

**AL MURABEH 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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License No. 46/11/323 issued 11/3/1992

## REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

### *Scope of Review*

We have reviewed the accompanying interim balance sheet of **Al Murabeh Fund** (the "Fund") managed by **Al Bilad 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

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

	<i>Note</i>	2013	2012
<b>ASSETS</b>			
Cash and cash equivalent		2,766	1,388
Investments	6	334,534	170,294
<b>Total assets</b>		<b>337,300</b>	<b>171,682</b>
<b>LIABILITIES</b>			
Accrued expenses		197	56
<b>Total liabilities</b>		<b>197</b>	<b>56</b>
<b>Net assets attributable to unit holders</b>		<b>337,103</b>	<b>171,626</b>
<b>Units in issue (numbers '000)</b>		<b>292,059</b>	<b>150,487</b>
<b>Net assets value – per unit (Saudi Riyals)</b>		<b>1.1542</b>	<b>1.1405</b>

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

**AL MURABEH 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>
<b>INCOME</b>			
Profit on commodity murabaha		1,616	1,108
Profit on investment in sukuk		46	--
Unrealised gain on held for trading investments		<u>97</u>	<u>--</u>
		<u>1,759</u>	<u>1,108</u>
<b>EXPENSES</b>			
Management fees	5	324	88
Other expenses	5	<u>21</u>	<u>26</u>
		<u>345</u>	<u>114</u>
<b>NET INCOME FOR THE PERIOD</b>		<u><u>1,414</u></u>	<u><u>994</u></u>

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

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

	<u>2013</u>	<u>2012</u>
<b>OPERATING ACTIVITIES</b>		
Net income for the period	1,414	994
<i>Adjustment to reconcile net income to net cash (used in) from operating activities</i>		
Profit on Murabaha contracts and investment in sukuk	(1,662)	(1,108)
Unrealised gain on investments	(97)	--
	<u>(345)</u>	<u>(114)</u>
<b>Changes in operating assets and liabilities</b>		
Investments, net	(89,345)	1,682
Accrued expenses	125	(13)
	<u>(89,565)</u>	<u>1,669</u>
Profit received on Murabaha contracts and investment in sukuk	1,863	690
Net cash (used in) from operating activities	<u>(87,702)</u>	<u>2,245</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	367,691	130,108
Payment towards units redeemed	(281,405)	(134,489)
Net cash from (used in) financing activities	<u>86,286</u>	<u>(4,381)</u>
Net decrease in cash and cash equivalents	(1,416)	(2,136)
Cash and cash equivalents at beginning of the period	4,182	3,524
Cash and cash equivalents at end of the period	<u>2,766</u>	<u>1,388</u>

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

**AL MURABEH 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)*

	<u>2013</u>	<u>2012</u>
Net assets value at beginning of the period	249,403	175,013
Net income for the period	1,414	994
<b>Changes from unit transactions</b>		
Proceeds from issuance of units	367,691	130,108
Payment towards units redeemed	(281,405)	(134,489)
Net change from unit transactions	86,286	(4,381)
Net assets value at end of the period	337,103	171,626

**UNIT TRANSACTIONS**

*(Units in '000)*

Units at beginning of the period	217,263	154,322
Units issued	319,304	114,513
Units redeemed	(244,508)	(118,348)
Net change in units during the period	74,796	(3,835)
Units at end of the period	292,059	150,487

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

**AL MURABEH 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. GENERAL**

Al Murabeh 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 protect investor's principal investment and to achieve reasonable return by way of Murabaha based transactions that do not conflict with Shari'ah rules.

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 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 condensed 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 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.

**AL MURABEH 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')*

**4. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in 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**

Fund Manager charges the Fund, a management fee at an annual rate of 0.25% (30 June 2012: 0.10%) of the net asset value at each valuation date of the Fund's net asset value.

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**

Investments comprise the following as of 30 June:

	Notes	<u>2013</u>	<u>2012</u>
<b>Investments held for trading</b>			
Mutual Fund	6.1	34,797	--
		<u>34,797</u>	<u>--</u>
<b>Investments held to maturity</b>			
Commodity murabaha	6.2	289,728	170,294
Sukuk	6.3	10,009	--
		<u>299,737</u>	<u>170,294</u>
<b>Total Investments</b>		<u><u>334,534</u></u>	<u><u>170,294</u></u>

6.1 Investment in mutual fund represents investment in units of Commodity SAR Fund (an open ended fund) managed by Al Rajhi Capital. The primary activity of Commodity SAR Fund is to invest in Shariah compliant short-term trading instruments.

6.2 The Fund Manager invested in the following commodities through murabaha placements:

	<u>% of cost plus accrued profit</u>	<u>Acquisition Cost</u>	<u>Cost plus accrued profit</u>
<u>30 June 2013</u>			
Palladium	17	50,000	50,158
Aluminium	59	169,100	170,016
Platinum	18	53,500	53,552
Cooper	6	16,000	16,002
<b>Total investment</b>	<u>100</u>	<u>288,600</u>	<u>289,728</u>
<u>30 June 2012</u>			
Palladium	29	49,500	49,687
Aluminium	66	112,000	112,764
Platinum	5	7,818	7,843
<b>Total investment</b>	<u>100</u>	<u>169,318</u>	<u>170,294</u>



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For the six months period ended 30 June 2013  
*(Saudi Riyals '000')*

**6. INVESTMENTS (continued)**

- 6.3 During the current period, Murabeh Fund invested in sukuk issued by Sadara Basic Services Company. The sukuk carries coupon rate of 6 months SAIBOR plus 0.95 percent payable on semi-annual basis. The maximum maturity date of sukuk is 15 December 2028.

**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	
		<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
AlBilad Investment Company	Management fees	324	88	186	44
	Other expenses	10	15	5	6
Bank AlBilad	Murabaha deals	--	--	--	10,065
	Cash and cash equivalent	--	--	2,766	1,388

**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 daily ("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 bank balances, held for trading and held to maturity investments and its financial liabilities consist of accrued expenses. Held for trading 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 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.

**AL MURABEH FUND**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
For the six months period ended 30 June 2013  
(Saudi Riyals 000')

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

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. Investment 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.

**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 equivalents and investments held to maturity. The Fund Manager seeks to limit its credit risk by monitoring credit exposures, setting limits and dealing with individual counterparties with 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 mutual fund. Equity price risk is managed by diversifying the portfolio and continuous monitoring of prices by the Fund Manager.

**9.3 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.

**9.4 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.

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For the six months period ended 30 June 2013  
(Saudi Riyals 000')

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

**9.4 Liquidity risk (continued)**

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.

**9.5 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, the Fund is not exposed to currency risk.

**10. LAST VALUATION DATE**

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