

**AL-SEEF FUND**  
Managed by  
**ALBILAD INVESTMENT COMPANY**

**Financial Statements**  
**For the year ended 31 December 2011**  
together with the  
**Independent Auditors' Report to Unit Holders**



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of **Al Seef Fund** ("the Fund") managed by AlBilad Investment Company (the "Fund Manager") which comprise the balance sheet as at 31 December 2011 and the related statements of income, cash flows and changes in net assets attributable to unit holders for the year then ended and the attached notes (1) through (10) 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 the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Fund Manager 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 Fund's 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's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.



## INDEPENDENT AUDITORS' REPORT (Continued)

### *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 and its cash flows and 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: 5 Jumada I 1433H  
Corresponding to: 28 March 2012



**AL-SEEF FUND**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**BALANCE SHEET**  
As at 31 December  
*(Kuwaiti Dinars)*

	Note	2011	2010
<b>ASSETS</b>			
Cash and cash equivalents		<b>30,291</b>	--
Investments held for trading	5	<b>2,745,416</b>	3,693,030
<b>Total assets</b>		<b><u>2,775,707</u></b>	<u>3,693,030</u>
<b>LIABILITIES</b>			
Bank overdraft		--	20,810
Accrued expenses		<b>5,131</b>	20,291
<b>Total liabilities</b>		<b><u>5,131</u></b>	<u>41,101</u>
<b>Net assets attributable to unit holders</b>		<b><u>2,770,576</u></b>	<u>3,651,929</u>
<b>Units in issue (numbers)</b>		<b><u>5,567,726</u></b>	<u>6,427,173</u>
<b>Net assets value - per unit (Kuwaiti Dinar)</b>		<b><u><u>0.4976</u></u></b>	<u><u>0.5682</u></u>

The accompanying notes 1 to 10 form an integral part of these financial statement

**AL-SEEF FUND**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**STATEMENT OF INCOME**  
For the year ended 31 December  
*(Kuwaiti Dinar)*

	Note	2011	2010
<b>INCOME</b>			
Trading gain (loss)			
- Realised loss on investments		(479,552)	(190,351)
- Unrealised gain on investments		<u>79,740</u>	<u>532,838</u>
		<b>(399,812)</b>	342,487
<b>EXPENSES</b>			
Management fees	6	8,017	9,090
Other expenses		<u>12,691</u>	<u>13,353</u>
		<b>20,708</b>	22,443
<b>Net (loss) income for the year</b>		<b><u>(420,520)</u></b>	<b><u>320,044</u></b>

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

**AL-SEEF FUND**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December  
*(Kuwaiti Dinars)*

	<b>2011</b>	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net (loss) income for the year</b>	<b>(420,520)</b>	320,044
<i>Adjustment to reconcile net (loss) income to net cash from operating activities:</i>		
Unrealised gain on investments	<u>(79,740)</u>	<u>(532,838)</u>
	<b>(500,260)</b>	(212,794)
<b>Changes in operating assets and liabilities:</b>		
Investments held for trading	<b>1,027,354</b>	451,573
Accrued expenses	<u>(15,160)</u>	<u>10,856</u>
<b>Net cash from operating activities</b>	<b><u>511,934</u></b>	<u>249,635</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	<b>10,226</b>	9,825
Payment towards units redeemed	<u>(471,059)</u>	<u>(280,055)</u>
<b>Net cash used in financing activities</b>	<b><u>(460,833)</u></b>	<u>(270,230)</u>
Net increase (decrease) in cash and cash equivalents	<b>51,101</b>	(20,595)
Cash and cash equivalents at beginning of the year	<u>(20,810)</u>	<u>(215)</u>
<b>Cash and cash equivalents at end of the year</b>	<b><u>30,291</u></b>	<u>(20,810)</u>

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

**AL-SEEF FUND**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS**  
For the year ended 31 December  
*(Kuwaiti Dinars)*

	<b>2011</b>	2010
<b>Net assets value at beginning of the year</b>	<b>3,651,929</b>	3,602,115
<b>Net (loss) income from operations for the year</b>	<b>(420,520)</b>	320,044
<b>Changes from unit transactions</b>		
Proceeds from issuance of units	<b>10,226</b>	9,825
Payment towards units redeemed	<b>(471,059)</b>	(280,055)
<b>Net change from unit transactions</b>	<b>(460,833)</b>	(270,230)
<b>Net assets value at end of the year</b>	<b>2,770,576</b>	3,651,929

**UNIT TRANSACTIONS**

<b>Units at beginning of the year</b>	<b>6,427,173</b>	6,917,380
Units issued	<b>18,413</b>	18,459
Units redeemed	<b>(877,860)</b>	(508,666)
Net change in units	<b>(859,447)</b>	(490,207)
<b>Units at end of the year</b>	<b>5,567,726</b>	6,427,173

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

**AL-SEEF FUND**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2011

**1. GENERAL**

Al Seef Fund is an open-ended investment fund established and managed by AlBilad Investment Company (“the Fund Manager”) and licensed by the Saudi Arabian Monetary Agency (SAMA) through its letter number 15734/MZT dated 28 Shawaal 1426H (corresponding to 30 November 2005). The Fund commenced its operations on 1 January 2006.

The objective of the Fund is to achieve long term capital growth through investing in Sharia’h compliant equities listed in the Kuwaiti Stock Exchange with good track record. The Fund applies selection criteria in accordance with Sharia’h standards used by Global Islamic Index.

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 financial statements have been presented in accordance with the requirements of the accounting standard on financial reporting issued by the Saudi Organization of Certified Public Accountants (the “SOCPA”) and the terms and conditions stipulated in the management agreement.

These financial statements were authorized for issue by the Fund Board on 5 Jumada I 1433H corresponding to 28 March 2012.

**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, 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***

In the ordinary course of business, the preparation of financial statements requires the Fund Manager 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.

**AL-SEEF FUND**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2011

**4. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these financial statements are consistent with those used and disclosed in the previous year and are set out below:

**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. 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 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 are payable at agreed rates to the Fund Manager. These charges are calculated on each valuation date at the agreed annual percentage of the Fund’s net asset value.

The Fund Manager also recover expenses incurred on behalf of the Fund, such as regulatory and Sharia’h audits, legal, custody, brokerage, consultation services, data processing and other similar charges. Other expenses are recognized on an accrual basis.

**4.4 *Provisions***

Provisions are recognized when the Fund has a present legal or constructive obligation 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 measured or estimated.

**4.5 *Zakat and income tax***

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

**4.6 *Cash and cash equivalents***

Cash and cash equivalents comprise of balances held with a bank with an original maturity of less than ninety days.

**4.7 *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.

**AL-SEEF FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2011  
*(Kuwaiti Dinar)*

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4.8 Net asset value**

The net asset 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.

**4.9 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 are taken directly to the statement of income.

**5. INVESTMENTS HELD FOR TRADING**

	% of market value	Units	Market value
<i>31 December 2011</i>			
Al Durra Islamic Fund	100	2,523,968	2,745,416
<b>Total investment</b>	<b>100</b>	<b>2,523,968</b>	<b>2,745,416</b>
<i>31 December 2010</i>			
Al Durra Islamic Fund	100	2,997,589	3,693,030
<b>Total investment</b>	<b>100</b>	<b>2,997,589</b>	<b>3,693,030</b>
		<b>2011</b>	2010
Cost		<b>5,474,865</b>	6,502,219
Unrealised loss, net		<b>(2,729,449)</b>	(2,809,189)
		<b>2,745,416</b>	3,693,030

**6. TRANSACTIONS WITH RELATED PARTIES**

The Fund Manager and Bank AlBilad (Parent Company of the Fund Manager) are related parties and entities related to Bank AlBilad.

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 Manager.

The Fund pays a management fees calculated at an annual rate of 1.75% (2010: 1.75%) of the net asset value at each valuation date. Additionally, a subscription fees up to 3% (2010: 3%) of gross subscriptions is charged by the Fund Manager to cover administration costs and is netted off against proceeds from issuance of units.

**AL-SEEF FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2011  
*(Kuwaiti Dinar)*

**6. TRANSACTIONS WITH RELATED PARTIES (Continued)**

Name of related party	Nature of transaction	Value of transactions during the year		Closing balance	
		2011	2010	2011	2010
AlBilad Investment Company	Management fees	8,017	9,090	1,816	6,938
	Other expenses	11,082	11,661	2,894	11,661
Bank AlBilad	Cash and cash equivalents	--	--	30,291	(20,810)

**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 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.

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.

**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. The Fund is exposed to the credit risk as investment in the underlying fund may not be able to discharge its obligation. The Fund has always been able to redeem its investments in the underlying fund on time during the year. The Fund Manager believes that credit risk is minimal as underlying fund has made investments in quoted securities.

**AL-SEEF FUND**  
**MANAGED BY ALBILAD INVESTMENT COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2011  
(*Kuwaiti Dinar*)

**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

**8.2 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 as the underlying investments comprise unit of the Fund. The Fund Manager relies on the risk management policies of the underlying fund to manage its equity price risk which are reviewed on regular basis.

**8.3 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.

**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.

The Fund is not subject to currency risks arising from its investment in international fund as the underlying investment comprise of investment in Kuwaiti Dinar only. The Fund Manager relies on the risk management policies of the underlying fund to manage its currency risk which are reviewed on regular basis.

**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 bank balances and held for trading investments and its financial liabilities consist of certain other liabilities. 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.

**10. LAST VALUATION DATE OF THE YEAR**

The last valuation date of the year was 29 December 2011 (2010: 30 December 2010).