,805)
	(1,794)	9,846
Changes in operating assets and liabilities		
Investments held of trading, net	5,940	17,739
Dividend receivable	(73)	(63)
Accrued management fee	(53)	(89)
Accrued expenses	5	(3)
Net cash generated from operating activities	4,025	27,430
FINANCING ACTIVITIES		
Dividend distribution	(967)	(2,428)
Proceeds from issuance of units	431	11,253
Payment towards units redeemed	(4,275)	(36,224)
Net cash used in financing activities	(4,811)	(27,399)
Net (decrease) / increase in cash and cash equivalent	(786)	31
Cash and cash equivalent at beginning of the period	1,077	68
Cash and cash equivalent at end of the period	291	99

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ITHMAR SHARIA COMPLIANT SAUDI EQUITY FUND (ITHMAR FUND)
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INTERIM STATEMENT OF CHANGES IN NET ASSETS (UN-AUDITED)
 (All amounts in Saudi Riyal '000' unless otherwise stated)

	For the six-month period ended 30 June	
	2016	2015
Net assets value at beginning of the period	43,968	87,980
Net (loss) / income for the period	(2,056)	14,651
Changes from unit transactions		
Proceeds from issuance of units	431	11,253
Payment towards units redeemed	(4,275)	(36,224)
Net change from unit transactions	(3,844)	(24,971)
Dividend distribution	(967)	(2,428)
Net assets value at end of the period	37,101	75,232

	For the six-month period ended 30 June	
	2016	2015
<u>UNIT TRANSACTIONS</u> <i>(Units in '000)</i>		
Units at beginning of the period	36,685	60,936
Units issued	412	6,766
Units redeemed	(3,929)	(21,694)
Net change in units	(3,517)	(14,928)
Units at end of the period	33,168	46,008

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2016
(All amounts in Saudi Riyal '000' unless otherwise stated)**

1. THE FUND AND ITS ACTIVITIES

Ithmar Sharia Compliant Saudi Equity Fund (Ithmar fund) (the "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 "Unit Holders"). The objective of the Fund is to achieve capital growth over long term period and provide periodic income. The fund distributes returns on semi-annual basis in the end of May and November of every calendar year. The Fund is managing a diversified portfolio by investing in Shariah compliant shares of companies listed in the Saudi stock exchange. The activities of the Fund conform to the rules and controls set by the Shariah Board.

Capital Market Authority (CMA) granted the approval for the establishment of the Fund via its letter 1631/5 dated 21 March 2012. The Fund commenced its operations on 3 June 2012.

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 are prepared in accordance with the requirements of the generally accepted accounting standards on financial reporting 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 the 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 recognised in the year in which the estimates are revised and future years are 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.

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 31 December 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

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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 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 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 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 at each valuation date.

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 / taxation

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

4.6 Dividend income

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

4.7 Cash and cash equivalents

Cash and cash equivalents comprise balance held in investment account with Bank AlBilad in a pool of accounts managed by the Fund Manager.

4.8 Subscription and redemption of units

Units subscribed and redeemed are recorded at the net assets value per unit at the valuation day for which the subscription and redemption applications are received.

4.9 Net assets value

The net assets 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.

4.10 Financial instruments

Financial assets and liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. Any gain or loss on de-recognition 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 each investor a subscription fee of a percentage not exceeding 1% (30 June 2015: 1%) of the subscribed amount to cover administration costs and is netted off against proceeds from issuance of units.

The Fund Manager charges the Fund, a management fee at the rate of 1.5% (30 June 2015: 1.5%) per annum of the Fund's net asset value which is calculated on each valuation day and deducted on quarterly basis. Custody

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fees and Shari'ah committee fees are included within the charged management fees in line with the Fund terms and conditions.

The Fund Manager also recovers certain expenses incurred on behalf of the Fund within limits mentioned in terms and conditions of the Fund.

6. INVESTMENTS HELD FOR TRADING

	Note	2016	2015
Equities - Quoted		36,861	70,726
Mutual Funds	6.1	-	4,700
	6.2	36,861	75,426
Cost		47,307	69,865
Unrealised (loss) / gain, net		(10,446)	5,561
		36,861	75,426

6.1 Investment in mutual funds as of June 30, 2015 represented investments in units of Al Murabeh Fund (open ended fund) and GCC Ithmar (open ended fund) managed by AlBilad Investment Company. The primary activity of Al Murabeh Fund is to invest in Shari'ah compliant Murabaha contracts whereas GCC Ithmar Fund's objective is to invest in Shari'ah compliant shares of GCC listed companies. Investments in the funds were subjected to management fees and in line with investee Fund terms and conditions. The investments in these funds were redeemed during the second half of 2015.

6.2 The Fund Manager has invested in the following sectors:

Description by industry segment	% of market value		Cost		Market value	
	2016	2015	2016	2015	2016	2015
Retail	24	24	11,874	15,180	8,782	17,750
Petrochemical industries	15	12	6,124	9,268	5,498	8,847
Banks & financial services	14	12	6,845	9,556	5,060	8,988
Transport	11	6	3,997	2,913	3,930	4,253
Telecommunication	10	5	3,142	3,437	3,541	4,141
Agriculture & food	8	7	4,288	5,174	2,777	5,326
Cement	6	5	2,931	3,537	2,220	3,972
Industrial investment	4	5	1,546	3,480	1,577	3,859
Ceramic	4	5	3,334	4,023	1,555	3,699
Building and construction	2	6	1,147	4,209	1,105	4,713
Hotel & tourism	2	4	2,079	2,840	816	3,062
Real estate development	-	3	-	1,548	-	2,116
Mutual funds	-	6	-	4,700	-	4,700
Total	100	100	47,307	69,865	36,861	75,426

7. 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 of the Fund Manager, Bank AlBilad (the Parent Company of the Fund Manager) and entities related to Bank AlBilad and Fund Manager.

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Name of related party	Nature of transaction/balance	Value of transactions during the period		Closing balance	
		2016	2015	2016	2015
AlBilad Investment Company	Management fees	280	693	143	335
	Cash and cash equivalents (investment account balance)	-	-	281	99
Bank Albilad	Current Account	-	-	10	-
Al-Murabih Murabaha Fund	Units purchased	-	5,000	-	-
	Units redeemed	4,700	3,812	-	-
	Closing balance	-	-	-	4,700
GCC Ithmar Fund	Investment in Fund's unit as unit holder	-	-	-	-
	Units purchased	-	495	-	-
	Units redeemed	5,042	-	-	-
	Closing balance	-	-	-	5,042

The Fund Manager also charges subscription fee to cover administrative costs from the subscribers and is netted-off against the proceeds from issuance of units (note 5).

8. 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") by dividing the net value of assets (fair value of total assets minus liabilities) by the total number of outstanding units on the relevant Valuation Day.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund's financial assets comprise cash and cash equivalents and held for trading investments and its financial liabilities consist of accrued expenses. Investments are carried at fair values and with respect to other financial assets and liabilities, 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 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.

9.1 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.

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The Fund is exposed to credit risk on its cash balance which is maintained with a related party that has a sound credit rating. The Fund's maximum exposure at the reporting date is represented by respective carrying amounts of the relevant financial assets in the balance sheet.

9.2 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 portfolio due to investment in quoted equity shares that are listed in the Saudi stock exchange. Equity price risk is managed by diversifying the portfolio. This is achieved by investing in securities in various sectors of the market (note 6) and continuous monitoring of the equity prices by the Fund Manager.

9.3 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.

9.4 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 significant currency risk.

10. INCOME EXCLUDED FROM THE STATEMENT OF INCOME

As per the agreement between the Fund and Units' Holders in the Fund, income prohibited by Sharia'h, as defined, is excluded from the statement of income and paid to charities. Such amount is determined based on the information available to management upon preparation of these financial statements.

11. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that is received to sell an asset or paid to transfer a liability in an orderly transaction among market participants at the measurement date. Financial instruments comprise of financial assets and financial liabilities.

The Fund's financial assets comprise cash and cash equivalents and investments held for trading, and its financial liabilities comprise of accrued expenses.

Investments held for trading are carried at fair value. The fair values of other financial instruments are not materially different from their carrying values. Fluctuations in stock market can cause fluctuations in the investment portfolio.

12. LAST VALUATION DATE OF THE YEAR / PERIOD

In accordance with the terms and condition of the Fund, the last Valuation Day of the period was 30 June 2016 (2015: 30 June 2015).

13. APPROVAL OF FINANCIAL STATEMENTS

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