

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

**SAUDI PURE EQUITY FUND (“ASAYEL”)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

Index	Pages
Independent auditors' report	1
Balance sheet	2
Statement of income	3
Statement of cash flows	4
Statement of changes in net assets attributable to unit holders	5
Notes to the financial statements	6 - 11



INDEPENDENT AUDITORS' REPORT

To the Unit Holders and the Fund Manager of
Saudi Pure Equity Fund ("Asayel"):

March 29, 2016

Scope of audit

We have audited the accompanying balance sheet of the Saudi Pure Equity Fund ("Asayel") ("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

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

By:

Omar M. Al Sagga
License Number 369

**SAUDI PURE EQUITY FUND (“ASAYEL”)
MANAGED BY ALBILAD INVESTMENT COMPANY
BALANCE SHEET**
(All amounts in Saudi Riyals ‘000’ unless otherwise stated)

		As at 31 December	
	Notes	2015	2014
ASSETS			
Cash and cash equivalents		60,623	144,817
Investments held for trading	6	522,116	580,056
Total assets		582,739	724,873
LIABILITIES			
Accrued management fee	7	2,720	3,533
Accrued expenses		7	63
Total liabilities		2,727	3,596
Net assets attributable to unit holders		580,012	721,277
Units in issue (numbers ‘000)		1,150,993	1,224,635
Net assets value – per unit (Saudi Riyal)		0.5039	0.5890

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

**SAUDI PURE EQUITY FUND (“ASAYEL”)
MANAGED BY ALBILAD INVESTMENT COMPANY
STATEMENT OF INCOME**
(All amounts in Saudi Riyals ‘000’ unless otherwise stated)

		For the year ended 31 December	
	Notes	2015	2014
INCOME			
Dividend income, net	10	19,327	22,524
Trading (losses) / gains, net			
- Realised gain on investments		45,955	120,295
- Movement in unrealised loss on investments		(146,591)	(67,571)
		(81,309)	75,248
EXPENSES			
Management fees	5,7	(13,058)	(14,454)
Other expenses	5	(121)	(203)
		(13,179)	(14,657)
Net (loss) / income for the year		(94,488)	60,591

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

**SAUDI PURE EQUITY FUND (“ASAYEL”)
MANAGED BY ALBILAD INVESTMENT COMPANY
STATEMENT OF CASH FLOWS**
(All amounts in Saudi Riyals ‘000’ unless otherwise stated)

	For the year ended 31 December	
	2015	2014
OPERATING ACTIVITIES		
Net (loss) / income for the year	(94,488)	60,591
<i>Adjustment to reconcile net (loss) / income to net cash from operating activities:</i>		
Movement in unrealised loss on investments	146,591	67,571
	52,103	128,162
Changes in operating assets and liabilities		
Investments held for trading, net	(88,651)	(37)
Accrued management fee	(813)	268
Accrued expenses	(56)	(6)
Net cash (Used in) / from operating activities	(37,417)	128,387
FINANCING ACTIVITIES		
Proceeds from issuance of units	4,822	6,232
Payment towards units redeemed	(51,599)	(95,742)
Net cash used in financing activities	(46,777)	(89,510)
Net (decrease) / increase in cash and cash equivalents	(84,194)	38,877
Cash and cash equivalents at beginning of the year	144,817	105,940
Cash and cash equivalents at end of the year	60,623	144,817

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

**SAUDI PURE EQUITY FUND (“ASAYEL”)
MANAGED BY ALBILAD INVESTMENT COMPANY
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS**
(All amounts in Saudi Riyals ‘000’ unless otherwise stated)

	For the year ended 31 December	
	2015	2014
Net assets value at beginning of the year	721,277	750,196
Net (loss) / income for the year	(94,488)	60,591
Changes from unit transactions		
Proceeds from issuance of units	4,822	6,232
Payment towards units redeemed	(51,599)	(95,742)
Net change from unit transactions	(46,777)	(89,510)
Net assets value at end of the year	580,012	721,277

UNIT TRANSACTIONS

(Units in ‘000)

	For the year ended 31 December	
	2015	2014
Units at beginning of the year	1,224,635	1,365,853
Units issued	6,964	9,878
Units redeemed	(80,606)	(151,096)
Net change in units	(73,642)	(141,218)
Units at end of the year	1,150,993	1,224,635

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

**SAUDI PURE EQUITY FUND (“ASAYEL”)
MANAGED BY ALBILAD INVESTMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**
(All amounts in Saudi Riyals ‘000’ unless otherwise stated)

1. THE FUND AND ITS ACTIVITIES

Saudi Pure Equity Fund (Asayel Fund) (“the Fund”) is an open-ended investment fund established and 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 capital growth with strong returns over the long term (at least three years). The Fund is managing a diversified portfolio including local shares that comply with the criteria set by the Sharia’h Board.

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 on financial reporting 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 Saudi Riyals, which is the functional currency of the Fund. All financial information presented in SR has been rounded to the nearest thousand.

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.

**SAUDI PURE EQUITY FUND (“ASAYEL”)
MANAGED BY ALBILAD INVESTMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**
(All amounts in Saudi Riyals ‘000’ unless otherwise stated)

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 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 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 not exceeding the limits mentioned in the terms and conditions of the Fund. These charges are calculated and accrued on each valuation date.

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.

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.

**SAUDI PURE EQUITY FUND (“ASAYEL”)
MANAGED BY ALBILAD INVESTMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**
(All amounts in Saudi Riyals ‘000’ unless otherwise stated)

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 de-recognition 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 2% (2014: 2%) of the subscribed amount to cover administration costs and is netted off against proceeds from issuance of units.

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. Custody fees and Sharia’h Committee fees are included within the charged management fees in the line with the Funds’ terms and conditions.

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
Printing expenses	5.2	59	140
Benchmarking expenses		26	26
Professional fees	5.1	23	23
CMA and Tadawul fees		12	12
Other		1	2
		121	203

5.1 During the year, the Fund Manager initially calculated a lower Net asset Value (NAV) for the period from 23 July 2015 to 9 December 2015 based on a revised audit fees of SR 90,000 which was not approved by the Capital Market Authority (“CMA”) at that date. During December 2015, the Fund Manager recalculated and increased the NAV for the stated period based on audit fees of 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 unit holders and the Fund accordingly in the amounts of SR 701 and SR 24, respectively, with respect to the units redeemed and subscribed at a lower NAV during the stated period.

5.2 Printing charges are allocated to the Fund by the Fund Manager based on the actual cost of printing.

6. INVESTMENTS HELD FOR TRADING

	Notes	2015	2014
Equities - Quoted	6.1	495,926	547,955
Mutual funds	6.2	26,190	32,101
		522,116	580,056
Cost		658,964	570,313
Unrealised gain, net		(136,848)	9,743
		522,116	580,056

**SAUDI PURE EQUITY FUND (“ASAYEL”)
MANAGED BY ALBILAD INVESTMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**
(All amounts in Saudi Riyals ‘000’ unless otherwise stated)

6.1 The Fund Manager has invested in the following sectors

Description by industry segment	% of market value		Cost		Market value	
	2015	2014	2015	2014	2015	2014
Banks & financial services	29	35	210,160	232,701	153,620	207,395
Retail	29	10	186,524	35,777	153,704	59,065
Petrochemical industries	12	11	74,073	67,998	59,262	69,486
Agriculture & food	6	11	34,946	51,282	32,167	61,082
Cement	5	7	30,159	27,611	24,442	38,912
Transport	5	-	26,448	-	23,947	-
Building & construction	4	5	40,865	29,155	22,392	27,797
Industrial investment	3	7	20,593	54,611	16,322	43,214
IPO	1	-	5,153	-	5,153	-
Hotel & tourism	1	1	3,965	3,979	4,917	4,728
Real estate development	-	6	-	35,136	-	36,276
Total investment in equities	95	94	632,886	538,250	495,926	547,955

6.2 The investment in the investment fund consists of the following as of 31 December:

Market	% of market value		Cost		Market value	
	2015	2014	2015	2014	2015	2014
Al-Murabeh Fund	5	6	26,078	32,063	26,190	32,101
Total	100	100	658,964	570,313	522,116	580,056

Investment in mutual funds represents investments in units of Al Murabeh fund (open ended fund) managed by AlBilad Investment Company. The primary activity of Al Murabeh fund is to invest in Shari’ah compliant Murabaha contracts whereas GCC Ithmar Fund’s objective is to invest in Shari’ah compliant shares of GCC listed companies. Investments in the funds are subject to management fees in line with investee Fund terms and conditions.

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

Name of related party	Nature of transaction	Value of transactions during period		Closing balance	
		2015	2014	2015	2014
AlBilad Investment Company	Management fees	13,058	14,454	2,720	3,533
	Cash and cash equivalents (investment account balance)	-	-	60,623	144,817
Al-Murabih Fund	Units redeemed	89,800	74,509	-	-
	Units purchased	96,020	47,001	-	-
	Investment	-	-	26,190	32,101
Aqar Fund	Investment in Fund’s units as unit holder	-	-	-	-
	Units purchased	-	315	-	-
	Units redeemed	632	-	-	-
	Investment	-	-	-	731

**SAUDI PURE EQUITY FUND (“ASAYEL”)
MANAGED BY ALBILAD INVESTMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**
(All amounts in Saudi Riyals ‘000’ unless otherwise stated)

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 available for purchasing only in the Kingdom of Saudi Arabia at 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 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 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.

Asset allocation is determined by the Fund Manager with a view for achieving the investment objectives.

The Fund maintains positions in different 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 a related party (note 7) that has a good credit rating.

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 in the Saudi stock exchange. Equity price risk is managed by diversifying the portfolio. This is achieved by investing in securities in various sectors of the market (note 6.2) 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.

**SAUDI PURE EQUITY FUND (“ASAYEL”)
MANAGED BY ALBILAD INVESTMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**
(All amounts in Saudi Riyals ‘000’ unless otherwise stated)

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. All the Fund's transactions and balances are in Saudi Riyals and therefore it is not exposed to currency risk.

9.5 Profit rate risk

Profit rate risk arises from the possibility that changes in market profit rate will affect future returns or the fair value of the Murabaha contracts. The Fund is not significantly exposed to profit rate risk. The financial assets of the Fund are not exposed to profit rate risk as Murabaha investments are held to maturity and are entered for short term at fixed rates of profit.

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 of 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 the stock market can cause fluctuation in the investment portfolio.

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.