

**AQAR 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  
Aqar Fund  
Riyadh, Kingdom of Saudi Arabia**

### *Scope of Review*

We have reviewed the accompanying interim balance sheet of **Aqar Fund** (the "Fund") managed by **AlBilad 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

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

As at 30 June  
*(Saudi Riyals '000')*

	<i>Note</i>	<b>2012</b>	2011
<b>ASSETS</b>			
Cash and cash equivalents		229	72
Investments held for trading	5	2,051	2,087
Dividend receivable		3	--
<b>Total assets</b>		<u>2,283</u>	<u>2,159</u>
<b>LIABILITIES</b>			
Accrued expenses		46	60
<b>Total liabilities</b>		<u>46</u>	<u>60</u>
<b>Net assets attributable to Unit Holders</b>		<u>2,237</u>	<u>2,099</u>
<b>Units in issue (numbers '000)</b>		<u>5,729</u>	<u>5,878</u>
<b>Net assets value – per unit (Saudi Riyal)</b>		<u>0.3904</u>	<u>0.3570</u>

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

**AQAR 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
<b>INCOME</b>		
Dividend income	38	50
Trading gain / (loss), net		
- Realised gain on investments	192	24
- Unrealized loss on investments	<u>(7)</u>	<u>(208)</u>
	<u>223</u>	<u>(134)</u>
<b>EXPENSES</b>		
Management fees	24	22
Other expenses	<u>76</u>	<u>89</u>
	<u>100</u>	<u>111</u>
<b>NET INCOME / (LOSS) FOR THE PERIOD</b>	<u>123</u>	<u>(245)</u>

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

**AQAR 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income / (loss) for the period	123	(245)
<i>Adjustment to reconcile net income / (loss) to net cash from operating activities:</i>		
Unrealised loss on investments, net	7	208
	130	(37)
<b>Changes in operating assets and liabilities:</b>		
Investments held for trading, net	15	(15)
Dividend receivable	(3)	19
Accrued expenses	(10)	60
<b>Net cash from operating activities</b>	132	27
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	93	112
Payment towards units redeemed	(91)	(78)
<b>Net cash generated from financing activities</b>	2	34
Net increase cash and cash equivalents	134	61
Cash and cash equivalents at beginning of the period	95	11
<b>Cash and cash equivalents at end of the period</b>	229	72

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

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

	2012	2011
<b>Net assets value at beginning of the period</b>	2,112	2,310
<b>Net income / (loss) for the period</b>	123	(245)
<b>Changes from unit transactions</b>		
Proceeds from issuance of units	93	112
Payment towards units redeemed	(91)	(78)
<b>Net change from unit transactions</b>	2	34
<b>Net assets value at end of the period</b>	2,237	2,099

**UNIT TRANSACTIONS**  
*(Units in '000)*

<b>Units at beginning of the period</b>	5,726	5,778
Units issued	225	309
Units redeemed	(222)	(209)
Net change in units	3	100
<b>Units at end of the period</b>	5,729	5,878

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

**AQAR FUND**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
For the six months period ended 30 June 2012  
(Saudi riyals '000')

**1. THE FUND AND ITS ACTIVITIES**

The Aqar Fund is an open-ended investment fund 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 the highest possible returns in the long run by investing in shares of Shari'ah compliant listed real estate companies in the GCC. In pursuing that objective, the Fund adopted a risk free investment strategy by diversifying risks throughout the GCC's markets.

The Fund commenced its operations on 1 January, 2007 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 standard 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.

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

The Fund Manager invested in the following markets:

<u>Description by geographical segment</u>	<u>% of market value</u>	<u>Cost</u>	<u>Market value</u>
<i>30 June 2012</i>			
Saudi Market	67	1,215	1,379
Kuwaiti Market	6	444	123
Dubai Market	15	1,238	313
Qatar Market	12	565	236
<b>Total investment</b>	<b>100</b>	<b>3,462</b>	<b>2,051</b>
<i>30 June 2011</i>			
Saudi Market	65	1,390	1,346
Kuwaiti Market	6	451	135
Dubai Market	16	1,238	338
Qatar Market	13	564	268
<b>Total investment</b>	<b>100</b>	<b>3,643</b>	<b>2,087</b>
		<b>2012</b>	2011
Cost		<b>3,462</b>	3,643
Unrealised loss, net		<b>(1,411)</b>	(1,556)
		<b>2,051</b>	<b>2,087</b>



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For the six months period ended 30 June 2012  
*(Saudi Riyals '000')*

**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 2% (30 June 2011: 2%) of the net asset value at each valuation date. Additionally, a subscription fees up to 3% (30 June 2011: 3%) of gross subscriptions is charged by the Fund Manager to cover administration costs and is netted off against proceeds from issuance of units.

<u>Name of related party</u>	<u>Nature of transaction</u>	<u>Value of transactions during the period</u>		<u>Closing balance</u>	
		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
AlBilad Investment Company	Management fees	24	22	12	11
	Other expenses	65	78	26	39
	Cash and cash equivalents (investment account balance)	--	--	67	30
Bank AlBilad	Cash and cash equivalents	--	--	96	1

**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 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.

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**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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. 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 geographical diversification of the investment portfolio in GCC's markets.

**8.3 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.

**8.4 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 financial assets of the Funds are denominated in various GCC currencies all of which, except the Kuwaiti Dinar are pegged to the United States Dollar.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**

For the six months period ended 30 June 2012

*(Saudi Riyals '000')*

**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, dividend receivables and its financial liabilities consist of accrued expenses. Investments held for trading 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.

**10. LAST VALUATION DATE**

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