

**KUWAITI EQUITY FUND (“AL-SEEF”)  
MANAGED BY  
ALBILAD INVESTMENT COMPANY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
TOGETHER WITH THE INDEPENDENT AUDITORS’  
REPORT TO THE UNIT HOLDERS**

**KUWAITI EQUITY FUND (“AL-SEEF”)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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## **INDEPENDENT AUDITORS' REPORT**

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

March 29, 2016

### **Scope of audit**


We have audited the accompanying balance sheet of the Kuwaiti Equity Fund ("Al-Seef") ("the Fund") managed by AlBilad Investment Company (the "Fund Manager") as of December 31, 2015 and the related statements of income, cash flows and changes in net assets attributable to unit holders for the year then ended, and the notes from (1) to (13) which form an integral part of the financial statements. These financial statements, which were prepared by the Fund's management and presented to us with all information and explanations which we required, are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Unqualified opinion**

In our opinion, such financial statements taken as a whole present fairly, in all material respects, the financial position of the Fund as of December 31, 2015 and the results of its operations, cash flows and the changes in its net assets attributable to unit holders for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Fund.

PricewaterhouseCoopers



By: \_\_\_\_\_

Omar M. Al Sagga  
License Number 369

**KUWAITI EQUITY FUND (“AL-SEEF”)**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**BALANCE SHEET**  
(All amounts in Kuwaiti Dinar unless otherwise stated)

		As at 31 December	
	Notes	2015	2014
<b>ASSETS</b>			
Cash and cash equivalents		90,851	81,000
Investments held for trading	6	1,858,063	2,180,937
Other assets		-	79
<b>Total assets</b>		<b>1,948,914</b>	<b>2,262,016</b>
<b>LIABILITIES</b>			
Accrued management fee	7	16,010	7,508
Accrued expenses		3,853	1,320
<b>Total liabilities</b>		<b>19,863</b>	<b>8,828</b>
<b>Net assets attributable to unit holders</b>		<b>1,929,051</b>	<b>2,253,188</b>
<b>Units in issue (numbers)</b>		<b>4,931,998</b>	<b>4,972,195</b>
<b>Net assets value - per unit (Kuwaiti Dinar)</b>		<b>0.3911</b>	<b>0.4532</b>

The accompanying notes 1 to 13 form an integral part of these financial statement.

**KUWAITI EQUITY FUND ("AL-SEEF")**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**STATEMENT OF INCOME**  
(All amounts in Kuwaiti Dinar unless otherwise stated)

		For the year ended 31 December	
	Notes	2015	2014
<b>INCOME</b>			
Profit on Murabaha contracts		-	145
Dividend income, net	10	<b>48,706</b>	50,119
Trading losses, net			
- Realised gain / (loss) on investments		<b>419</b>	(72,292)
- Movement in unrealised loss on investments		<b>(311,684)</b>	(89,513)
		<b>(262,559)</b>	(111,541)
<b>EXPENSES</b>			
Management fees	5,7	<b>(38,135)</b>	(44,380)
Other expenses	5	<b>(5,171)</b>	(5,067)
		<b>(43,306)</b>	(49,447)
<b>Net loss for the year</b>		<b>(305,865)</b>	(160,988)

The accompanying notes 1 to 13 form an integral part of these financial statements.

**KUWAITI EQUITY FUND (“AL-SEEF”)**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**STATEMENT OF CASH FLOWS**  
(All amounts in Kuwaiti Dinar unless otherwise stated)

	<b>For the year ended 31 December</b>	
	<b>2015</b>	<b>2014</b>
<b>OPERATING ACTIVITIES</b>		
<b>Net loss for the year</b>	<b>(305,865)</b>	<b>(160,988)</b>
<i>Adjustment to reconcile net loss to net cash from operating activities:</i>		
Movement in unrealised loss on investments	<b>311,684</b>	<b>89,513</b>
	<b>5,819</b>	<b>(71,475)</b>
<b>Changes in operating assets and liabilities:</b>		
Investments held for trading	<b>11,190</b>	<b>109,724</b>
Other assets	<b>79</b>	<b>42</b>
Accrued management fee	<b>8,502</b>	<b>2,292</b>
Accrued expenses	<b>2,533</b>	<b>(2,064)</b>
<b>Net cash generated from operating activities</b>	<b>28,123</b>	<b>38,519</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	<b>1,171</b>	<b>7,660</b>
Payment towards units redeemed	<b>(19,443)</b>	<b>(129,248)</b>
<b>Net cash used in financing activities</b>	<b>(18,272)</b>	<b>(121,588)</b>
Net Increase / (decrease) in cash and cash equivalents	<b>9,851</b>	<b>(83,069)</b>
Cash and cash equivalents at beginning of the year	<b>81,000</b>	<b>164,070</b>
<b>Cash and cash equivalents at end of the year</b>	<b>90,851</b>	<b>81,000</b>

The accompanying notes 1 to 13 form an integral part of these financial statements.

**KUWAITI EQUITY FUND ("AL-SEEF")**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS**  
(All amounts in Kuwaiti Dinar unless otherwise stated)

	<b>For the year ended 31 December</b>	
	<b>2015</b>	<b>2014</b>
<b>Net assets value at beginning of the year</b>	<b>2,253,188</b>	<b>2,535,765</b>
<b>Net loss for the year</b>	<b>(305,865)</b>	<b>(160,988)</b>
<b>Changes from unit transactions</b>		
Proceeds from issuance of units	1,171	7,660
Payment towards units redeemed	(19,443)	(129,248)
<b>Net change from unit transactions</b>	<b>(18,272)</b>	<b>(121,588)</b>
<b>Net assets value at end of the year</b>	<b>1,929,051</b>	<b>2,253,188</b>

**UNIT TRANSACTIONS**

	<b>For the year ended 31 December</b>	
	<b>2015</b>	<b>2014</b>
<b>Units at beginning of the year</b>	<b>4,972,195</b>	<b>5,208,565</b>
Units issued	2,586	14,602
Units redeemed	(42,783)	(250,972)
<b>Net change in units</b>	<b>(40,197)</b>	<b>(236,370)</b>
<b>Units at end of the year</b>	<b>4,931,998</b>	<b>4,972,195</b>

The accompanying notes 1 to 13 form an integral part of these financial statements.

**KUWAITI EQUITY FUND ("AL-SEEF")**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**  
(All amounts in Kuwaiti Dinar unless otherwise stated)

**1. THE FUND AND ITS ACTIVITIES**

Kuwaiti Equity Fund (Al-Seef) (the "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 achieve long term capital growth through investing in Sharia'h compliant equities listed on 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 the beneficial 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 financial statements are prepared in accordance with the generally accepted accounting standards issued by the Saudi Organization of Certified Public Accountants ("SOCPA").

**3.2 *Basis of measurement***

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

**3.3 *Functional and presentation currency***

These financial statements have been presented in Kuwaiti Dinars (KD), which is the functional currency of the Fund. All financial information presented in KD 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and future years affected. The significant judgment made by management in applying accounting policies and key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 31 December 2014



**KUWAITI EQUITY FUND ("AL-SEEF")**  
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**4. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of 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. Investment in mutual fund is initially recorded at cost which includes the purchase price plus all expenditures made by the Fund for the purpose of acquiring the securities. Subsequent to initial recognition, investments held for trading are measured at fair value and resulting gains or losses are recognised in the statement of income but excluding dividend income which is separately shown in the statement of income. Realised gains or losses at disposal and unrealised gains or losses are determined on average cost basis.

**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 assets and liabilities (including assets and liabilities designated at fair value through income statement) are initially recognized on the 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 mentioned in terms and conditions of the Fund. These charges are calculated and accrued on each valuation day.

**4.4 Provisions**

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

**4.5 Zakat / taxation**

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

**4.6 Dividend Income**

Dividend income is recognized when the right to receive the dividend is established. Income on Murabaha contracts is recognized on a time-proportion basis over the period of the contract based on the principal amounts outstanding and agreed commission rate.

**4.7 Cash and cash equivalents**

Cash and cash equivalents comprise balances held in investment account with Bank AlBilad in a pool of accounts managed by the Fund Manager and with Kuwait & Middle East Financial Investment Company.

**4.8 Subscription and redemption of units**

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

**4.9 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 year-end.

**KUWAITI EQUITY FUND ("AL-SEEF")**  
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**4.10 Financial instruments**

Financial assets and liabilities are recognised 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 statement of income.

**5. MANAGEMENT FEE, ADMINISTRATION AND OTHER CHARGES**

The Fund Manager charges each investor a subscription fee of a percentage not exceeding 3% (2014: 3%) of the subscribed amount to cover administration costs and is netted off against proceeds from issuance of units. Custody fees and Shariah committee fees are included within the charged management fees in line with the Fund terms and conditions.

The Fund Manager charges the Fund a management fee at the rate of 1.75% (2014: 1.75%) per annum of the Fund's net asset value which is calculated on each valuation day and deducted on quarterly basis. Moreover, a management fee of 0.75% (2014: 0.75%) is paid to Kuwait & Middle East Financial Investment Company ('KMEFIC') to act as sub fund manager to manage investments on the Kuwait Stock Exchange.

The Fund Manager also recovers certain expenses incurred on behalf of the Fund within limits mentioned in the terms and conditions of the Fund.

The breakup of such expenses is as follows:

	Notes	2015	2014
Benchmarking expenses		<b>2,091</b>	2,028
Professional expenses	5.1	<b>1,793</b>	1,689
CMA and Tadawul fees		<b>1,005</b>	975
Others	5.2	<b>293</b>	375
		<b>5,182</b>	5,067

**5.1** During the year, the Fund Manager initially calculated a higher Net asset Value (NAV) for the period from 23 July 2015 to 9 December 2015 based on a revised audit fees of KWD 1,619 (SR 20,000) which was not approved by the Capital Market Authority ("CMA") at that date. During December 2015, the Fund Manager recalculated and decreased the NAV for the stated period based on audit fees of KWD 1,821 (SR 22,500) as stated in the terms and conditions of the Fund previously approved by the CMA. The Fund Manager appropriately accounted for the minimal resultant difference in the Fund's books and compensated the Fund accordingly in the amount of KWD 3.11 (SR 38.44) with respect to the units redeemed at a higher NAV during the stated period.

**5.2** Other expenses include printing charges amounting to KWD 149.7. These charges are allocated to the Fund by the Fund Manager based on the actual cost of printing.

**6. INVESTMENTS HELD FOR TRADING**

Following is the sector wise breakup of the investment in quoted equities at the reporting date

Description by industry segment	% of market value		Cost		Market value	
	2015	2014	2015	2014	2015	2014
Bank and financial services	<b>89</b>	86	<b>2,036,656</b>	1,952,084	<b>1,664,014</b>	1,875,722
Real Estate	<b>7</b>	8	<b>166,907</b>	198,383	<b>136,106</b>	180,067
Industrials	<b>1</b>	3	<b>12,752</b>	68,734	<b>8,328</b>	62,497
Health Care	<b>1</b>	1	<b>26,098</b>	26,721	<b>20,976</b>	23,327
Basic material	<b>1</b>	-	<b>19,621</b>	-	<b>20,156</b>	-
Oil and Gas	<b>1</b>	1	<b>14,240</b>	21,921	<b>8,175</b>	20,206
Consumer goods	-	1	-	19,621	-	18,705
Insurance	-	-	<b>506</b>	506	<b>308</b>	413
<b>Total investment</b>	<b>100</b>	100	<b>2,276,780</b>	2,287,970	<b>1,858,063</b>	2,180,937

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(All amounts in Kuwaiti Dinar unless otherwise stated)

	2015	2014
Cost	<b>2,276,780</b>	2,287,970
Unrealised loss, net	<b>(418,717)</b>	(107,033)
	<b>1,858,063</b>	2,180,937

## 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 the Fund Manager, Bank AlBilad (Parent Company of the Fund Manager) and entities related to Bank AlBilad and the Fund Manager.

Name of related party	Nature of transaction/balance	Value of transactions during the year		Closing balance	
		2015	2014	2015	2014
AlBilad Investment Company	Management fees	<b>21,777</b>	24,653	<b>16,050</b>	6,076
	Cash and cash equivalents (Investment Account Balance)	-	-	<b>3,932</b>	16,889
Kuwait & Middle east Financial Investment Company	Management fees	<b>16,358</b>	19,727	<b>1,224</b>	1,432
	Cash and cash equivalents (Investment Account Balance)	-	-	<b>88,127</b>	64,111

The Fund manager also charges a subscription fee to cover administrative costs from the subscribers and is netted-off against the proceeds from issuance of units (note 5).

## 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") by dividing the net value of assets (fair value of Fund's total assets minus total liabilities) by the total number of outstanding units on the relevant valuation day.

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund's financial assets comprise cash and cash equivalents 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 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 a position in 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.

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**9.1 Credit risk**

Credit risk is the 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 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 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.

**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.

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

**10. INCOME EXCLUDED FROM THE STATEMENT OF INCOME**

As per the agreement between the Fund and Units' Holders in the Fund, income prohibited by Sharia'h, as defined, is excluded from the statement of income and paid to charities. Such amount is determined based on the information available to management upon preparation of these financial statements.

**11. FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the price that is received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise of financial assets and financial liabilities.

The Fund's financial assets comprise cash and cash equivalents and investments held for trading, and its financial liabilities comprise accrued expenses.

Investments held for trading are carried at fair values. The fair values of other financial instruments are not materially different from their carrying values. Fluctuations in stock market can cause fluctuation in the investment portfolio.

**KUWAITI EQUITY FUND (“AL-SEEF”)  
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NOTES TO THE FINANCIAL STATEMENTS  
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**12. LAST VALUATION DATE OF THE YEAR**

In accordance with the terms and condition of the Fund, the last valuation day of the year was 30 December 2015 (2014: 31 December 2014).

**13. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements are approved by the Fund Board on 23 March 2016 corresponding to 14 Jumada Al-Thani 1437H.