

AQAR FUND
Managed by
ALBILAD INVESTMENT COMPANY

Interim condensed financial statements (un-audited)
For the six months period ended 30 June 2013
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 2013, 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 2013 and the notes from (1) to (11) 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

Khalil Ibrahim Al Sedais
License no. 371



Date: 16 Ramadan 1434H
Corresponding to: 25 July 2013

KPMG Al Fozan & Al Sadhan, a partnership registered in Saudi Arabia and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

AQAR FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
INTERIM BALANCE SHEET (UN-AUDITED)
As at 30 June
(Saudi Riyals '000')

	<i>Note</i>	<u>2013</u>	<u>2012</u>
ASSETS			
Cash and cash equivalent		483	229
Investments held for trading	6	4,385	2,051
Dividend receivable		1	3
Total assets		<u>4,869</u>	<u>2,283</u>
LIABILITIES			
Accrued expenses		41	46
Total liabilities		<u>41</u>	<u>46</u>
Net assets attributable to unit holders		<u>4,828</u>	<u>2,237</u>
Units in issue (numbers '000)		<u>9,620</u>	<u>5,729</u>
Net assets value – per unit (Saudi Riyals)		<u>0.5019</u>	<u>0.3905</u>

The accompanying notes 1 to 11 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')

	<i>Note</i>	<u>2013</u>	<u>2012</u>
INCOME			
Dividend income		38	38
Trading gain, net			
- Realised gain on investments		194	192
- Unrealized gain / (loss) on investments		<u>459</u>	<u>(7)</u>
		<u>691</u>	<u>223</u>
EXPENSES			
Management fees	5	39	24
Other expenses	5	<u>31</u>	<u>76</u>
		<u>70</u>	<u>100</u>
NET INCOME FOR THE PERIOD		<u><u>621</u></u>	<u><u>123</u></u>

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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')

	2013	2012
OPERATING ACTIVITIES		
Net income for the period	621	123
<i>Adjustment to reconcile net income to net cash (used in) from operating activities</i>		
Unrealised (gain) / loss on investments	(459)	7
	162	130
Changes in operating assets and liabilities		
Investments held for trading, net	(1,687)	15
Dividend receivable	(1)	(3)
Accrued expenses	18	(10)
Net cash (used in) from operating activities	(1,508)	132
FINANCING ACTIVITIES		
Proceeds from issuance of units	1,815	93
Payment towards units redeemed	(568)	(91)
Net cash from financing activities	1,247	2
Net (decrease) / increase in cash and cash equivalent	(261)	134
Cash and cash equivalent at beginning of the period	744	95
Cash and cash equivalent at end of the period	483	229

The accompanying notes 1 to 11 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')

	2013	2012
Net assets value at beginning of the period	2,960	2,112
Net income for the period	621	123
Changes from unit transactions		
Proceeds from issuance of units	1,815	93
Payment towards units redeemed	(568)	(91)
Net change from unit transactions	1,247	2
Net assets value at end of the period	4,828	2,237

UNIT TRANSACTIONS

(Units in '000)

Units at beginning of the period	6,982	5,726
Units issued	3,817	225
Units redeemed	(1,179)	(222)
Net change in units during the period	2,638	3
Units at end of the period	9,620	5,729

The accompanying notes 1 to 11 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 2013
(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 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 (SR), which is the functional currency of the Fund. All financial information presented in SR has been rounded to the nearest thousand.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
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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 2012.

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 2012.

5. MANAGEMENT FEE, ADMINISTRATION AND OTHER CHARGES

The Fund Manager charges each investor a subscription fee of a percentage not exceeding 3% (30 June 2012: 3%) of the subscribed amount to cover administration costs and is netted off against proceeds from issuance of units.

Fund Manager charges the Fund, a management fee at the rate of 2% (30 June 2012: 2%) per annum of the Fund's net asset value which is calculated and deducted on each valuation day.

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

	Notes	2013	2012
Equities		3,544	2,051
Mutual funds	6.2	841	-
	6.1	4,385	2,051
		2013	2012
Cost		5,132	3,462
Unrealised loss, net		(747)	(1,411)
		4,385	2,051

6.1 The Fund Manager invested in the following markets:

Description by geographical segment	% of market value		Cost		Market value	
	2013	2012	2013	2012	2013	2012
Saudi Market	58	67	1,938	1,215	2,549	1,379
Emirates Market	33	15	2,198	1,238	1,444	313
Qatar Market	5	12	564	565	236	236
Kuwaiti Market	4	6	432	444	156	123
Total	100	100	5,132	3,462	4,385	2,051

AQAR FUND
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6. INVESTMENTS HELD FOR TRADING (continued)

6.2 Investment in mutual funds represents investment in units of Asayel Fund, Ithmar Fund and Al Murabeh Fund (open ended funds) managed by AlBilad Investment Company. The primary activity of Asayel Fund and Ithmar Fund is to invest in shares of Shariah compliant companies listed in Saudi stock exchange whereas, Al Murabeh fund invests in Shariah compliant Murabaha contracts (note 7).

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 the Fund Manager.

Name of related party	Nature of transaction	Value of transactions during the period		Closing balance	
		2013	2012	2013	2012
AlBilad Investment Company	Management fees	39	24	--	12
	Other expenses	20	65	--	26
	Cash and cash equivalent (investment account balance)	--	--	123	67
Bank AlBilad	Cash and cash equivalent	--	--	141	96
Asayel Fund	Unit purchased	441	--	--	--
	Unit redeemed	250	--	--	--
	Closing balance	--	--	215	--
Ithmar Fund	Unit purchased	441	--	--	--
	Unit redeemed	250	--	--	--
	Closing balance	--	--	184	--
Murabeh Fund	Unit purchased	441	--	--	--
	Closing balance	--	--	442	--

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"). 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.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 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 equivalent which are principally maintained with related parties (note 7) that have sound credit ratings.

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. Equity price risk is managed by diversifying the portfolio. This is achieved by investing in securities in various geographical sectors of the GCC markets (note 6) and continuously 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.

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9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 financial assets of the Funds are denominated in various GCC currencies all of which are pegged to the United States Dollar similar to the functional currency Saudi Riyal, except for the Kuwaiti Dinar which is not fully pegged to the United States Dollar. Currency risk is managed through continuous monitoring of exposures.

10. LAST VALUATION DATE

The last valuation date of the period was 30 June 2013 (2012: 27 June 2012).

11. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund Board on 16 Ramadan 1434H corresponding to 25 July 2013.