

ITHMAR 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
Ithmar Fund
Riyadh, Kingdom of Saudi Arabia**

Scope of Review

We have reviewed the accompanying interim balance sheet of **Ithmar 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

ITHMAR FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
INTERIM BALANCE SHEET (UN-AUDITED)
As at 30 June 2013

| | <i>Note</i> | <u>SAR '000</u> |
|---|-------------|-----------------|
| ASSETS | | |
| Cash and cash equivalent | | 11,106 |
| Investments held for trading | 6 | 76,527 |
| Dividend receivable | | 166 |
| Total assets | | <u>87,799</u> |
| LIABILITIES | | |
| Accrued expenses | | 329 |
| Total liabilities | | <u>329</u> |
| Net assets attributable to unit holders | | <u>87,470</u> |
| Units in issue (numbers '000) | | <u>78,139</u> |
| Net assets value – per unit (Saudi Riyals) | | <u>1.1194</u> |

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

ITHMAR FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
INTERIM STATEMENT OF INCOME (UN-AUDITED)
For the six months period ended 30 June 2013

| | <i>Note</i> | <u>SAR '000</u> |
|----------------------------------|-------------|---------------------|
| INCOME | | |
| Dividend income | | 2,398 |
| Trading gain | | |
| - Realised gain on investments | | 1,339 |
| - Unrealised gain on investments | | <u>6,846</u> |
| | | <u>10,583</u> |
| EXPENSES | | |
| Management fees | 5 | 559 |
| Other expenses | 5 | <u>36</u> |
| | | <u>595</u> |
| NET INCOME FOR THE PERIOD | | <u><u>9,988</u></u> |

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

ITHMAR FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
For the six months period ended 30 June 2013

| | <u>SAR '000</u> |
|--|-----------------------|
| OPERATING ACTIVITIES | |
| Net income for the period | 9,988 |
| <i>Adjustment to reconcile net income to net cash from operating activities:</i> | |
| Unrealised gain on investments, net | <u>(6,846)</u> |
| | 3,142 |
| Changes in operating assets and liabilities | |
| Investments, net | (8,866) |
| Dividend receivable | (110) |
| Accrued expenses | <u>89</u> |
| Net cash used in operating activities | <u>(5,745)</u> |
| FINANCING ACTIVITIES | |
| Dividend distribution | (4,297) |
| Proceeds from issuance of units | 30,698 |
| Payment towards units redeemed | <u>(10,268)</u> |
| Net cash from financing activities | <u>16,133</u> |
| Net increase in cash and cash equivalent | 10,388 |
| Cash and cash equivalent at beginning of the period | <u>718</u> |
| Cash and cash equivalent at end of the period | <u>11,106</u> |

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

ITHMAR 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 2013

| | SAR '000 |
|--|-----------------|
| Net assets value at beginning of the period | 61,349 |
| Net income for the period | 9,988 |
| Changes from unit transactions | |
| Proceeds from issuance of units, net | 30,698 |
| Payment towards units redeemed | (10,268) |
| Net change from unit transactions | 20,430 |
| Dividend distribution | (4,297) |
| Net assets value at end of the period | 87,470 |

UNIT TRANSACTIONS

(Units in '000)

| | |
|---|---------|
| Units at beginning of the period | 59,604 |
| Units issued | 27,887 |
| Units redeemed | (9,352) |
| Net change in units | 18,535 |
| Units at end of the period | 78,139 |

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

ITHMAR FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
For the six months period ended 30 June 2013

1. THE FUND AND ITS ACTIVITIES

Ithmar 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 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 vide 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 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 for the period from 3 June 2012 to 31 December 2012.

As the Fund had prepared its first financial statements from the period starting from 3 June 2012 to 31 December 2012, no comparative information for the corresponding period as at and for the six months ended 30 June 2012 has been presented.

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.

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.

ITHMAR 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 the preparation of these interim condensed financial statements are consistent with those used and disclosed in the financial statements for the period from 3 June 2012 to 31 December 2012.

5. MANAGEMENT FEE, ADMINISTRATION AND OTHER CHARGES

The Fund Manager charges each investor a subscription fee of a percentage not exceeding 1% (30 June 2012: 1%) 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 1.5% (30 June 2012: 1.5%) 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

The fund manager has invested in the following sectors as of 30 June 2013:

| <u>Description by industry segment</u> | <u>% of market value</u> | <u>Cost</u> | <u>Market value</u> |
|--|--------------------------|---------------|---------------------|
| Petrochemical | 23 | 16,611 | 17,555 |
| Cement | 8 | 4,851 | 5,721 |
| Telecommunication | 14 | 8,620 | 10,668 |
| Banks & financial services | 8 | 5,823 | 5,793 |
| Agriculture & food | 11 | 6,244 | 8,350 |
| Retail | 6 | 4,107 | 4,861 |
| Industrial investment | 7 | 4,887 | 5,234 |
| Transport | 5 | 3,525 | 4,155 |
| Building and construction | 4 | 2,480 | 3,024 |
| Energy and utilities | 6 | 4,791 | 4,767 |
| Hotel and tourism | 5 | 3,046 | 3,903 |
| Real estate development | 3 | 2,572 | 2,496 |
| Total investment | 100 | 67,557 | 76,527 |
| | | | <u>2013</u> |
| Cost | | | 67,557 |
| Unrealized gain, net | | | 8,970 |
| | | | <u>76,527</u> |

ITHMAR 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')

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.

| Name of related party | Nature of transaction/balance | Value of transactions | |
|----------------------------|--|---------------------------|-------------------------|
| | | during the period 2013 | Closing balance 2013 |
| AlBilad Investment Company | Management fees | 559 | 305 |
| | Other expenses | 25 | 12 |
| | Cash and cash equivalents (investment account balance) | -- | 11,106 |
| Murabeh Fund | Unit redeemed | 1,007 | -- |

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 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 consist of cash and cash equivalent 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.

ITHMAR FUND
MANAGED BY ALBILAD INVESTMENT COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
For the six months period ended 30 June 2013

9. 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.

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 which are maintained with a related party (note 7) that has 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 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 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, Fund is not exposed to currency risk.

10. LAST VALUATION DATE

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

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.