

**KUWAITI EQUITY FUND (“AL-SEEF”)  
MANAGED BY ALBILAD INVESTMENT COMPANY  
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016  
AND LIMITED REVIEW REPORT TO THE UNIT HOLDER**

**KUWAITI EQUITY FUND ("AL-SEEF")  
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INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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## LIMITED REVIEW REPORT

July 26, 2016

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 of Kuwaiti Equity Fund ("Al-SeeF") (the "Fund") as of 30 June 2016, and the related interim statements of income, cash flows and changes in net assets attributable to the unit holders for the six-month period then ended and the related notes from (1) to (13) 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**

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

Omar M. Al Sagga  
License Number 369



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

		<b>As at 30 June</b>	
	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>			
Cash and cash equivalents	7	685,872	97,799
Investments held for trading	6	1,045,432	2,111,043
<b>Total assets</b>		<b>1,731,304</b>	<b>2,208,842</b>
<b>LIABILITIES</b>			
Accrued management fee	5,7	24,628	7,010
Accrued expenses		6,397	1,291
<b>Total liabilities</b>		<b>31,025</b>	<b>8,301</b>
<b>Net assets attributable to unit holders</b>		<b>1,700,279</b>	<b>2,200,541</b>
<b>Units in issue (units)</b>		<b>4,874,295</b>	<b>4,940,402</b>
<b>Net assets value - per unit (Kuwaiti Dinar)</b>		<b>0.3488</b>	<b>0.4454</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**  
**INTERIM STATEMENT OF INCOME (UN-AUDITED)**  
 (All amounts in Kuwaiti Dinar unless otherwise stated)

	Note	For the six-month period ended 30 June	
		2016	2015
<b>INCOME</b>			
Dividend income, net	10	30,611	47,680
Trading (losses) / gains, net			
- Realised (loss) / gain on investments		(443,653)	372
- Movement in unrealised gain / (loss) on investments		222,883	(63,260)
		<u>(190,159)</u>	<u>(15,208)</u>
<b>EXPENSES</b>			
Management fees	5,7	(15,304)	(19,963)
Other expenses	5	(2,544)	(2,661)
		<u>(17,848)</u>	<u>(22,624)</u>
<b>Net loss for the period</b>		<u><b>(208,007)</b></u>	<u><b>(37,832)</b></u>

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

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

	<b>For the Six-month ended June 30</b>	
	<b>2016</b>	<b>2015</b>
<b>OPERATING ACTIVITIES</b>		
<b>Net loss for the period</b>	<b>(208,007)</b>	<b>(37,832)</b>
Adjustment to reconcile loss to net cash from operating activities:		
Movement in unrealised gain / (loss) on investments held for trading, net	<b>(222,883)</b>	63,260
	<b>(430,890)</b>	25,428
<b>Changes in operating assets and liabilities:</b>		
Investments held for trading	<b>1,035,514</b>	6,634
Other assets	-	79
Accrued management fee	<b>8,618</b>	(498)
Accrued expenses	<b>2,544</b>	(29)
<b>Net cash generated from operating activities</b>	<b>615,786</b>	<b>31,614</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	-	1,171
Payment towards units redeemed	<b>(20,765)</b>	<b>(15,986)</b>
<b>Net cash used in financing activities</b>	<b>(20,765)</b>	<b>(14,815)</b>
Net increase in cash and cash equivalent	<b>595,021</b>	16,799
Cash and cash equivalent at beginning of the period	<b>90,851</b>	81,000
<b>Cash and cash equivalents at end of the period</b>	<b>685,872</b>	<b>97,799</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**  
**INTERIM STATEMENT OF CHANGES IN NET ASSETS (UN-AUDITED) ATTRIBUTABLE TO UNIT HOLDERS**  
 (All amounts in Kuwaiti Dinar unless otherwise stated)

	For the six month period ended 30 June	
	2016	2015
<b>Net assets value at beginning of the period</b>	1,929,051	2,253,188
<b>Net loss for the period</b>	(208,007)	(37,832)
<b>Changes from unit transactions</b>		
Proceeds from issuance of units	-	1,171
Payment towards units redeemed	(20,765)	(15,986)
<b>Net change from unit transactions</b>	(20,765)	(14,815)
<b>Net assets value at end of the period</b>	<b>1,700,279</b>	<b>2,200,541</b>
<b>UNIT TRANSACTIONS (units)</b>		
	For the six-month period ended 30 June	
	2016	2015
<b>Units at beginning of the period</b>	4,931,998	4,972,195
Units issued	-	2,585
Units redeemed	(57,703)	(34,378)
<b>Net change in units</b>	(57,703)	(31,793)
<b>Units at end of the period</b>	<b>4,874,295</b>	<b>4,940,402</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 INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016  
(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 interim 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 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 2015.

**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 2015.

**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



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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 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 are (including assets and liabilities designated at fair value through statement of income) 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 interim 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 period-end.

**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.

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

The Fund Manager charges each investor a subscription fee of a percentage not exceeding 3% (2015: 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% (2015: 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% (2015: 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.

**6. INVESTMENTS HELD FOR TRADING**

	2016	2015
Cost	1,241,266	2,281,336
Unrealised loss, net	(195,834)	(170,293)
	<u>1,045,432</u>	<u>2,111,043</u>

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	
	2016	2015	2016	2015	2016	2015
Banks and financial services	75	87	947,701	1,961,577	785,784	1,835,213
Telecommunication	13	-	141,705	-	130,200	-
Real estate	11	7	139,843	182,264	117,248	156,703
Industrial	1	2	12,017	64,792	12,200	56,592
Healthcare	-	1	-	30,655	-	24,415
Basic material	-	1	-	19,621	-	21,986
Oil & gas	-	1	-	21,921	-	15,778
Insurance	-	1	-	506	-	356
<b>Total investments</b>	<b>100</b>	<b>100</b>	<b>1,241,266</b>	<b>2,281,336</b>	<b>1,045,432</b>	<b>2,111,043</b>

**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 period		Closing balance	
		2016	2015	2016	2015
AlBilad Investment Company	Management fees	8,717	11,405	24,628	5,638
Bank AlBilad	Cash and cash equivalents	-	-	29	7,491

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).

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**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.

**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.

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**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 interim 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.

**12. LAST VALUATION DATE OF THE YEAR / PERIOD**

In accordance with the terms and condition of the Fund, the last valuation day of the period was June 29, 2016 (2015: 28 June 2015).

**13. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These interim financial statements were approved by the Fund Board before issuance.