

KUWAITI EQUITY FUND (“AL-SEEF”)

**INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015
AND LIMITED REVIEW REPORT**

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Index	Pages
Limited review report	1
Interim balance sheet	2
Interim statement of income	3
Interim statement of cash flows	4
Interim statement of changes in net assets	5
Notes to the interim financial statements	6 - 9



LIMITED REVIEW REPORT

12 August 2014

To the Unit Holders and the Fund Manager of Kuwaiti Equity Fund ("Al-Seef"):

Scope of review

We have reviewed the accompanying interim balance sheet Kuwaiti Equity Fund ("Al-Seef") (the "Fund") as of 30 June 2015, and the related interim statements of income, cash flows and changes in net assets for the six-month period then ended and the related notes from (1) to (12) which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Fund's manager and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the standard of review of interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of the limited review is substantially less 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 limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements to be in conformity with accounting standards generally accepted in Saudi Arabia.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read "Omar M. Al Sagga", written over a horizontal line.

By: _____
Omar M. Al Sagga
License Number 369

KUWAITI EQUITY FUND ("AL-SEEF")
INTERIM BALANCE SHEET (UNAUDITED)
(All amounts in Kuwaiti Dinar unless otherwise stated)

		As at 30 June,	
	Note	2015	2014
ASSETS			
Cash and cash equivalent	6	97,799	224,248
Investments	7	2,111,043	2,246,948
Total assets		2,208,842	2,471,196
LIABILITIES			
Accrued expenses		8,301	9,034
Total liabilities		8,301	9,034
Net assets attributable to unit holders		2,200,541	2,462,162
Units in issue (<i>units</i>)		4,940,402	5,024,541
Net assets value - per unit (<i>Kuwaiti Dinar</i>)		0.4454	0.4900

The accompanying notes 1 to 12 form an integral part of these interim financial statements.

KUWAITI EQUITY FUND ("AL-SEEF")
INTERIM STATEMENT OF INCOME (UNAUDITED)
(All amounts in Kuwaiti Dinar unless otherwise stated)

		For the six-month period ended 30 June,	
	Note	2015	2014
(LOSSES)/ REVENUES			
Profit from Murabaha contracts		-	65
Dividend income		47,680	47,612
Trading gains (loss), net			
Realized gain on investments		372	68,585
Movement in unrealized loss on investments		(63,260)	(69,605)
		<u>(15,208)</u>	<u>46,657</u>
EXPENSES			
Management fees	5	(19,963)	(22,394)
Other expenses	5	(2,661)	(2,459)
		<u>(22,624)</u>	<u>(24,853)</u>
NET (LOSS) / INCOME FOR THE PERIOD		<u>(37,832)</u>	<u>21,804</u>

The accompanying notes 1 to 12 form an integral part of these interim financial statements.

KUWAITI EQUITY FUND ("AL-SEEF")
INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
(All amounts in Kuwaiti Dinar unless otherwise stated)

	For the six-month period ended 30 June,	
	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss) / income for the period	(37,832)	21,804
<i>Adjustment to reconcile net (loss)/ income to net cash generated from operating activities:</i>		
Movement in unrealized loss on investments, net	63,260	69,605
	25,428	91,409
Changes in operating assets and liabilities		
Investments	6,634	63,621
Other assets	79	121
Accrued expenses	(527)	434
Net cash generated from operating activities	31,614	155,585
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from sale of units	1,171	6,931
Payment towards units redeemed	(15,986)	(102,338)
Net cash used in financing activities	(14,815)	(95,407)
Net increase in cash and cash equivalent	16,799	60,178
Cash and cash equivalent at beginning of the period	81,000	164,070
Cash and cash equivalent at end of the period	97,799	224,248

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KUWAITI EQUITY FUND ("AL-SEEF")
INTERIM STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)
(All amounts in Kuwaiti Dinar unless otherwise stated)

	For the six-month period ended 30 June,	
	2015	2014
Net assets value at beginning of the period	2,253,188	2,535,765
Net (loss)/ income for the period	(37,832)	21,804
Changes from unit transactions:		
Proceeds from sale of units	1,171	6,931
Payments towards units redeemed	(15,986)	(102,338)
Net change from unit transactions	(14,815)	(95,407)
Net assets value at end of the period	2,200,541	2,462,162
<u>UNIT TRANSACTIONS (UNITS)</u>		
Units at beginning of the period	4,972,195	5,208,566
Units issued	2,585	13,174
Units redeemed	(34,378)	(197,199)
Net change in units	(31,793)	(184,025)
Units at end of the period	4,940,402	5,024,541

The accompanying notes 1 to 12 form an integral part of these interim financial statements.

KUWAITI EQUITY FUND ("AL-SEEF")
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015 (UNAUDITED)
(All amounts in Kuwaiti Dinar unless otherwise stated)

1. THE FUND AND ITS ACTIVITIES

Kuwaiti Equity Fund (Alseef) is an open-ended investment fund, managed by Al Bilad Investment Company ("the Fund Manager"), a subsidiary of Bank Al Bilad (the "Bank") for the benefit of the Fund's unit holders (the "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) until the 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 *Applied accounting standards*

These interim 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 the 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 2014.

3.2 *Basis of measurement*

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

3.3 *Functional and presentation currency*

These interim financial statements have been presented in Kuwaiti Dinar (KD), which is the functional currency of the Fund. All financial information presented in Kuwaiti Dinar has been rounded to the nearest Dinar.

3.4 *Use of estimates and judgment*

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues 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 2014.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in these interim financial statements are consistent with those used and disclosed in the annual financial statements for the year ended 31 December 2014.

4.1 *Investments held for trading*

Investments are classified as "held for trading" if they are purchased for the purpose of resale in the short term. Investments held for trading are initially recorded at cost which includes the purchase price plus all expenditures made by the Fund for the purpose of acquiring securities. Subsequent to initial recognition, investments held for trading are measured at fair value and resulting gains or losses are recognized in the income statement. Realized gains or losses are determined at disposal and unrealized gains or losses are determined on average cost basis.

KUWAITI EQUITY FUND ("AL-SEEF")
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015 (UNAUDITED)
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4.2 Trade date accounting

All regular-way purchases and sales of financial assets are recognized and derecognized on the trade date, i.e. the date that the Fund commits to purchase or sell the assets. Regular-way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place. All other financial asset and liabilities (including assets and liabilities designated at fair value through income statement) are initially recognized on trade date at which the Fund becomes a party to the contractual provision of the instrument.

4.3 Management fees and other expenses

Management fees and other expenses are charged at rates/amounts within limits agreed with the fund manager. These charges are calculated and accrued at each valuation day.

4.4 Dividend income

Dividend income is recognized when the right to receive the dividend is established.

4.5 Cash and cash equivalent

Cash and cash equivalents include cash on hand and in banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

4.6 Subscription and redemption of units

Units subscribed and redeemed are recorded at the net assets value per unit at the valuation day for which the subscription and redemption applications are received.

4.7 Net assets value

The net assets value per unit disclosed in the balance sheet is calculated by dividing the net assets of the Fund by the number of units in issue at the period-end.

4.8 Financial instruments

Financial assets and liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of financial assets and financial liabilities is taken directly to the income statement.

5. MANAGEMENT FEE, ADMINISTRATION AND OTHER CHARGES

The Fund Manager charges each investor a subscription fee of a percentage not exceeding 2% (30 June 2014: 2%) 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 1.75% (30 June 2014: 1.75%) 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. CASH AND CASH EQUIVALENT

Cash and cash equivalent comprise of balances held in banks.

7. INVESTMENTS

Investments comprise the following as of 30 June:

	Note	2015	2014
Investments held for trading -			
Securities - listed	7.1	2,111,043	2,246,948
Total investments		<u>2,111,043</u>	<u>2,246,948</u>

KUWAITI EQUITY FUND ("AL-SEEF")
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015 (UNAUDITED)
(All amounts in Kuwaiti Dinar unless otherwise stated)

7.1 Following is the sector wise breakup of carrying value of investment quoted in 30 June:

Description by industry segment	% of market value		Cost		Market value	
	2015	2014	2015	2014	2015	2014
Banks and financial services	87	37	1,961,577	803,346	1,835,213	830,592
Real estate	7	17	182,264	437,980	156,703	399,774
Industrial	2	-	64,792	-	56,592	-
Building & construction	-	12	-	296,743	-	265,742
Telecommunication	-	21	-	508,841	-	477,400
Healthcare	1	-	30,655	-	24,415	-
Basic material	1	6	19,621	150,396	21,986	142,836
Consumer services	-	5	-	122,111	-	118,175
Oil & gas	1	1	21,921	14,150	15,778	11,986
Insurance	1	1	506	505	356	443
Total held for trading investments	100	100	2,281,336	2,334,072	2,111,043	2,246,948
					2015	2014
Cost					2,281,336	2,334,072
Unrealized loss, net					(170,293)	(87,124)
					2,111,043	2,246,948

8. 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 (Parent Company of the Fund Manager) and entities related to Bank AlBilad and the Fund Manager. The following is a summary of the transaction with the related parties and balances outstanding at the six-month period ended 30 June:

Name of related party	Nature of transaction	Value of transactions during the period		Closing balance	
		2015	2014	2015	2014
AlBilad Investment Company	Management fees	19,963	22,394	5,638	6,180
	Other expenses	-	1,640	-	796
Bank AlBilad	Cash and cash equivalent	-	-	7,491	8,330

9. 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 (the "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.

10. 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.

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FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015 (UNAUDITED)
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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 the Unit Holders and to ensure reasonable safety to the 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 for trading" investments. The Fund is exposed to credit risk, equity price risk, liquidity risk and currency risk.

10.1 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 maintained with financial institutions including related parties (note 8) 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.

10.2 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 on the Kuwait Stock Exchange. Equity price risk is managed by diversifying the portfolio. This is achieved by investing in securities in various sectors of market (note 7.1) and continuous monitoring of the equity prices by the Fund Manager.

10.3 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.

10.4 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates.

The Fund's transactions are principally in Kuwaiti Dinar and exposures in non-functional currencies are not significant.

11. LAST VALUATION DAY

The last valuation date of the period was 28 June 2015 (2014: 30 June 2014).

12. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved by the Fund Board on Sahwwal 27 1436H (corresponding to August 12, 2015).