

AL-SEEF 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

**KPMG Al Fozan & Al Sadhan**

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REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

Scope of Review

We have reviewed the accompanying interim balance sheet of **Al-Seef 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

AL-SEEF FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
INTERIM BALANCE SHEET (UN-AUDITED)
As at 30 June
(Kuwaiti Dinars)

	<i>Note</i>	2012	2011
ASSETS			
Cash and cash equivalent		10,934	--
Investments	5	2,690,635	3,369,856
Total assets		<u>2,701,569</u>	<u>3,369,856</u>
LIABILITIES			
Bank overdraft		--	13,458
Accrued expenses		6,586	30,967
Total liabilities		<u>6,586</u>	<u>44,425</u>
Net assets attributable to Unit Holders		<u>2,694,983</u>	<u>3,325,431</u>
Units in issue (<i>numbers</i>)		<u>5,490,950</u>	<u>6,182,693</u>
Net assets value – per unit (<i>Kuwaiti Dinar</i>)		<u>0.4908</u>	<u>0.5379</u>

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

AL-SEEF FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
INTERIM STATEMENT OF INCOME (UN-AUDITED)
For the six months period ended 30 June
(Kuwaiti Dinars)

	2012	2011
INCOME		
Profit on Murabaha contracts	635	--
Trading gain / (loss), net		
- Realised loss on investments	(26,675)	(112,728)
- Unrealised gain / (loss) on investments	--	(63,245)
	<u>(26,040)</u>	<u>(175,973)</u>
EXPENSES		
Management fees	5,956	4,361
Other expenses	5,615	6,315
	<u>11,571</u>	<u>10,676</u>
NET LOSS FOR THE PERIOD	<u>(37,611)</u>	<u>(186,649)</u>

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

AL-SEEF FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
For the six months period ended 30 June
(Kuwaiti Dinars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(37,611)	(186,649)
<i>Adjustment to reconcile net loss to net cash from operating activities:</i>		
Accrued profit for the period	635	--
Unrealised loss on investments, net	--	63,245
	<u>(37,976)</u>	<u>(123,404)</u>
Changes in operating assets and liabilities:		
Investments, net	54,146	259,929
Accrued expenses	1,455	10,676
Net cash from operating activities	<u>18,625</u>	<u>147,201</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	4,822	9,802
Payment towards units redeemed	(42,804)	(149,651)
Net cash used in financing activities	<u>(37,982)</u>	<u>(139,849)</u>
Net (decrease) / increase in cash and cash equivalents	(19,357)	7,352
Cash and cash equivalents at beginning of the period	30,291	(20,810)
Cash and cash equivalents at end of the period	<u>10,934</u>	<u>(13,458)</u>

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

AL-SEEF 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
(Kuwaiti Dinars)

	2012	2011
Net assets value at beginning of the period	2,770,576	3,651,929
Net loss for the period	(37,611)	(186,649)
Changes from unit transactions		
Proceeds from issuance of units	4,822	9,802
Payments towards units redeemed	(42,804)	(149,651)
Net change from unit transactions	(37,982)	(139,849)
Net assets value at end of the period	<u>2,694,983</u>	<u>3,325,431</u>

UNIT TRANSACTIONS

Units at beginning of the period	5,567,726	6,427,173
Units issued	9,773	17,591
Units redeemed	(86,549)	(262,071)
Net change in units	(76,776)	(244,480)
Units at end of the period	<u>5,490,950</u>	<u>6,182,693</u>

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

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

1. THE FUND AND ITS ACTIVITIES

The Al Seef Fund is an open-ended investment fund, managed by AlBilad Investment Company ("the Fund Manager"), a subsidiary of Bank Al Bilad (the "Bank") for the benefit of the Fund's Unit Holders. The objective of the Fund is to achieve long term capital growth through investing in Shari'ah compliant equities listed in the Kuwaiti Stock Exchange with good track record.

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 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 Kuwaiti Dinars, which is the functional currency of the Fund. All financial information presented in Kuwaiti Dinars has been rounded to the nearest Dinar.

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.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

5. INVESTMENTS

Investments comprise the following as of 30 June :

	Note	<u>2012</u>	<u>2011</u>
Investments held to maturity	5.1		
Commodity Murabaha		2,690,635	--
Investments held for trading	5.2		
Mutual Fund (Al Durra Islamic Fund)		--	3,369,856
Total Investments		<u>2,690,635</u>	<u>3,369,856</u>

5.1 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	2,690,000	2,690,635
Total investment	100	2,690,000	2,690,635

5.2 Investments held for trading

<u>30 June 2011</u>	<u>% of market value</u>	<u>Cost</u>	<u>Market Value</u>
Al Durra Islamic Fund	100	2,877,759	3,369,856
Total investment	100	2,877,759	3,369,856

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 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.

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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	5,956	4,361	4,253	11,299
	Other expenses	4,781	5,514	1,916	17,175
Bank AlBilad	Cash and cash equivalent	--	--	10,934	(13,458)

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 ("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.

The Fund maintains position in financial instrument as dictated by its investment policy. All investments are "held to maturity" investments. The Fund is exposed to credit 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.

Credit risk arises principally from exposure to cash and cash equivalents and investments held to maturity. The Fund Manager believes that credit risk is minimal as counterparties are have sound credit ratings and strong liquidity.

8.2 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
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8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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. 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 the financial instruments of the Fund are denominated in Kuwaiti Dinar and hence, the 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 equivalent, investments held to maturity, 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 DAY

The last valuation date of the period was 28 June 2012 (2011: 30 June 2011).