

**THE INVESTOR FOR SECURITIES
AL HURR SAUDI EQUITY FUND
Financial Statements
For the year ended 31 December 2011
Together with the
INDEPENDENT AUDITORS' REPORT**



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INDEPENDENT AUDITOR'S REPORT

To: **The Unit holders of
Al Hurr Saudi Equity Fund
Kingdom of Saudi Arabia**

We have audited the accompanying financial statements of **Al Hurr Saudi Equity Fund** (the "Fund") managed by The Investor for Securities (the "Fund Manager"), which comprise the balance sheet as at 31 December 2011 and the related statements of operations, changes in net assets attributable to unit holders and cash flows for the year then ended and the attached notes (1) through (14) which form an integral part of the financial statements.

Fund Manager's responsibility for the financial statements

The Fund Manager is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund Manager's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Fund Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the financial statements taken as a whole present fairly, in all material respects, the financial position of the Fund as at 31 December 2011 and the results of its operations, changes in net assets attributable to unit holders and cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Fund.

For KPMG Al Fozan & Al Sadhan

Tareq A. Al Sadhan
License no. 352

Date: 27 Rabia II 1433H
Corresponding to: 20 March 2012



**THE INVESTOR FOR SECURITIES
AL HURR SAUDI EQUITY FUND**

BALANCE SHEET

As at 31 December 2011

Amounts in Saudi Arabian Riyal

	<i>Note</i>	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>			
Balance at bank		5,814	34,282
Investments -Held for trading	7	4,398,673	16,903,195
Dividend receivable		11,360	11,700
TOTAL ASSETS		<u>4,415,846</u>	<u>16,949,177</u>
<u>LIABILITIES</u>			
Fund management fee payable		18,787	77,021
Other liabilities		61,110	58,644
TOTAL LIABILITIES		<u>79,897</u>	<u>135,665</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>4,335,949</u>	<u>16,813,512</u>
Units in issue (numbers)	10	<u>398,189</u>	<u>1,478,362</u>
Net asset value-per unit (SAR)		<u>10.889</u>	<u>11.373</u>

The accompanying notes 1 through 14 form an integral part of these financial statements.

**THE INVESTOR FOR SECURITIES
AL HURR SAUDI EQUITY FUND**

STATEMENT OF OPERATIONS
For the year ended 31 December 2011
Amounts in Saudi Arabian Riyal

	<i>Note</i>	<u>2011</u>	<u>2010</u>
<u>INCOME</u>			
Trading (loss) / gain, net	8	(277,251)	1,756,510
Dividend income		233,895	754,197
		<u>(43,356)</u>	<u>2,510,707</u>
<u>EXPENSES</u>			
Fund management fee		(99,708)	403,183
Other expenses		(92,108)	75,000
		<u>(191,816)</u>	<u>478,183</u>
NET (LOSS) / INCOME FOR THE YEAR		<u><u>(235,172)</u></u>	<u><u>2,032,524</u></u>

The accompanying notes 1 through 14 form an integral part of these financial statements.

**THE INVESTOR FOR SECURITIES
AL HURR SAUDI EQUITY FUND**

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

For the year ended 31 December 2011

Amounts in Saudi Arabian Riyal

	2011	2010
Unit holders' fund at beginning of the year	16,816,061	24,197,263
Net (loss) / income for the year	(235,172)	2,032,524
Changes from unit transactions		
Proceeds from issuance of units	--	7,822,426
Payments against redemption of units	(12,244,940)	(17,236,152)
Net change from unit transactions	(12,244,940)	(9,413,726)
Unit holders' fund at end of the year	4,335,949	16,816,061

The accompanying notes 1 through 14 form an integral part of these financial statements.

**THE INVESTOR FOR SECURITIES
AL HURR SAUDI EQUITY FUND**

STATEMENT OF CASH FLOWS
For the year ended 31 December 2011
Amounts in Saudi Arabian Riyal

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the year	(235,172)	2,032,524
<i>Adjustment to reconcile net income to net cash from operating activities</i>		
Unrealized gain on investments	(14,767)	(1,393,975)
	(249,940)	638,549
Changes in operating assets and liabilities		
Held for trading investments, net	12,521,839	7,281,200
Dividend receivable	340	38,977
Fund management fee payable	(58,234)	(15,857)
Other liabilities	2,466	37,192
Net cash generated from in operating activities	12,216,472	7,917,061
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	--	7,822,426
Payments against redemption of units	(12,244,940)	(17,236,152)
Net cash used in financing activities	(12,244,940)	(9,413,726)
Net (decrease) / increase in cash and cash equivalents	(28,468)	(1,496,665)
Cash and cash equivalents at beginning of the year	34,282	1,530,947
Cash and cash equivalents at end of the year	5,814	34,282

The accompanying notes 1 through 14 form an integral part of these financial statements.

**THE INVESTOR FOR SECURITIES
AL HURR SAUDI EQUITY FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

Amounts in Saudi Arabian Riyal

1 THE FUND AND ITS ACTIVITIES

Al Hurr Saudi Equity Fund (the “Fund”) is an open-ended mutual investment fund created through an agreement between The Investor for Securities (the “Fund Manager”) and investors (unit holders). The objective of the Fund is to seek capital growth over the medium to long term by investing in a diversified portfolio of Shariah compliant companies listed on the Saudi stock market.

The Fund is managed by The Investor for Securities (the “Fund Manager”), which is also the custodian of the Fund. All income is reinvested in the Fund and is reflected in the unit price. In dealing with the unit holders, the Fund Manager considers the Fund as an independent unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund.

Capital Market Authority (“CMA”) granted its approval for the establishment of the Fund through its decision number 1910/5 dated 15 Rabi II 1430H (corresponding to 11 April 2009). The Fund commenced its operation on 6 June 2009.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by Capital Market Authority (“CMA”) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) detailing requirements for all funds within the Kingdom of Saudi Arabia.

3. SUBSCRIPTION / REDEMPTION (DEALING DAY & VALUATION DAY)

The Fund is open for subscriptions/ redemptions of units on each business day (“Subscription Day”). The value of the Fund’s portfolio is also determined on each business day (“Valuation Day”). The unit value of the Fund is computed by dividing the total value of the portfolio, plus all income including accrued income, less management fees and any expenses by the total number of units outstanding at that time.

4. BASIS OF PREPARATION

4.1 Statement of Compliance

The accompanying financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

4.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention, except for the measurement of investments at fair value, using accrual basis of accounting and the going concern concept.

4.3 Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SAR) which is the functional currency of the Fund. All financial information presented has been rounded to the nearest SAR.

4.4 Use of estimates and judgments

In the ordinary course of business, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

**THE INVESTOR FOR SECURITIES
AL HURR SAUDI EQUITY FUND**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

Amounts in Saudi Arabian Riyal

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are consistently applied to all period presented.

5.1 Investments

Investments which are purchased for trading purposes are initially recorded at cost and then re-measured and stated in the balance sheet at market value. Unrealized gains and losses on the revaluation of investments are recognized in the statement of income. Investment transactions are accounted for as of the trade date.

5.2 Impairment of assets

Financial assets are re-measured for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount is the higher of an assets fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows.

5.3 Revenue recognition

Realized gains and losses on investments at disposal are determined on an average cost basis. Trading gain/ loss includes gains and losses from changes in fair value of held for trading investments.

Dividend income is recognised when right to receive established.

5.4 Fund management fee and other fees

Fund management fee and other fees are charged at agreed rates with the Fund Manager. These charges are calculated on each valuation date at an annual percentage of the Fund's net assets value. These expenses are charged to the statement of operations.

5.5 Zakat/ taxation

Zakat/ taxation is the obligation of the unit holders and is not provided for in the accompanying financial statements.

5.6 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flows represent bank balance.

6. MANAGEMENT FEE AND OTHER EXPENSES

The Fund Manager charges from the Fund on every Valuation Day management fee at an annual rate of 1.75% of the Fund's net assets value. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund as audit fee and other similar charges.

**THE INVESTOR FOR SECURITIES
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

Amounts in Saudi Arabian Riyal

7. HELD FOR TRADING INVESTMENTS

Investments held for trading comprise of the following sector exposures as at 31 December 2011:

	2011	2010
Petrochemical Industrial	1,056,589	5,986,054
Banks & Financial Services	857,854	3,007,898
Industrial Investment	136,758	2,043,075
Telecommunication & Information Technology	372,500	1,131,796
Agriculture and Food	597,405	1,258,157
Building & Constructions	412,747	871,440
Real Estate Development	91,300	359,400
Cement	559,720	475,696
Services	--	731,500
Retail	258,200	343,140
Energy and Utilities	55,600	695,039
Total	4,398,673	16,903,195

7.1 As at 31 December 2011, cost of the above mentioned held for trading investments amounted to SAR 4.384 million (2010:15.509 million).

8. TRADING (LOSS) / GAIN, NET

	2011	2010
Realised (loss) /gain on investments-net	(292,018)	362,535
Unrealised gain-net	14,767	1,393,975
	(277,251)	1,756,510

9. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund includes unit holders, "The Investor for Securities" being the Fund Manager and the other funds managed by the Fund Manager. All transactions with related parties have been entered based on mutually agreed prices under formal agreement.

Related party transactions for year and balances arising there from are described as under:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transaction</u>		<u>Closing balance</u>	
		<u>during the year</u>		<u>Receivable/ (Payable)</u>	
		2011	2010	2011	2010
Investor for Securities (Fund Manager)	Units issued	--	6,761,426	--	--
	Units redeemed	(1,000,000)	(16,711,426)	--	--
	Fund management fee	99,708	403,183	(18,787)	(77,021)

**THE INVESTOR FOR SECURITIES
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

Amounts in Saudi Arabian Riyal

10. UNIT TRANSACTIONS

Transactions in units for the year are summarized as follows:

	2010	2010
Units at beginning of the year	1,478,362	2,334,175
Units issued	--	692,150
Units redeemed	(1,080,173)	(1,547,963)
Net change in units	(1,080,173)	(855,813)
 Units at end of the year	398,189	1,478,362

11. RISK MANAGEMENT

Special commission rate risk

Special commission rate risk arises from the possibility that changes in market commission rates may affect future profitability or the fair value of the financial instruments.

The Fund is subject to special commission rate risk on bank balance. To manage this risk, the Fund Manager monitors the changes in commission rates on a regular basis.

Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss.

The Fund is exposed to credit risk for its bank balance, investment portfolio and other receivables. The Fund Manager seeks to limit its credit risk by dealing with creditworthy counterparties, monitoring credit exposures and setting limits for individual investments. Further, bank balances are maintained with bank of good credit ratings.

Equity price risk

Equity price risk is the risk that the fair value of equity investments decreases as a result of changes in the levels of equity indices and the value of individual stocks. The Fund is exposed to equity price risk arising from its investments in shares.

The Fund Manager endeavors to minimize the risk through diversification across various sectors of the Saudi stock markets. Further, the Fund Manager has established risk guidelines to manage its equity price risk.

**THE INVESTOR FOR SECURITIES
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

Amounts in Saudi Arabian Riyal

11. RISK MANAGEMENT(CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in releasing funds to meet commitments associated with financial liabilities. The Fund's terms and conditions provide for the subscriptions and redemptions of units on each business day and it is, therefore, exposed to the liquidity risk of meeting unit holders' redemptions. The Fund's investments are considered to be readily realizable as they are all listed on the Saudi stock market.

The Fund Manager has established certain maturity and liquidity guidelines for the Fund to ensure sufficient funds are available to meet any commitments as they arise.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to change in foreign exchange rates. All the financial instruments of the Fund are denominated in Saudi Riyal. Accordingly, it is not exposed to currency risk.

Managing the risk of Net Assets attributable to Unit Holders

The objective of the Fund Manager when managing the net assets attributable to Unit Holders is to secure the Fund's ability to continue in order to provide Unit Holders with the highest returns and ensure that reasonable protection are given to the net assets attributable to Unit Holders.

The Fund Manager manages its investment portfolio and other assets through monitoring revenue generated from net assets and making required adjustments in accordance with market changes. Capital structure depends on subscribed and redeemed units.

12 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 bank balance, held for trading investments and other receivables; its financial liabilities consist of Fund management fee payables and other liabilities.

Investments are carried at fair values. The fair values of other financial instruments are not materially different from their carrying values.

13. LAST VALUATION DAY

The last valuation day of the fund was at 31 December 2011(2010:31 December 2010).

14. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Fund Manager on 20 March 2012 corresponding to 27 Rabi II 1433H.